Western Oklahoma State College

Financial Statements

and

Independent Auditors' Report

June 30, 2013 and 2012

Contents

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited the accompanying financial statements and the discretely presented component unit of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, the Western Oklahoma State Foundation, Inc., which represents 20 percent of total assets at June 30, 2013, 22 percent of net position at June 30, 2013, and 4 percent of total revenues for the year ended June 30, 2013. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Western Oklahoma State Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position and the discretely presented component of Western Oklahoma State College as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other

The financial statements of Western Oklahoma State College for the year ended June 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on October 1, 2012.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013 on our consideration of Western Oklahoma State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Western Oklahoma State College's internal control over financial reporting and compliance.

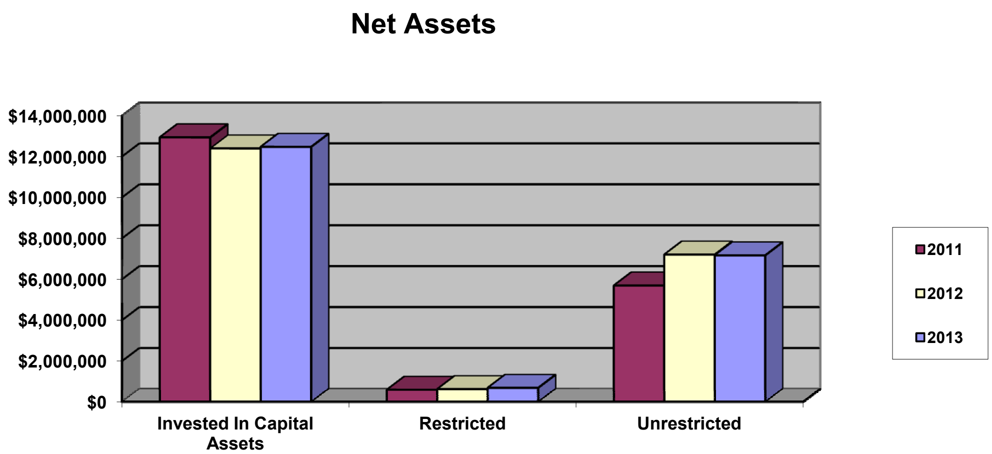
Stanfield & O'Dell P.C.

Tulsa, Oklahoma
October 3, 2013

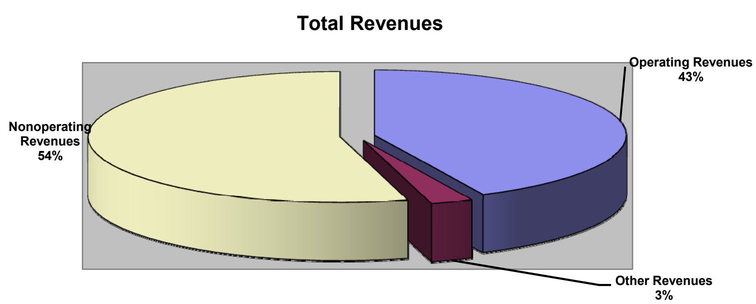
Management’s Discussion and Analysis

The discussion and analysis of Western Oklahoma State College's (the "College") financial statements provides an overview of the College's financial activities for the year ended June 30, 2013. Since this management's discussion and analysis is designed to focus on current activities and currently known facts, please read it in conjunction with the College's basic financial statements and related footnotes.

FINANCIAL HIGHLIGHTS



The following chart provides a graphical breakdown of total revenues by category for the fiscal year ended June 30, 2013.



In fiscal year ended June 30, 2013, the College's revenues exceeded expenses, creating an increase in total net assets of $101,839, which represents a modest 0.50% increase in net assets for 2013. In fiscal year ended June 30, 2012, the College's revenues exceeded expenses, creating an increase in total net assets of $1,003,479, which represents an 8.36% increase in net assets for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The annual report consists of three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the activities of the College as a whole. When revenues and other support exceed expenses, the result is an increase in total net assets. When the reverse occurs, the result is a decrease in total net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net position and changes in net position. You 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 an indicator of whether the financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend and quality of student applicants, freshman class size, student retention, condition of the buildings and safety of the campus, to assess the overall health of the institution.

