

Western Oklahoma State College
(A Component Unit of the State of Oklahoma)

Financial Statements
With Independent Auditors' Reports Thereon

June 30, 2023

WESTERN OKLAHOMA STATE COLLEGE
(A Component Unit of the State of Oklahoma)

Table of Contents (Continued)

	<u>Page</u>
<u>Independent Auditor’s Report</u>	1
<u>Management’s Discussion and Analysis</u>	4
<u>Basic Financial Statements:</u>	
Statement of Net Position.....	10
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements	15
<u>Required Supplementary Information:</u>	
Schedule of the College’s Proportionate Share of the Net Pension Liability (Oklahoma Teachers’ Retirement System - OTRS)	53
Schedule of the College’s Pension Contributions (Oklahoma Teachers’ Retirement System)	54
Schedule of Changes in Net OPEB Liability and Related Ratios.....	55
Schedule of the College’s Proportionate Share of the Net Pension Liability (Asset) (Supplemental Health Insurance Program)	56
Schedule of the College’s Contributions (Supplemental Health Insurance Program)	57

(Continued)

WESTERN OKLAHOMA STATE COLLEGE
(A Component Unit of the State of Oklahoma)

Table of Contents (Continued)

Page

Information Required by *Government Auditing Standards* and the Uniform Guidance:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	61
Schedule of Expenditures of Federal Awards.....	64
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Findings and Questioned Costs.....	66
Summary Schedule of Prior Audit Findings.....	68



INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Opinions

We have audited the accompanying financial statements of Western Oklahoma State College (the "College") and its discretely presented component unit, a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the College's discretely presented component unit, Western Oklahoma State College Foundation, Inc. (the "Foundation"). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the College adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates PC

Edmond, Oklahoma
October 31, 2023



WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2023 and 2022

Introduction

This section of Western Oklahoma State College's (Western) Comprehensive Annual Report presents management's discussion and analysis of Western's financial performance during the fiscal year ended June 30, 2023, with fiscal year 2022 data presented for comparative purposes. Since this management discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with Western's financial statements and the footnotes.

Using This Report

The Annual Financial Report is presented in five parts: management's discussion and analysis, independent accountants' report, financial statements, notes to financial statements, and required supplemental information.

The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows display information about the College as an entity. The statements are prepared treating the College as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for the goods or services provided. The College charges fees to its students to help cover all or part of the cost of providing services. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These three statements report the College's net position and cash and changes in them. The reader can think of the College's net position – the difference between assets and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however, such as changes in enrollment trends, student retention, construction projects, physical plant condition, etc., to assess the overall health of the College.

Financial Analysis of the College as a Whole

As of June 30, 2023, Western's net position increased by \$968,657 to \$14,960,945. Operating expenses for the fiscal year ended June 30, 2023, were \$13,669,100, a decrease of \$1,803,273 from fiscal year 2022. Operating revenue totaled \$4,699,396, an increase of \$261,491 from fiscal 2022. This is due primarily to an increase in federal grants received. Operating revenue includes tuition and fees, federal and state grants and contracts, and auxiliary services. Non-operating revenues include state appropriations and some federal and state grants. State appropriations increased by \$122,507 and net non-operating revenues as a whole decreased \$1,816,026 as compared to fiscal 2022.

Western has a capital lease obligation to the Oklahoma Capital Improvement Authority (OCIA), which originated during the fiscal year ended June 30, 2006. This obligation is in the amount of \$6,000,000 for capital improvements, which is being paid by OCIA as on-behalf payments. In 2010 and 2014, Western's lease agreement was restructured by OCIA. During fiscal year 2021, the ODFB issued new Bond Series 2021A which included a portion for Western in the amount of \$ 3,164,000. Monthly payments of principal and interest are paid by Western and supported through facility fees paid by students.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2023 and 2022

The Statement of Net Position

The statement of net position reports Western's financial position. Net position – the difference between assets and liabilities – is one way to measure the College's health, or position. Over time, increases or decreases in the College's net position are an indicator of whether or not its financial health is improving. Non-financial factors, such as student enrollment and condition of campus buildings, are also important to consider.

This statement includes all assets and liabilities using the accrual basis of accounting. The following summarizes the College's assets, liabilities, and net position as of June 30:

Statement of Net Position at June 30

	2023	2022
Current Assets	\$ 7,022,221	\$ 6,957,247
Noncurrent Assets	22,284,258	21,852,436
Total Assets	29,306,479	28,809,683
Deferred Outflows of Resources	2,480,960	2,114,857
Current Liabilities	1,525,024	912,314
Noncurrent Liabilities	13,786,972	11,313,517
Total Liabilities	15,311,996	12,225,831
Deferred Inflows of Resources	1,514,498	4,706,422
Net Investment in Capital Assets	15,055,440	13,967,974
Restricted	821,481	1,138,243
Unrestricted	(915,976)	(1,113,930)
Total Net Position	\$ 14,960,945	\$ 13,992,287

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2023 and 2022

Account Analysis

The following paragraphs explain the changes in the major categories of the accompanying financial statements for the current year.

Assets

Assets are presented in two major classifications. Current assets represent resources that are available to meet current operational needs. Cash equivalents represent investments with the State Cash Management Program, which is managed by the Oklahoma State Treasurer.

These investments are immediately convertible to cash as the need arises. Accounts receivable represent monies due to the College, which are expected to be collected within a short amount of time.

Non-current assets represent resources that will not be available to meet current obligations. A major component of non-current assets is capital assets. Capital assets are made up of the College's land, buildings, equipment, library resources and improvements related to land and buildings. Capital assets are reported net of accumulated depreciation. Capital asset activity is summarized in *Note 4* to the financial statements.

Liabilities

Liabilities are also separated into current and non-current classifications. Current liabilities are those obligations that are due immediately and will be paid from current resources. Current liabilities increased from fiscal year 2022 due primarily to an increase in accounts payable and accrued expenses.

Non-current liabilities are comprised primarily of bonds payable and capital lease obligations. The College entered into a lease agreement with the Oklahoma Capital Improvement Authority (OCIA) in 2005 which resulted in a lease obligation payable to OCIA. The debt incurred through obtaining bond financing for dormitory construction is also reflected in the non-current liabilities section of this audit report. Both revenue bonds and capital lease agreements related to the College are discussed in greater detail in *Note 5* to the financial statements. Non-current liabilities increased from 2022 as a result of a large increase in the OTS pension liability.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2023 and 2022

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position reports the results of Western's activities and their effect on net position. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following summarizes CASC's revenues, expenses, and changes in net position for the years ending June 30:

Operating Results for Years Ended June 30

	2023	2022
Operating Revenues		
Tuition and fees, net	\$2,537,202	\$2,524,049
Federal grants and contracts	974,445	737,977
State and local grants	355,006	240,812
Auxiliary enterprises	417,844	356,434
Other	414,899	578,633
Total Operating Revenues	4,699,396	4,437,905
Operating Expenses	(13,669,100)	(15,210,882)
Operating Loss	(8,969,704)	(10,772,977)
Nonoperating Revenues (Expenses)		
State appropriations	4,772,327	4,649,820
Federal grants	2,675,192	4,994,554
State grants	810,370	646,399
On-behalf payments for OTRS	442,198	301,489
Interest on capital asset-related debt	(204,234)	(222,413)
Contributions and other nonoperating expenses	114,124	56,154
State appropriations restricted for capital purposes	1,000,000	900,000
OCIA on-behalf payments for capital leases	328,384	111,046
Net Nonoperating revenues	9,938,361	11,437,049
Net Increase (Decrease) in Net Position	968,657	664,072
Net Position, Beginning of Year	13,992,287	13,328,215
Net Position, End of Year	\$14,960,944	\$13,992,287