All assets and liabilities included in these two statements are presented using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

The following table of the College's net position summarizes the major changes between years:

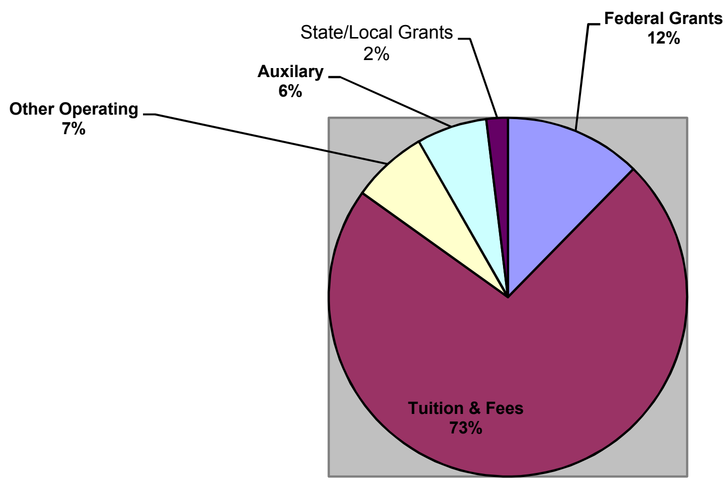
Condensed Statement of Net Position

	June 30 2013	June 30 2012	Increase (Decrease)	Percent Change	June 30 2011	Increase (Decrease)	Percent Change
Current assets	$ 7,846,932	$ 8,413,564	$ (566,632)	-7%	$ 6,632,910	$ 1,780,654	27%
Noncurrent assets:							
Restricted Cash and Cash Equivalents	399,928	291,291	108,637	37%	274,459	16,832	6%
Receivable From State Agency	-	-	-	0%	-	-	0%
Capital assets, net	17,766,965	17,137,020	629,945	4%	17,694,535	(557,515)	-3%
Total assets	26,013,825	25,841,875	171,950	1%	24,601,904	1,239,971	5%
Deferred outflows	241,152	321,733	(80,581)	-25%	402,513	(80,780)	-20%
Total Assets and deferred outflows of resources	26,254,977	26,163,608	91,369	0%	25,004,417	1,159,191	5%
Current liabilities	714,489	1,168,731	(454,242)	-39%	824,868	343,863	42%
Noncurrent liabilities:	5,213,067	4,769,296	443,771	9%	4,957,447	(188,151)	-4%
Total liabilities	5,927,556	5,938,027	(10,471)	0%	5,782,315	155,712	3%
Net Position							
Investment in capital assets	12,470,343	12,394,330	76,013	1%	12,935,121	(540,791)	-4%
Restricted	690,942	628,155	62,787	100%	594,953	33,202	0%
Unrestricted	7,166,134	7,203,096	(36,962)	-1%	5,692,028	1,511,068	27%
Total net position	$ 20,327,419	$ 20,225,581	$ 101,838	1%	$ 19,222,102	$ 1,003,479	5%

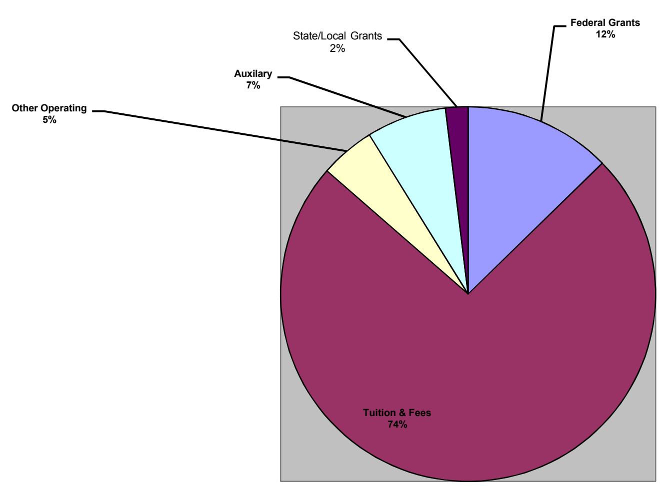
FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

The breakdown of operating revenues and expenses for fiscal years ended June 30, 2013, 2012 and 2011 are as follows:

Operating Revenues 2013

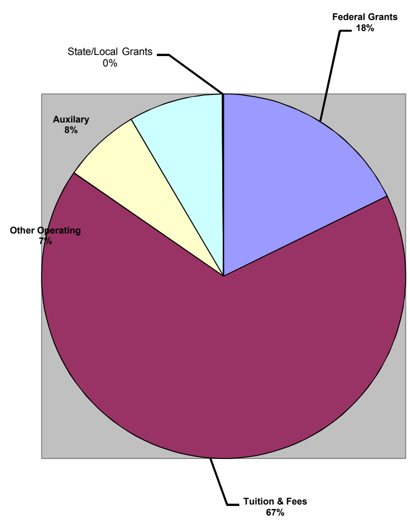


Operating Revenues 2012

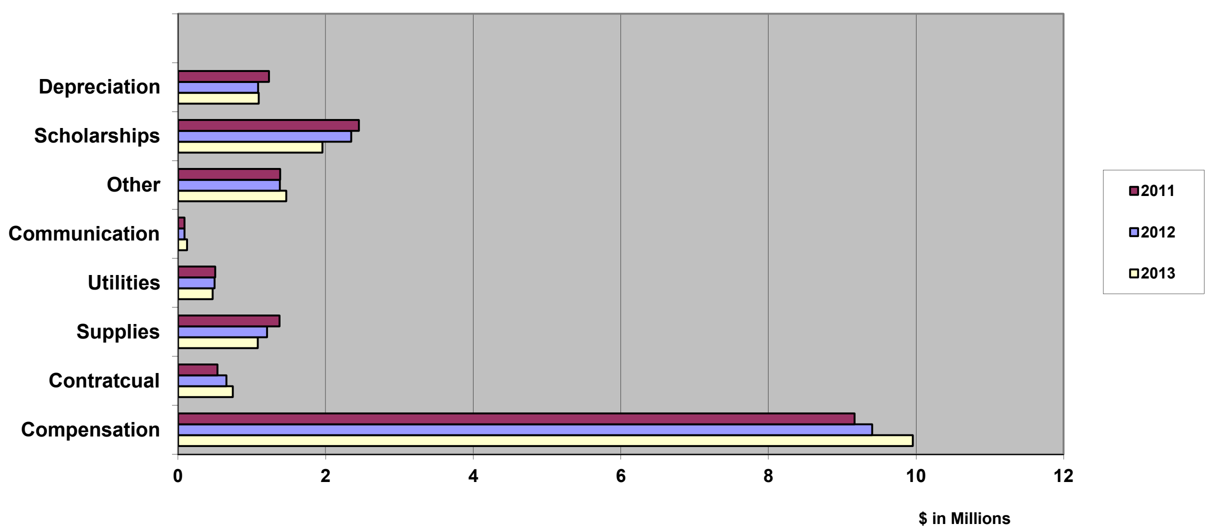


FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Operating Revenues 2011



Operating Expenses



FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Revenues, Expenses and Changes in Net Position