Revenues

Revenues are classified as either operating or non-operating. As noted above, operating revenues for 2023 increased by \$261,491 from 2022 while non-operating revenues decreased \$1,498,688 from 2022. Federal, state, and private grants and contracts made up 29% of total operating revenues in 2023. Tuition and fees accounted for 54% of total operating revenues. Auxiliary revenue accounts for 9% of operating revenues. State appropriations accounted for 48% of non-operating revenues in 2023. Federal and state grants comprised 35% of non-operating revenues.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2023 and 2022

Expenses

Expenses are classified as either operating or non-operating. As with most organizations, employee compensation represents the largest category of expense. Total compensation (salaries, benefits, and pensions) represented 54% of total operating expenses for 2023.

The Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The College maintains a healthy cash flow and is able to adequately meet its financial obligations.

Cash Flows for the Years Ended June 30

	2023	2022
Cash Flows Provided (Used) By		
Operating activities	\$ (8,000,239)	\$ (9,876,668)
Noncapital financing activities	8,348,375	10,334,896
Investing activities	23,638	8,581
Capital and related financing activities	(1,902,105)	(2,260,475)
Net Increase (Decrease) in Cash	(1,530,331)	(1,793,666)
Cash and Equivalents, Beginning of Year	8,590,966	10,384,632
Cash and Equivalents, End of Year	\$ 7,060,635	\$ 8,590,966

Economic Factors that Will Affect the Future

Funding provided by the State of Oklahoma has a major impact on the economic position of Western Oklahoma State College. FY23 resulted in a slight increase in state appropriations after a slight increase in FY22. The Western Board of Regents have been able to maintain affordable tuition and fees during this period. The future appears to hold stable or slightly increasing enrollment numbers as Western expands further into online education. The College maintains a very strong cash reserve and effectively manages all funds per budget plans. Western also actively pursues non-state sources of revenue to provide programs and educational opportunities. The financial outlook for the State of Oklahoma as a whole appears to be solid and Western Oklahoma State College remains a viable and financially sound institution of higher learning.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2023 and 2022

Request for Information

This financial report is designed to provide a general overview of Western Oklahoma State College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to: Brian E. Roberts, CPA, Vice President Business Affairs, c/o Western Oklahoma State College, 2801 N. Main, Altus, OK 73521.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2023

	WOSC	WOSC Development Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,838,226	\$ 119,053
Accounts receivable, net of allowance for doubtful accounts of \$1,775,258	1,112,528	-
Inventories	71,467	-
Total Current Assets	7,022,221	119,053
Noncurrent Assets		
Restricted cash and cash equivalents	1,222,409	-
Investments	-	7,021,135
Net other post employment benefit asset	47,623	-
Right of use assets	157,925	-
Intangible subscription asset, net of accumulated amortization	305,118	-
Other assets	-	85,000
Capital assets, net of accumulated depreciation	20,551,183	-
Total Noncurrent Assets	22,284,258	7,106,135
Total Assets	29,306,479	7,225,188
Deferred Outflows of Resources		
Pensions	2,389,683	-
Other post employment benefit	91,277	-
Total Deferred Outflow of Resources	2,480,960	-
Total Assets and Deferred Outflows of Resources	\$ 31,787,439	\$ 7,225,188

See Notes to the Financial Statements.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2023
(Continued)

	WOSC	WOSC Development Foundation
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 639,020	\$ -
Payable to Western Oklahoma State College	-	25,640
Unearned revenue	104,228	-
Accrued liabilities	77,379	-
Accrued compensated balances	61,757	-
Deposits held in custody for others	224,332	86,698
Current portion of lease liability	51,036	-
Current portion of subscription liability	56,553	-
Current portion of long-term debt	310,719	-
Total Current Liabilities	1,525,024	112,338
Noncurrent Liabilities, net of current portion		
Obligations under lease liability	120,769	-
Obligations under subscription liability	122,577	-
Obligations under debt	4,814,624	-
Net pension liability	8,551,483	-
Other post employment benefit liability	177,519	-
Total Noncurrent Liabilities	13,786,972	-
Total Liabilities	15,311,996	112,338
Deferred Inflows of Resources		
Deferred debt premium	621,681	-
Pensions	813,103	-
Other post employment benefit	79,714	-
Total Deferred Inflows of Resources	1,514,498	-
Net Position		
Net investment in capital assets	15,055,440	-
Restricted for:		
Nonexpendable	-	5,866,737
Expendable		
Instruction, scholarships and other	302,496	-
Capital projects	709,429	-
OPEB	(190,444)	-
Unrestricted	(915,976)	1,246,113
Total Net Position	14,960,945	7,112,850
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 31,787,439	\$ 7,225,188

See Notes to the Financial Statements.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	WOSC	WOSC Development Foundation, Inc.
	<u>WOSC</u>	<u>Foundation, Inc.</u>
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$2,393,000	\$ 2,537,202	\$ -
Federal grants and contracts	974,445	-
State and local grants and contracts	355,006	-
Sales and services of auxiliary enterprises, net	417,844	-
Other operating revenues	414,899	-
Contributions and donations	-	251,406
Special event, net	-	18,792
Interest and dividend income	-	175,005
Net realized/unrealized gain (loss) on investments	-	127,705
Total Operating Revenues	<u>4,699,396</u>	<u>572,908</u>
Operating Expenses		
Compensation	7,313,714	-
Contract services	838,091	76,114
Supplies and materials	1,516,870	4,998
Scholarships and fellowships	968,006	148,721
Communications	47,909	-
Depreciation	989,112	-
Amortization	125,318	-
Utilities	391,044	-
Other operating expenses	1,479,036	38,619
Total Operating Expenses	<u>13,669,100</u>	<u>268,452</u>
Operating Profit (Loss)	<u>(8,969,704)</u>	<u>304,456</u>
Nonoperating Revenues (Expenses)		
State appropriations	4,772,327	-
Federal grants and contracts	2,675,192	-
State and local grants	810,370	-
OTRS on-behalf contributions	442,198	-
Investment income	23,638	-
State regent endowment contributions	90,086	-
Interest expense	(204,234)	-
Net Nonoperating Revenues	<u>8,609,577</u>	<u>-</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(360,127)	304,456
Capital grants and gifts	400	-
State appropriations restricted for capital purposes	1,000,000	-
OCIA on-behalf appropriations	328,384	-
Change in Net Position	968,657	304,456
Net position, Beginning of Year	<u>13,992,288</u>	<u>6,808,394</u>
Net Position, End of Year	<u>\$ 14,960,945</u>	<u>\$ 7,112,850</u>