	Years Ended June 30		Increase	Percent	Year Ended June 30	Increase	Percent
	2013	2012	(Decrease)	Change	2011	(Decrease)	Change
Operating revenues:							
Tuition and fees	$ 5,268,469	$ 5,686,345	$ (417,876)	-7%	$ 4,844,905	$ 841,440	17%
Federal and state grants	1,035,923	1,128,244	(92,321)	-8%	1,415,208	(286,964)	-20%
Auxiliary enterprise charges	461,324	532,122	(70,798)	-13%	605,326	(73,204)	-12%
Other	497,521	365,510	132,011	36%	499,438	(133,928)	-27%
Total Operating Revenues	7,263,237	7,712,221	(448,984)	-6%	7,364,877	347,344	5%
Less operating expenses	16,879,307	16,646,100	233,207	1%	16,723,362	(77,262)	0%
Net loss from operations	(9,616,070)	(8,933,879)	(682,191)	8%	(9,358,485)	424,606	-5%
Nonoperating revenues (expenses):							
State appropriations	5,701,773	5,626,900	74,873	1%	5,657,009	(30,109)	-1%
State payments from federal ARRA	-	-	-	0%	380,447	(380,447)	
Federal grants and contracts	2,674,673	3,054,582	(379,909)	-12%	3,251,710	(197,128)	-6%
State & local grants and contracts	395,416	373,969	21,447	6%	366,950	7,019	2%
On-behalf appropriations for OTRS	505,592	464,599	40,993	9%	399,826	64,773	16%
State Regents Endowment Contributions	30,563	21,962	8,601	39%	66,117	(44,155)	-67%
Interest Revenue	19,447	18,194	1,253	7%	11,933	6,261	52%
Interest Expense	(136,203)	(127,879)	(8,324)	7%	(73,385)	(54,494)	74%
Net Nonoperating Revenues	9,191,261	9,432,327	(241,066)	-3%	10,060,607	(628,280)	-6%
Other revenues, expenses, and gains and losses							
Capital grants and gifts	24,336	16,684	7,652	46%	322,271	(305,587)	-95%
State appropriations restricted for capital purposes	436,941	432,367	4,574	1%	458,988	(26,621)	-6%
On-behalf OCIA capital leases	65,370	55,980	9,390	17%	-	55,980	100%
Total Other	526,647	505,031	21,616	4%	781,259	(276,228)	-35%
Increase in net assets	101,838	1,003,479	(901,641)	-90%	1,483,381	(479,902)	-32%
Net assets, beginning	20,225,581	19,222,102	1,003,479	5%	17,738,721	1,483,381	8%
Net assets, ending	$ 20,327,419	$ 20,225,581			$ 19,222,102		

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2013 compared to June 30, 2012 resulted in the following revenue and expense changes:

- Tuition & fees revenues decreased by 7.3%. This decrease is due to a 22% decrease in credit production hour enrollment for FY 2013. Auxiliary revenues decreased by 13.3%, which represents an decrease of $1,529 in Residence Hall and a decrease in student store of $69,269. Federal and State Grants & Contracts experienced a decrease of 8%, due mostly to the decrease of federal financial aid tied to the decline in enrollment. The overall operating revenues decreased by 5.8%, or $448,984 over that of FY 12.

- Overall operating expenses increased by only 1.4%, or $233,207. Compensation and Employee Benefits increased by 5.8% or $550,631 due mostly to a 5% raise awarded to all full time employees for FY 2013. Scholarship and Fellowship expenses declined by 16% which is in correlation with the decline in enrollment of 22%.

- Net non-operating revenues and expenses decreased by 2.56%, or $241,066. Most of this decrease is due to the decrease in the Federal Grants and Contracts, due to the reduction in enrollment for FY13. In 2010, the state legislature voted to defer the payments for the 2005 OCIA Bond Issue. Because of this refinance, the interest and principal payments have been deferred for the past two years and as of the FY 2013 year, the interest payments have been partially reinstated and will increase more in the future with the principal payments returning in FY 2014.

- On-behalf capital lease payments increased only slightly by $9,390 from the prior year. Due to the 2005 OCIA bond restructuring, all principal payments were deferred in FY 11 to later years. There were no principal payments to the OCIA 2005 bond indebtedness for FY 2011, but a small payment of $55,980 was made in FY 2012, and a slightly larger payment in FY 2013 of $65,370, resulting in a minimal increase this year.

June 30, 2012 compared to June 30, 2011 resulted in the following revenue and expense changes:

- Tuition & fees revenues increased by 17%. This increase is due to a combination of several factors. Collections of prior year receivables exceeded management's estimates by approximately 12.23%, out-of-state waivers increased by $855,558 (due to a 24.33% increase in out-of-state enrollment), and although tuition and fee rates increased by only 3% over the FY 2011, total enrollment increased 2.59%. Auxiliary revenues decreased by 12%, which represents an increase of $3,848 in Residence Hall and a decrease in student store of $77,052. Federal and State Grants & Contracts experienced a decrease of 20%, due mostly to the absence of the onetime Congressionally-directed Grant funds received in FY 2011 in the amount of $205,271. The overall operating revenues increased by 5%, or $347,344 over that of FY 2011.

- Although state appropriations show a decrease of only 1%, the state payments from federal ARRA revenues had been completely eliminated. These funds were used in the years FY 2010 and FY 2011 to help alleviate the burden of the lost revenue on state agencies. However, in FY 2012 this funding was no longer available, resulting in an overall decrease in state funding (including the ARRA funds) of approximately $411,000.

- Interest revenue and expense both increased this year. The interest revenue increase by 52% this year due to a larger auxiliary fund balance invested for the year. The increase in the interest expense is attributed to the restructuring of the 2005 OCIA bond indebtedness. Payments made by OCIA on behalf of the College for the 2005 bonds were deferred to later years, so the interest paid for FY 2011 represents mostly the deferred cost on the 2005 OCIA bond debt restructure. The interest payments resumed in FY 2012 resulting in an increase of 74% from the previous year.

- The 95% decrease in the Capital grants and gifts represents a decrease in the the overall activity in the restricted fund, mostly in the federal grants and awards for scholarships.

- The on-behalf contributions to the Oklahoma Teacher's Retirement System represent the amount of dedicated state revenue from the State's sales, use and income taxes that are used as contributions to the Oklahoma Teacher's Retirement Program (OTRS). For 2012, the State of Oklahoma contributed 5% of the State's General Revenue Fund to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. This amount was $464,599 for FY 2011 and $399,826 for FY 2010, which is a 16% increase, or $64,773.

- On-behalf capital lease payments increased by $55,980 more than previous year's numbers. Due to the 2005 OCIA bond restructuring, all principal payments were deferred in FY 2011 to later years. There were no principal payments to the OCIA 2005 bond indebtedness for FY 2011, but a small payment of $55,980 was made in FY 2012, resulting in the increase.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

Cash Flows

	Year Ended June 30 2013	2012	Increase (Decrease)	June 30 2011	Increase (Decrease)
Cash provided (used) by:					
Operating activities	$ (8,184,780)	$ (6,661,411)	$ (1,523,369)	$ (8,388,786)	$ 1,727,375
Noncapital financing activities	9,239,366	9,083,176	156,190	9,677,909	(594,733)
Capital and related financing activities	(1,500,043)	(151,695)	(1,348,348)	(25,908)	(125,787)
Investing activities	19,447	18,194	1,253	11,933	6,261
Net increase in cash and cash equivalents	(426,010)	2,288,264	(2,714,274)	1,275,148	1,013,116
Cash and cash equivalents, beginning	7,730,775	5,442,511	2,288,264	4,167,363	1,275,148
Cash and cash equivalents, ending	$ 7,304,765	$ 7,730,775	$ (426,010)	$ 5,442,511	$ 2,288,264

June 30, 2013 compared to June 30, 2012 resulted in the following cash flow changes:

The College's liquidity decreased slightly during the year. Cash used by operating activities increased by approximately $1,523,000 while cash provided by non-capital financing activities increased due to a slight increase in state appropriations. Cash used by capital and related financing activities increased by approximately $1,348,348 due to the construction of a new Ag Education Facility and the construction of the Energy Performance Contract. The net result of these items is a decrease in cash by approximately $426,000.

June 30, 2012 compared to June 30, 2011 resulted in the following cash flow changes:

The College's liquidity increased during the year. Cash used by operating activities decreased by approximately $1,727,000 while cash provided by non-capital financing activities decreased due to a decrease of grants and contracts by approximately $594,000. Cash provided by investing activities increased by approximately $12,000. The net result of these items is an increase in cash by approximately $2,288,000.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Although the Statement of Revenues, Expenses, and Changes in Net Assets shows an increase in total net assets of approximately $102,000, this is representative of all funds combined. Management feels that it is important to point out the net change in fund balances for each individual fund. This is displayed below.