See Notes to the Financial Statements.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For the Year Ended June 30, 2023

	<u>WOSC</u>	<u>WOSC Development Foundation, Inc.</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 2,270,696	\$ -
Grants and contracts	1,329,451	-
Auxiliary enterprise sales and service	515,795	-
Payments to suppliers	(5,125,211)	-
Payments to employees for salaries and benefits, net on-behalf payments	(7,405,869)	-
Other operating receipts	414,899	178,198
Net cash provided by (used in) operating activities	<u>(8,000,239)</u>	<u>178,198</u>
Cash Flows from Noncapital Financing Activities		
Federal direct loan program receipts	790,321	-
Federal direct loan program disbursements	(790,321)	-
State appropriations	4,772,327	-
Grants and contracts	3,485,962	-
Gifts for other than capital purposes	90,086	-
Net cash provided by noncapital financing activities	<u>8,348,375</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(2,834,399)	-
Principle paid on capital leases and bonds	(185,938)	-
Interest paid on capital leases and bonds	(93,187)	-
Disposition of assets	211,419	-
Capital appropriations-state	1,000,000	-
Net cash used in capital and related financing activities	<u>(1,902,105)</u>	<u>-</u>
Cash Flows from Investing Activities		
Interest received on investments	23,638	-
Proceeds from sale of investments	-	705,755
Purchases of investments	-	(907,517)
Net cash provided by (used in) investing activities	<u>23,638</u>	<u>(201,762)</u>
Net (decrease) in cash and cash equivalents	(1,530,331)	(23,564)
Cash and Cash Equivalents, Beginning of Year	<u>8,590,966</u>	<u>142,617</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,060,635</u>	<u>\$ 119,053</u>

See Notes to the Financial Statements.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For the Year Ended June 30, 2023
(Continued)

	WOSC
Reconciliation of operating loss to cash provided by (used in) operating activities	
Operating loss/change in net assets	\$ (8,969,704)
Adjustments to reconcile operating loss/change to net cash provided by (used in) operating activities	
Depreciation expense	989,112
State of Oklahoma on-behalf contributions to OTRS	442,198
Changes in assets and liabilities	
Student accounts receivable	(270,770)
Other assets	91,049
Inventories	40,363
Lease and intangible subscription assets	(16,857)
Compensated absences	9,349
Accounts payable and accrued expenses	157,939
Unearned revenue and other	102,215
Net pension liability	2,982,894
Deferred outflows	(366,103)
Deferred inflows	<u>(3,191,924)</u>
Net Cash Used in Operating Activities	<u>\$ (8,000,239)</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities	
On-behalf principal and interest paid by OCIA	\$ 328,384
Reconciliation of Cash and Cash Equivalents to Statements of Net Position	
Current Assets:	
Cash and cash equivalents	5,838,226
Noncurrent Assets:	
Restricted cash and cash equivalents	<u>1,222,409</u>
Net cash provided by capital and related financing activities	<u>\$ 7,060,635</u>

See Notes to the Financial Statements.

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Western Oklahoma State College (the “College”) is a 2-year, state supported College operating under the jurisdiction of the Board of Regents of Western Oklahoma State College (the “Board of Regents”) and the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma. The college is accredited by Higher Learning Commission.

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*, 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 or incomplete.

Western Oklahoma State College 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 is discretely presented in the College’s financial statements. Separate financial statements of the Foundation can be requested from the Foundation’s controller.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 958, “Not-for-Profit Entities.” As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

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 – or State and Local Governments* (GASB 34), and GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis—for Public Colleges and Universities* (GASB 35).

Under GASB 34 and GASB 35, the College is required to present a statement of net position classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net position with separate presentation for operating and non-operating revenues and expenses; and a statement of cash flows using the direct method.

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after October 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents

For purposes of the statement 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.

Restricted Cash

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

Deposits and Investment

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3 (GASB 40), the College has disclosed its deposit and investment policies related to the risks identified in GASB 40.

In accordance with GAAP authoritative guidance on fair value measurements and disclosures, the College's investments measured and reported at fair value are classified according to the following hierarchal input levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets.

Level 2 - Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3 - Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deposits and Investment (Continued)

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2023, the College had no investments.

Accounts Receivable and Other Receivables

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded as revenue when received.

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

Capital Assets

Capital assets are stated at cost, or fair value if acquired by gifts, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$1,500 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 occurs. Livestock is stated at fair market value. Land and livestock are not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are utilized by the College:

Land improvements	5-25 years
Buildings and improvements	50 years
Furniture, fixtures, and equipment	7-20 years
Infrastructure	50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Leases and subscription-based assets are amortized over the life of the associated contract.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Amounts received from grant and contract sponsors that have not yet been earned, unless due to timing requirements, will be considered deferred revenue. Grant and contract sponsor amounts received but not recognized due to timing requirements will be reported as a deferred inflow of resources.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement 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 including the federal portion of the Perkins loan Program, that will not be paid within the next fiscal year.

Subscription-based Information Technology arrangements (SBITA)

The College is a party as lessee for various noncancellable long-term subscriptions of intangible software. The corresponding subscription payable is recorded in an amount equal to the present value of the expected future minimum subscription payments discounted by an applicable interest rate.

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. The College generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases unless the rate that the lessor/vendor charged is known.

Inventories

Inventories consist of books and supplies held for resale at the bookstore, which are valued at the lower of cost (first-in, first-out basis) or market.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

The College's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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.

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

Unrestricted net position: Unrestricted net position 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 unrestricted resources, and then towards restricted resources.

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 unrestricted resources, and then towards restricted resources.

Income Taxes

The College, as a political subdivision of the State of Oklahoma, is exempt from all 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).

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: 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) 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 revenues, 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 statement 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 non-operating 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 and Deferred Inflows of Resources

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, 2023, the College's deferred outflows of resources were comprised of contributions to pensions and other post retirement benefits applicable to a future reporting period.

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, 2023, the College's deferred inflows of resources were comprised of deferred inflows related to net pension and other post retirement benefit obligations and debt premium.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Net OPEB liability or asset and plan deferrals are recognized as of the measurement date. Payments from the measurement date to the date of the statement of net position are reported as deferred outflows.

New Accounting Pronouncements Adopted

The College has adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard, effective for reporting periods beginning after June 15, 2022, addresses the accounting for subscription-based information technology arrangements, including cloud computing arrangements. Its implementation has resulted in changes to the recognition, measurement, and disclosure requirements related to these arrangements, impacting the reporting entity's financial statements, particularly with respect to the treatment of implementation costs and consideration of the service arrangements. See Note (5) relating to the adoption of this standard.

New Accounting Pronouncements Not Yet Adopted

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 provides guidance on the accounting and financial reporting for compensated absences. The requirements of GASB 101 are effective July 1, 2024, for the June 30, 2025 reporting year. Earlier application is encouraged. The College has not determined the impact of GASB 101 on the financial statements.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College’s deposits may not be returned, or the College will not be able to recover collateral securities in the possession of an outside party. Generally, the College deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state’s name.

At June 30, 2023, the bank balances of all College deposits with the OST and other financial institutions were \$7,060,635. Of funds on deposit with the OST, amounts invested in *OK INVEST* totaled \$629,231 in 2023. Agencies and funds that are considered to be part of the State’s reporting entity in the State’s Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State’s daily cash flow requirements. Guidelines in the State Treasurer’s Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer’s website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2023, the distribution of deposits in *OK INVEST* was as follows:

June 30, 2023		
<u><i>OK INVEST Portfolio</i></u>	Cost	Market Value
U.S. Agency Bonds	\$ 104,782	\$ 101,966
Money Market Mutual Funds	46,920	46,920
Certificates of deposits	1,608	1,608
Mortgage backed agency securities	116,620	103,030
Foreign bonds	1,852	1,831
U.S. Treasury obligations	<u>357,449</u>	<u>346,839</u>
 Total	 \$ <u>629,231</u>	 \$ <u>602,194</u>

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk - Deposits (Continued)

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST.

Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 10 years. OK INVEST maintains an overall weighted average maturity of no more than 4 years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest rate changes. 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.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 2: Deposits and Investments (Continued)

Credit Risk

All U.S. government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board of Regents 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 U.S. government and its agencies, certificates of deposit, and demand deposits. The Board of Regents has authorized endowment and similar funds to be invested in direct obligations of the U.S. government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a *Single A* rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2023:

	2023
Student tuition and fees	\$ 1,806,098
Auxiliary enterprises	766,564
Contributions, gifts and other operating activities	31,106
Federal, state, and private grants and contracts	<u>284,018</u>
	2,887,786
Less allowance for doubtful accounts	<u>(1,775,258)</u>
Accounts receivable, net of allowance	<u>\$ 1,112,528</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Year Ended June 30, 2023				Ending Balance
	Balance at 6/30/2022 as restated	Increases	Transfers	Retirements	
<i>Capital Assts not being depreciated:</i>					
Land	\$ 230,453	\$ -	\$ -	-	\$ 230,453
Construction in Progress	2,578,406	569,703	(2,578,407)	-	569,702
Livestock	16,959	5,241	-	(6,675)	15,525
Total capital assets not being depreciated	<u>2,825,818</u>	<u>574,944</u>	<u>(2,578,407)</u>	<u>(6,675)</u>	<u>815,680</u>
<i>Capital Assts being depreciated:</i>					
Land Improvements	2,178,041	18,125	2,568	-	2,198,734
Buildings and Building Improvements	20,219,176	165,713	2,562,555	-	22,947,444
Infrastructure	5,058,350	1,170,554	13,284	(13,250)	6,228,938
Furniture, Fixtures & Equipment	6,915,603	901,030	-	(1,036,947)	6,779,686
Library materials	1,592,273	4,034	-	(47,520)	1,548,787
Total capital assets being depreciated:	<u>35,963,443</u>	<u>2,259,456</u>	<u>2,578,407</u>	<u>(1,097,717)</u>	<u>39,703,589</u>
<i>Less Accumulated Depreciation for:</i>					
Land Improvements	(1,528,090)	(124,579)	-	1,590	(1,651,079)
Buildings and Building Improvements	(10,531,369)	(471,648)	-	-	(11,003,017)
Infrastructure	(1,539,974)	(58,779)	-	-	(1,598,753)
Furniture, Fixtures & Equipment	(5,782,247)	(311,134)	-	886,341	(5,207,040)
Library materials	(490,267)	(22,972)	-	5,042	(508,197)
Total accumulated depreciation	<u>(19,871,947)</u>	<u>(989,112)</u>	<u>-</u>	<u>892,973</u>	<u>(19,968,086)</u>
Total capital assets being depreciated, net	<u>16,091,496</u>	<u>1,270,344</u>	<u>2,578,407</u>	<u>(204,744)</u>	<u>19,735,503</u>
Total capital assets, net	<u>18,917,314</u>	<u>1,845,288</u>	<u>-</u>	<u>(211,419)</u>	<u>20,551,183</u>
<i>Right of Use Assets</i>					
Equipment and vehicles	256,095	-	-	-	256,095
Total lease assets being amortized	<u>256,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,095</u>
<i>Less Accumulated for:</i>					
Equipment and vehicles	(46,951)	(51,219)	-	-	(98,170)
Total lease accumulated amortized	<u>(46,951)</u>	<u>(51,219)</u>	<u>-</u>	<u>-</u>	<u>(98,170)</u>
Total lease assets being amortized, net	<u>209,144</u>	<u>(51,219)</u>	<u>-</u>	<u>-</u>	<u>157,925</u>
<i>Subscription Assets</i>					
Intangible IT assets	237,043	142,174	-	-	379,217
Total subscription assets being amortized	<u>237,043</u>	<u>142,174</u>	<u>-</u>	<u>-</u>	<u>379,217</u>
<i>Less Accumulated for:</i>					
Intangible IT assets	-	(74,099)	-	-	(74,099)
Total subscription accumulated amortized	<u>-</u>	<u>(74,099)</u>	<u>-</u>	<u>-</u>	<u>(74,099)</u>
Total subscription assets being amortized, net	<u>237,043</u>	<u>68,075</u>	<u>-</u>	<u>-</u>	<u>305,118</u>
Total capital, lease, and subscription assets, net	<u>\$ 19,363,501</u>	<u>\$ 1,794,069</u>	<u>\$ -</u>	<u>\$ (211,419)</u>	<u>\$ 21,014,226</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 5: Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2023, were as follows:

	Balance at 6/30/2022 as restated	Additions	Reductions	Balance at 6/30/2023	Due Within One Year
Long-term Obligations					
2021A ODFA capital lease	\$ 3,088,582	\$ -	\$ (77,415)	\$ 3,011,167	\$ 82,333
2014A OCIA capital lease	<u>2,331,516</u>	<u>-</u>	<u>(217,340)</u>	<u>2,114,176</u>	<u>228,386</u>
Total Capital Leases	<u>5,420,098</u>	<u>-</u>	<u>(294,755)</u>	<u>5,125,343</u>	<u>310,719</u>
Lease Obligations					
Leases of equipment	<u>222,412</u>	<u>-</u>	<u>(50,607)</u>	<u>171,805</u>	<u>51,036</u>
Total Lease Obligations	<u>222,412</u>	<u>-</u>	<u>(50,607)</u>	<u>171,805</u>	<u>51,036</u>
Subscription Obligations					
Subscription liabilities	<u>237,043</u>	<u>-</u>	<u>(57,913)</u>	<u>179,130</u>	<u>56,553</u>
Total Subscription Obligations	<u>237,043</u>	<u>-</u>	<u>(57,913)</u>	<u>179,130</u>	<u>56,553</u>
Other Liabilities					
Accrued compensated absences	<u>52,408</u>	<u>113,952</u>	<u>(104,603)</u>	<u>61,757</u>	<u>61,757</u>
Total Other Liabilities	<u>52,408</u>	<u>113,952</u>	<u>(104,603)</u>	<u>61,757</u>	<u>61,757</u>
Total Long-Term Liabilities	<u>\$ 5,931,961</u>	<u>\$ 113,952</u>	<u>\$ (507,878)</u>	<u>\$ 5,538,035</u>	<u>\$ 480,065</u>

Debt Obligations

Oklahoma Capital Improvement Authority Lease Obligations - In November 2005, the OCIA issued its OCIA Bond Issue 2005F Series. Of the total bond indebtedness, the State Regents for Higher Education allocated \$6,000,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for projects being funded by the OCIA bonds. Each of the agreements provides for the College to make specified monthly payments to OCIA over 10 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's 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 College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. In FY 2011, the College recorded a deferred charge of \$482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. The deferred cost has been fully amortized.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 5: Long-Term Liabilities (Continued)

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of \$139,156, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized gain totaled \$60,348 as of June 30, 2023. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$343,469, which approximates the economic savings of the transaction.