Summary of Changes in Net Position by Fund

	2013	2012	2011
Educational and General Fund	$ 171,685	$ 1,231,820	$ 1,413,709
Auxiliary Fund	(208,650)	279,248	189,060
Restricted Fund	(36,935)	71,841	280,207
Unexpended Plant Fund	99,727	9,207	135,744
Capital Assets	76,012	(588,637)	(535,334)
Combined Total	$ 101,839	$ 1,003,479	$ 1,483,386

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College has $17,766,965 invested in capital assets, net of accumulated depreciation of $14,312,314. Depreciation charges totaled $1,093,157 for the current fiscal year, compared to $1,081,614 for the previous fiscal year. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2013	2012	2011
Land	$ 230,453	$ 230,453	$ 212,345
Infrastructure	3,808,621	2,553,938	2,605,873
Land Improvements	879,281	913,975	962,790
Buildings	9,455,704	9,546,260	9,840,422
Furniture, Fixtures, and Equipment	1,703,560	2,177,388	2,352,674
Library Materials	1,679,882	1,697,066	1,720,431
Construction in Progress	9,464	17,940	-
	$ 17,766,965	$ 17,137,020	$ 17,694,535

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

CAPITAL ASSETS (Continued)

Planned capital expenditures for fiscal year ending June 2014 will be budgeted and paid through a combination of E & G fund reserves, Auxiliary fund reserves, funds financed for energy performance projects and from Section 13. Throughout the year, there will be expenditures from other grant programs like Title IV, TANF, and institutional reserve funds.

Section 13 for fiscal year 2013 will expend approximately $432,000 in new funds to include items such as dorm debt retirement payment -$102,000 and WOSC Foundation promissory note payment requirements - $20,000; campus-wide computer technology equipment and software - $200,000; new computer academic department requests - $65,000; physical plant upgrades for HVAC, carpet & vehicles - $45,000.

In 2013, Western contracted with an energy service company to perform an energy performance contract for approximately $1,300,000. These projects included the retrofitting of many different HVAC units on campus that are fully obsolete and inefficient, lighting retrofits and vending machine meter regulators. These projects are fully guaranteed to generate enough savings for the life of the project to fully fund the investment. Approximately $800,000 of the project was paid from E & G and Auxiliary Fund reserves, with the remaining $500,000 financed through the Western Oklahoma State College Foundation, Inc. This debt will be repaid over an eight year term at an interest rate of 3.0%.

DEBT

At June 30, 2013, the College had $4,941,197 in debt outstanding, compared to $4,957,447 reported June 30, 2012 and $4,996,030 reported June 30, 2011. The table below summarizes these amounts by type for the current year and the previous two years.

Outstanding Debt

	Year Ended June 30		
	2013	2012	2011
OCIA 1999 Capital Lease Obligations	$ -	$ -	$ -
OCIA 2005 Capital Lease Obligations	3,187,707	3,187,707	3,187,707
OCIA 2010 A&B Capital Lease Obligations	1,753,490	1,753,490	1,753,490
ODFA 2007 Master Lease Obligations	-	16,250	54,833
	$ 4,941,197	$ 4,957,447	$ 4,996,030

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT (Continued)

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. This lease agreement provides for the College to make specified monthly payments to OCIA over 25 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 2005 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. The College has recorded a charge of $482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $2,757,544 which is approximately the economic cost of the lease restructuring.

During the years ended June 30, 2013, 2012 and 2011, OCIA made lease principal and interest payments on behalf of the College totaling $65,370, $55,980, and $0, respectively.

More detailed information about the College's outstanding debt is presented in Note E to the financial statements.

WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.

Western Oklahoma State College Foundation, Inc. (the Foundation) is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing and 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 for the College and is discretely presented in the College's financial statements.