During the years ended June 30, 2023, OCIA made principal and interest payments totaling \$328,384, respectively, on behalf of the College. These on-behalf payments have been recorded as restricted state appropriations in the College's statements of revenues, expenses and changes in net position.

Capital Lease Obligations

The college as a lessee, has entered into lease agreements involving multi-function copiers requiring annual instalments totaling \$52,287 per year. The lease has an interest rate of 0.843% and due date in October 2027.

Some leases require variable payments based on future performance of the lease or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year end June 30, 2023, the College made variable payments as required by lease agreements totaling \$52,287.

Future annual lease payments are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	51,036	1,251	52,287
2025	51,468	820	52,288
2026	51,903	384	52,287
2027	17,398	31	17,429
Total	<u>\$ 171,805</u>	<u>\$ 2,486</u>	<u>\$ 174,291</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 5: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority

Future minimum debt payments related to the College's obligations under its OCIA capital lease obligations is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	228,385	100,574	328,960
2025	234,263	89,444	323,707
2026	244,178	79,549	323,727
2027	256,146	67,550	323,696
2028	267,831	55,830	323,660
2029-2031	883,374	87,734	971,108
Total	<u>\$ 2,114,176</u>	<u>\$ 480,682</u>	<u>\$ 2,594,858</u>

Oklahoma Development Finance Authority Master Lease Program

Future minimum debt payables under the College's capital lease obligations under its ODFA obligations is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	82,333	120,447	202,780
2025	86,333	117,153	203,487
2026	90,000	113,700	203,700
2027	90,667	110,100	200,767
2028	98,250	106,473	204,723
2029-2033	548,667	470,697	1,019,363
2034-2038	659,417	352,490	1,011,907
2039-2043	806,583	208,680	1,015,263
2044-2046	548,917	43,720	592,637
Total	<u>\$ 3,011,167</u>	<u>\$ 1,643,460</u>	<u>\$ 4,654,627</u>

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 5: Long-Term Liabilities (Continued)

Subscriptions Payable

The college as a lessee, has entered into lease agreements involving various subscriptions of intangible IT software summarized below:

Subscriptions of intangible IT software: The current year's installment totaled \$58,892. Future installments with interest rates ranging from 2.27 % to 2.41% and due dates ranging from July 2025 to April 2026. \$ 179,130

Future minimum payables under the College's subscriptions of intangible IT software are as follows:

Year ending June 30,	Principal	Interest
2024	56,553	4,106
2025	59,669	2,811
2026	62,908	1,442
Total	\$ 179,130	\$ 8,359

Note 6: Retirement Plans

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

Benefits Provided

OTRS provides retirement, disability, and death benefits to members of the plan.

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

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 6: Retirement Plans (Continued)

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note 8. Contributions to the pension plan from the College were \$1,772,531. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$422,198 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the College reported a liability of \$8,551,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the College's proportion was 0.1042 percent.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 6: Retirement Plans (Continued)

For the year ended June 30, 2023, the College recognized pension expense of \$532,900. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 273,950	\$ 106,970
Changes of assumptions	576,983	-
Net difference between projected and actual earnings on pension plan investments	814,103	-
Changes in College's proportionate share of contributions	206,561	577,811
Differences between College contributions and proportionate share of contributions	-	128,322
College contributions subsequent to the measurement date	518,086	-
Total	<u>\$ 2,389,683</u>	<u>\$ 813,103</u>

The \$518,086 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2024	\$ 249,231
2025	278,243
2026	(127,340)
2027	672,058
2028	(13,698)
Total	<u>\$ 1,058,494</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023, was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 6: Retirement Plans (Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Fixed Income	22.0%	1.3%
Real Estate*	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	100.0%	

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

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 6: Retirement Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net pension liability	\$ <u>12,040,539</u>	\$ <u>8,551,483</u>	\$ <u>5,683,069</u>

Pension plan fiduciary net position

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

Note 7: Other Post-Employment Benefits (OPEB)

Plan Description

The College's defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in GASB Statement No.75, paragraph 4.

Benefits provided

The Plan covers all current retirees of the College and provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the Plan before retiring. The College provides postretirement medical benefits through the Plan until age 65 if the retiree and spouse pay the full active premium. Participants can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65.

Employees covered by benefit terms

At June 30, 2023 the following employees were covered by the benefit terms:

Active employees	76
Inactive or beneficiaries currently receiving benefit payments	<u>7</u>
Total	<u><u>83</u></u>

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Total OPEB Liability

The College’s total OPEB liability of \$177,519 was measured as of June 30, 2022, with roll-forward procedures to June 30, 2023, and was determined based on an actuarial valuation as of June 30, 2022.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as June 30, 2022, with roll-forward procedures to June 30, 2023, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation – 3.00%
- Salary Scale – 3.25%
- Discount Rate – 3.54%, based on June 30, 2022 published Bond Pay Go-20 bond index
- Retirement Age - Retirement rates are as shown below and they are based on the rates applied in the Oklahoma Teachers Retirement System actuarial valuation.

Age	Male - OTRS	Female - OTRS
55	12.00%	12.50%
60	12.00%	16.00%
61	15.00%	20.00%
62	21.00%	25.00%
63	19.00%	20.00%
64	15.00%	20.00%
65	25.00%	25.00%

- Turnover Rates – Developed from assumptions used in the actuarial valuation of the Oklahoma Teachers Retirement System.

Years of Service	OTRS
0	23.00%
5	8.25%
10	4.50%
15	3.25%
20	2.00%

- Healthcare cost trend rates - Level 4.50%
- Average per capita claim cost – Range from age 50 of \$7,625 to age 64 of \$11,534
- Mortality Rates - RPH-2014 Total Table with Projection MP-2021
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives who currently have individual coverage will continue with individual coverage upon retirement.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

Changes in Total OPEB Liability

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

	Total OPEB Liability
Balance Beginning of Year	\$ <u>183,993</u>
Changes for the year	
Service cost	720
Interest expense	6,300
Changes of assumptions	-
Difference between expected and actual expenses	-
Benefits paid	<u>(13,494)</u>
Net Changes	(6,474)
Balance End of Year	\$ <u>177,519</u>

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.54%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Employers' net OPEB liability (asset)	\$ <u>163,983</u>	\$ <u>177,519</u>	\$ <u>192,833</u>

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 4.50%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease (3.50%)	Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Employers' net OPEB liability (asset)	\$ <u>193,306</u>	\$ <u>177,519</u>	\$ <u>163,691</u>

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 7: Other Post-Employment Benefits (OPEB) (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the College recognized OPEB expense of (\$1,124). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 42,597	\$ 5,366
Changes of assumptions	247	53,523
Total	<u>\$ 42,844</u>	<u>\$ 58,889</u>

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

Year ended June 30,	
2024	\$ (8,144)
2025	(8,144)
2026	(7,893)
2027	4,389
2028	3,747
Thereafter	-
Total	<u>\$ (16,045)</u>

Note 8: Supplemental Health Insurance Program

Plan Description

The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS

Benefits Provided

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Interlocal Group (OKHEEI), provided the member has ten (10) years of Oklahoma service prior to retirement.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 8: Supplemental Health Insurance Program (Continued)

Contributions

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.12% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$0.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the College reported an asset of \$47,623 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2022. Based upon this information, the College's proportion was .3868 percent.

For the year ended June 30, 2023, the College recognized OPEB expense (benefit) of (\$3,259). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,853
Changes of assumptions	14,361	-
Net difference between projected and actual earnings on OPEB plan investments	19,912	-
Changes in College's proportionate share of contributions	1,457	995
Differences between College contributions and proportionate share of contributions	6,893	3,977
College contributions subsequent to the measurement date	5,810	-
Total	<u>\$ 48,433</u>	<u>\$ 20,825</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 8: Supplemental Health Insurance Program (Continued)

The \$5,810 reported as deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2024	\$	3,504
2025		2,599
2026		(3,277)
2027		18,577
2028		261
Thereafter		<u>134</u>
Total	\$	<u><u>21,798</u></u>

At June 30, 2023, the College reported total deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,597	\$ 21,219
Changes of assumptions	14,608	53,523
Net difference between projected and actual earnings on OPEB plan investments	19,912	-
Changes in College's proportionate share of contributions	1,457	995
Differences between College contributions and proportionate share of contributions	6,893	3,977
College contributions subsequent to the measurement date	5,810	-
Total	<u>\$ 91,277</u>	<u>\$ 79,714</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 8: Supplemental Health Insurance Program (Continued)

Actuarial Assumptions

The total OPEB liability (asset) as of June 30, 2023, was determined based on an actuarial valuation prepared as if June 30, 2022 using the following actuarial assumptions:

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

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Fixed Income	22.0%	1.3%
Real Estate**	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	100.0%	

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

Discount Rate

A single discount rate of 7.00% was used to measure the total OPRB liability (asset) as of June 30, 2022. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
June 30, 2023**

Note 8: Supplemental Health Insurance Program (Continued)

statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employers' net OPEB liability (asset)	\$ <u>1,984</u>	\$ <u>(47,623)</u>	\$ <u>(86,629)</u>

OPEB plan fiduciary net position

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

Note 9: Funds Held in Trust by Others

Oklahoma State Regents’ Endowment Trust Funds

In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), funds are invested by the Oklahoma State Regents on behalf of the College. These funds are not recognized in the College's statements of net position. At June 30, 2023, the funds totaled approximately \$1,490,096. The College is entitled to receive an annual distribution of earnings on these funds. Distributions received totaled approximately \$68,000 at June 30, 2023.

Note 10: Related Party Transactions

The College is the beneficiary of the Western Oklahoma State College Foundation, Inc. (the Foundation), which provides support for the College by way of scholarships and other direct resources. The College contracts with the Foundation to provide limited services and office space in exchange for the support the College receives. The College provides support to the Foundation through employee services and office space.

Note 11: Commitments and Contingencies

The College is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
June 30, 2023

Note 11: Commitments and Contingencies (Continued)

torts, property and workers' compensation. 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 worker's compensation insurance coverage. The Oklahoma Risk Management Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool OKHEEI. College employees have health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating College and Universities in the State. The College pays monthly health insurance premiums to OKHEE for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the Pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges & Universities. As of June 30, 2023, and 2022 respectively, additional assessments were not probable.

Federal Programs

The College conducts certain programs pursuant to various grants and contracts which are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these government agencies from various sources of the College.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the years ended June 30, 2023, approximately \$790,000 of Direct Lending Program loans were provided to college students.

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 12: Western Oklahoma State College Foundation, Inc.

Note A: Summary of Significant Accounting Policies

Nature of Operations

Western Oklahoma State College Foundation, Inc. (the “Foundation”), a nonprofit organization, was formed in 1974 for the benefit of Western Oklahoma State College (the “College”) in aid of charitable, benevolent educational, scientific and literary purposes. The purposes of the Foundation are strengthened by the worthy accomplishments that are a part of the history of the Foundation. The role of the Foundation is to provide the financial support that will enable the College to achieve expanded goals and fulfill higher purposes that otherwise are not possible on limited funding. The Foundation leaders recognize the potential for the Foundation and realize greater support can be attained for the College as it reaches increasingly significant levels of educational leadership. The Foundation seeks continuous support from individuals, business firms, corporations, civic groups, foundations, service organizations and bequests of wills. As the Foundation grows, the College educational programs grow. The Foundation provides a variety of opportunities to share in the future development of the College and its continuing Commitment to Excellence.

Financial Statement Presentation

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America (U.S. GAAP) for nongovernmental entities. The Foundation’s financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. All inter-fund activities have been eliminated in the accompanying financial statements.

Net Asset Classifications

The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was enacted by the State of Oklahoma effective November 1, 2007 (OK UPMIFA). The Board of Trustees (the Trustees) of the Foundation has interpreted OK UPMIFA to require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Board Designated Net Assets - Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

**Western Oklahoma State College
A Component Unit of the State of Oklahoma**

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Net assets with Donor Imposed Restrictions - Net assets subject to donor-imposed stipulations that can be met either by actions of the Organization or the passage of time. Contributions with donor-imposed restrictions that are met in the same period as the contribution are accounted for as unrestricted contributions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents.

The Foundation maintains several bank accounts. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum. For the years ended June 30, 2023, all the Foundation's accounts were fully insured by the FDIC.

Investments

Investments consist of cash and cash equivalent funds, certificates of deposit, mutual funds, annuities, corporate bonds, and real estate investment trusts. Investments are stated at fair value as determined by the fund and/or investment manager. Realized gains and losses on sales of investments are computed utilizing either the first-in, first-out basis or the average cost.

Funds Held for Others

The Foundation maintains custody and services the funds of various student clubs and organizations of the College. Although these funds are administered by the Foundation, the Foundation does not exercise control over the funds. Accordingly, these amounts are presented as liabilities in the accompanying financial statements.

Contribution Revenue

Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e., unearned revenue) until the conditions are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectable contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Contributions receivable previously deemed uncollectable are recognized if subsequently received. No discount has been recognized at June 30, 2023 as there were no contributions receivable.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as net assets without donor restrictions unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions.

Concentration of Credit Risk

The Foundation has certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed and management believes that credit risks related to such balances are minimal.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Accounting for Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years ending on or before June 30, 2020.

Functional Allocation of Expenses

The costs of producing various programs and activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Costs are allocated between the functional classifications based on evaluation of the related activity. General and administrative expenses are those expenses not directly identified with a specific program or activity which provides the overall support and direction of the Foundation.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Estimates

Estimates that are particularly susceptible to significant change include the estimated fair value of investments. The Foundation's investment portfolio is exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Subsequent Events

The Foundation has evaluated subsequent events through September 14, 2023, the date on which the financial statements were issued.

Note B: Investments

Investments consist of the following at June 30, 2023

<i>Investments</i>	Cost	Fair Value
Certificate of deposit	\$ 4,030,053	\$ 4,035,675
Money market funds	21,232	21,232
Mutual Funds	2,627,451	2,378,343
Annuities	251,000	252,068
Corporate Bonds	250,457	229,549
Real estate investment trust	94,846	104,268
Total	<u>\$ 7,275,039</u>	<u>\$ 7,021,135</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note B: Investments (Continued)

Investment return consists of the following at June 30:

	2023
Interest and dividend income	\$ 175,005
Unrealized gains	127,705
Total	\$ <u>302,710</u>

Note C: Fair Value Measurement

The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note C: Fair Value Measurement (Continued)

Financial assets and liabilities carried at fair value on a recurring basis include certificates of deposit and investments. There are no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2023 and 2022.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

Cash and cash equivalents: The assets' carrying amounts approximate fair value due to their short maturities.

Investments: Investments are carried at fair value and are based on quoted market prices, when available. Generally, quoted market prices are available for cash and common stocks and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates and yield curves and as such are classified as Level 2.

Accounts payable: The liability's carrying amount approximates fair value due to its short maturity.

Funds held for others: The assets' carrying amounts approximate fair value due to their short maturities.

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	2023			
	Level 1	Level 2	Level 3	Total
Investments				
Certificate of deposit	\$ -	\$ 4,035,675	\$ -	\$ 4,035,675
Money market funds	21,232	-	-	21,232
Mutual Funds	2,378,343	-	-	2,378,343
Annuities	-	252,068	-	252,068
Corporate Bonds	-	229,549	-	229,549
Real estate investment trust	12,843	91,425	-	104,268
	<u>\$ 2,412,418</u>	<u>\$ 4,608,717</u>	<u>\$ -</u>	<u>\$ 7,021,135</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note D: Other Assets

The Foundation maintains various silver statues. The statues are maintained for public exhibition rather than financial gain. On June 30, 2023, these statues had a value of approximately \$85,000. The statues are protected, kept unencumbered, cared for and preserved.

Note E: Net Assets

Net assets without donor restrictions consist of the following at June 30:

	<u>2023</u>
Board designated	
Sustaining membership	\$ 711,315
Endowments	272,034
Undesignated	262,764
Total	<u>\$ 1,246,113</u>

Net assets not subject to appropriation or expenditures consist of the following at June 30:

Scholarships	\$ 4,452,488
Endowed chairs	1,414,249
Total	<u>\$ 5,866,737</u>

Net assets released from restrictions were as follows at June 30:

Scholarships	\$ 122,625
Endowed chairs	25,629
Athletics and clubs	327
Total	<u>\$ 148,581</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note F: Contributions and Donations

The following is a breakdown of the contributions and donations received in 2023 and their respective categories by restriction:

	As of June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Donations			
Endowments	\$ 51,553	\$ 79,903	\$ 131,456
General unrestricted fund	50,000	-	50,000
Athletics and clubs	-	17,188	17,188
Sustaining membership account	10,898	-	10,898
President's partners	41,864	-	41,864
Total contributions and donations	<u>\$ 154,315</u>	<u>\$ 97,091</u>	<u>\$ 251,406</u>

Note G: Endowment Disclosures

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the primary objective of growth and a secondary objective of current income. The asset allocation policies reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note G: Endowment Disclosures (Continued)

Strategies for Achieving Objectives

Since the Foundation has a policy of designating net assets without donor restrictions each year for investment, it feels that this policy protects the purchasing power of the endowments. In light of the current market fluctuations and the future needs of the Foundation, it evaluates the spending policy annually to ensure that it remains in accordance with the long-term objectives of the Foundation.

Spending Policy

The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for the year.

Changes in endowment net assets for the years ended June 30, 2023, are as follows:

Endowment net assets of June 30, 2022	\$ 951,463	\$ 5,574,988	\$ 6,526,451
Contributions	40,636	52,220	92,856
Investment return, net	80,331	298,405	378,736
Special event, net	-	18,792	18,792
Appropriation of endowment assets for expenditure	<u>(89,081)</u>	<u>(220,293)</u>	<u>(309,374)</u>
Endowment net assets of June 30, 2023	<u>\$ 983,349</u>	<u>\$ 5,724,112</u>	<u>\$ 6,707,461</u>

Endowment net asset composition by type of funds as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,724,112	\$ 5,724,112
Board-designated endowment funds	983,349	-	983,349
Total fund invested	<u>\$ 983,349</u>	<u>\$ 5,724,112</u>	<u>\$ 6,707,461</u>

Western Oklahoma State College
A Component Unit of the State of Oklahoma

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Western Oklahoma State College Foundation, Inc. (Continued)

Note H: Related Party Transactions

Based upon a Cooperative Agreement between the College and the Foundation, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. Thus, the Foundation has no fixed assets or employees. In exchange, the College receives scholarships, funds for capital improvements, and other support from the Foundation. The value of such staffing and office space has been recorded on the financial statements as donated facilities and services.

Note I: Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2023, expected to be available within one year to meet the cash needs for general expenditures.

	<u>2023</u>
Financial Assets	
Cash and cash equivalents	\$ 119,053
Investments	<u>7,021,135</u>
	<u>7,140,188</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions not subject to appropriations or expenditures	
Donor restriction for scholarships	4,452,488
Donor restriction for endowed chairs	1,414,249
Board designations	
Sustaining membership	711,315
Endowments	<u>272,034</u>
	<u>6,850,086</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 290,102</u>

Required Supplementary Information

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability
Oklahoma Teachers Retirement System
Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
College's proportion of the net pension liability	0.1416%	0.1444%	0.1286%	0.1226%	0.1237%	0.1037%	0.1057%	0.1089%	0.1042%
College's proportionate share of the net pension liability	\$ 7,619,358	\$ 8,770,623	\$ 10,733,975	\$ 8,115,880	\$ 7,481,414	\$ 6,862,320	\$ 10,027,738	\$ 5,562,115	\$ 8,551,483
College's covered payroll	\$ 5,487,910	\$ 5,788,613	\$ 5,245,215	\$ 4,775,626	\$ 4,856,495	\$ 4,355,315	\$ 4,488,775	\$ 4,738,160	\$ 5,077,243
College's proportionate share of the net pension liability as a percentage of its covered payroll	139%	152%	205%	170%	154%	158%	223%	117%	168%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%	80.08%	70.05%

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

Notes to Schedule:

Information to present a 10 year history is not readily available.

The Plan's net pension liability increased between 2015 and 2016 due to changes in assumptions adopted by the System's Board. Increase for 2017 is attributable to the change in assumed election rate for the Supplemental Medical Insurance Benefit. The most notable change was the lowering of the System's discount rate from 7.5% to 7.0% for fiscal year 2021.

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
Schedule of the College's Pension Contributions
Oklahoma Teachers Retirement System
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 437,555	\$ 455,874	\$ 481,895	\$ 511,229	\$ 518,086
Contributions in relation to the contractually required contribution	<u>437,555</u>	<u>455,874</u>	<u>481,895</u>	<u>511,229</u>	<u>518,086</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
College's covered payroll	\$ 4,355,315	\$ 4,488,775	\$ 4,738,160	\$ 5,077,243	\$ 5,163,822
Contributions as a percentage of covered payroll	10.05%	10.16%	10.17%	10.07%	10.03%
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
Contractually required contribution	\$ 587,022	\$ 532,250	\$ 484,014	\$ 486,099	
Contributions in relation to the contractually required contribution	<u>587,022</u>	<u>532,250</u>	<u>484,014</u>	<u>486,099</u>	
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	
College's covered payroll	\$ 5,788,613	\$ 5,245,215	\$ 4,775,626	\$ 4,856,495	
Contributions as a percentage of covered payroll	10.14%	10.15%	10.14%	10.01%	

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 3,644	\$ 3,785	\$ 3,785	\$ 1,280	\$ 1,280	\$ 720
Interest	13,024	11,844	11,060	3,892	3,237	6,300
Changes in assumptions	-	-	-	(9,200)	60,685	-
Differences between expected and actual experience	-	-	(87,480)	421	(23,046)	-
Benefit payments, including refunds of member contributions	(43,446)	(43,446)	(35,792)	(31,790)	(13,494)	(13,494)
Net change in total OPEB liability	<u>(26,778)</u>	<u>(27,817)</u>	<u>(108,427)</u>	<u>(35,397)</u>	<u>28,662</u>	<u>(6,474)</u>
Total OPEB liability - <i>Beginning</i>	353,750	326,972	299,155	190,728	155,331	183,993
Total OPEB liability - <i>Ending (a)</i>	<u>\$ 326,972</u>	<u>\$ 299,155</u>	<u>\$ 190,728</u>	<u>\$ 155,331</u>	<u>\$ 183,993</u>	<u>\$ 177,519</u>
Covered employee payroll	\$ 2,730,357	\$ 2,730,357	\$ 2,958,170	\$ 2,958,170	\$ 3,170,282	\$ 3,170,282
Net OPEB liability (asset) as a percentage of covered - employee payroll	11.98%	10.96%	6.45%	5.25%	5.80%	5.60%

Notes to Schedule:

Only these fiscal years are presented because 10 year data is not yet available.

The discount rate used for 2018 and 2019 is 2.16% and 3.54% for fiscal year 2022

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability (Asset)
Supplemental Health Insurance Program
Last 10 Fiscal Years* (Dollar amounts in thousands)

	2018	2019	2020	2021	2022	2023
College's proportion of the net pension liability	0.1226%	0.1238%	0.1037%	0.1057%	0.1089%	0.1089%
College's proportionate share of the net pension liability	\$ (54,658)	\$ (79,990)	\$ (64,104)	\$ (10,472)	\$ (138,672)	\$ (47,623)
College's covered payroll	\$ 4,775,626	\$ 4,856,945	\$ 4,355,315	\$ 4,488,775	\$ 4,738,160	\$ 5,077,243
College's proportionate share of the net pension liability as a percentage of its covered payroll	-1.14%	-1.65%	-1.47%	-0.23%	-2.93%	-0.94%
Plan fiduciary net position as a percentage of the total pension liability	110.40%	115.41%	115.07%	102.30%	129.91%	110.31%

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

Notes to Schedule:

Information to present a 10 year history is not readily available

Western Oklahoma State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
Schedule of the College's Contributions
Supplemental Health Insurance Program
Last 10 Fiscal Years* (Dollar amounts in thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 7,718	\$ 2,951	\$ 859	\$ 908	\$ 6,319	\$ 5,810
Contributions in relation to the contractually required contribution	<u>7,718</u>	<u>2,951</u>	<u>859</u>	<u>908</u>	<u>6,319</u>	<u>5,810</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,856,945	\$ 4,355,315	\$ 4,488,775	\$ 4,738,160	\$ 5,077,243	\$ 5,163,822
Contributions as a percentage of covered payroll	0.16%	0.07%	0.02%	0.02%	0.12%	0.11%

Notes to Schedule:

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

WESTERN OKLAHOMA STATE COLLEGE
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2023



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

To the Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the College and the discretely presented component unit of the College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated October 31, 2023. The financial statements of Western Oklahoma State College Foundation, Inc. (the “Foundation”) a discretely presented component unit 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.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Arledge & Associates PC.

Edmond, Oklahoma
October 31, 2023





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Oklahoma State College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of College's major federal programs for the year ended June 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

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

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

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

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



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

We have audited the financial statements of the College as indicated in the table of contents of the accompanying report as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates PC

Edmond, Oklahoma
October 31, 2023



WESTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Federal Grantor/Program Title	Federal AL Number	Total Federal Expenditures
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant Program	84.063	\$ 1,991,647
Federal Supplemental Educational Opportunity Grants	84.007	40,149
Federal Work Study Program	84.033	102,837
Federal Direct Student Loans	84.268	790,321
Total Student Financial Aid Cluster		2,924,954
CARES Act HEERF Cluster		
CARES Act Higher Education Emergency Relief Fund - Institutional	84.425F	365,451
CARES Act Higher Education Emergency Relief Fund - Minority Serving Institution	84.425L	168,568
Total CARES Act HEERF Cluster		534,019
Upward Bound		
Student Support Services Grant	84.047	341,421
Passed Through the Oklahoma State Department of Education	84.042A	287,614
Carl Perkins	84.048	67,405
Passed Through Redlands Community College		
Native American-Serving Nontribal Institutions	84.031X	19,513
Total U. S. Department of Education		4,174,927
U. S Department of Health and Human Services		
Passed Through the Oklahoma State Regents for Higher Education		
Child Development Associate Initiative	93.596	91,769
Temporary Assistance for Needy Families	93.558	77,909
Total U. S. Department of Health and Human Services		169,678
Total Federal Expenditures		\$ 4,344,604

WESTERN OKLAHOMA STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of Western Oklahoma State College (the “College”) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position, changes in net position, or cash flows of the College.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans. The College has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance

Note C – 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 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 D – Subrecipients

During the year ended June 30, 2023, the College did not provide federal awards to subrecipients.

Note E – Indirect Cost Rate

During the year ended June 30, 2023, the College elected not to use the 10 percent *de minimis* cost rate under the Uniform Guidance.

Note F – Subsequent Events

The College has evaluated the effects of all subsequent events from July 1, 2023 through October 31, 2023, the date the SEFA was available to be issued, for potential recognition or disclosure in this SEFA. The College is not aware of any subsequent events which would require recognition or disclosure in the SEFA.

WESTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Program</u>	<u>Federal AL Number</u>
Student Financial Assistance Cluster	*

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

WESTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)

Year Ended June 30, 2023

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

None to report for the June 30, 2023 period.

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

None to report for the June 30, 2023 period.

WESTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Cont'd)

Year Ended June 30, 2023

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

A. Internal Control

No matters were reported

B. Compliance Findings

No matters were reported

Findings Required to be Reported in Accordance with *Uniform Guidance*:

A. Internal Control

No matters were reported

B. Compliance Findings

No matters were reported