The key components of the Foundation's Net Assets are as follows:

	2013	2012	2011
Unrestricted	$ 1,203,324	$ 1,068,103	$ 927,387
Temporarily Restricted	279,921	262,960	266,469
Restricted	4,404,815	4,336,912	3,902,006

More detailed information on the Foundation can be found in the financial statements and in Note J to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The future of a majority of Oklahoma's state assisted colleges and universities is tied to the economic performance of the state. Those colleges and universities that have the ability to supplement their state appropriations with county taxes are impacted minimally by the volatility of the state's economy.

Since 2008, Oklahoma's economic indicators have been consistently inconsistent, which means legislative appropriations to state agencies, including colleges, rarely go beyond the rate of inflation (2-3%). As a matter of fact, in FY 2009 and FY 2010, Oklahoma experienced reduced revenue collections resulting in decreased appropriations to state agencies. The inconsistent economic indicators are still present with recent increases in state revenue being reported while at the same time the unemployment rate in the state's metropolitan areas has increased slightly over the last two months.

As Oklahoma's economy vacillates between periods of sustained economic growth and periods of stagnant economic activity manifested in pockets of rising unemployment, Western's Board of Regents approved a 5% tuition increase for FY 2014 to offset the decline in state appropriations. Until the state experiences a sustained period of positive economic growth, it is believed that Western will find it increasingly necessary to raise revenue through modest annual tuition increases.

Western Oklahoma State College

Statements of Net Position

June 30,

	2013		2012	
	WOSC	Component Unit WOSC Foundation, Inc.	WOSC	Component Unit WOSC Foundation, Inc.
Assets				
Current assets				
Cash and cash equivalents	$ 6,904,836	$ 427,266	$ 7,439,484	$ 547,315
Interest receivable	-	5,922	-	16,975
Accounts receivables, net of allowance for doubtful accounts	741,415	-	768,870	-
Inventories	200,681	-	205,210	-
Notes receivable, current portion	-	56,228	-	-
Total current assets	7,846,932	489,416	8,413,564	564,290
Noncurrent assets				
Restricted cash and cash equivalents	399,928	-	291,291	-
Investments, net of allowance	-	4,554,159	-	4,774,529
Debt service reserve funds	-	-	197	-
Notes receivable, long-term	-	443,772	-	-
Other assets	-	85,000	-	85,000
Capital assets, net of accumulated depreciation	17,766,965	1,123,415	17,137,020	1,172,260
Total noncurrent assets	18,166,893	6,206,346	17,428,508	6,031,789
Total assets	26,013,825	6,695,762	25,842,072	6,596,079
Deferred outflows of resources				
Deferred cost on OCIA lease restructure	241,152	-	321,536	-
Total assets and deferred outflows of resources	$ 26,254,977	$ 6,695,762	$ 26,163,608	$ 6,596,079
Liabilities and Net Position				
Current liabilities				
Accounts payable	$ 155,809	$ -	$ 675,807	$ -
Accrued interest payable	-	2,702	-	3,104
Deposits held in custody for others	44,052	-	54,705	-
Accrued payroll	107,815	-	79,024	-
Accrued compensated absences	82,107	-	64,067	-
Current portion of noncurrent liabilities	228,130	120,000	16,250	120,000
Lease premium, net	96,578	-	106,977	-
Total current liabilities	714,491	122,702	996,830	123,104
Noncurrent liabilities, net of current portion				
Obligations under capital leases and notes payable	5,213,067	-	4,941,197	-
Revenue bonds payable	-	685,000	-	805,000
Total noncurrent liabilities	5,213,067	685,000	4,941,197	805,000
Total liabilities	5,927,558	807,702	5,938,027	928,104
Net Position				
Invested in capital assets, net of related debt	12,970,343	318,415	12,394,330	-
Restricted:				
Expendable				
Instruction, scholarships and other	302,973	279,921	339,913	262,960
Capital projects	(112,031)	-	288,242	-
Nonexpendable	-	4,404,815	-	4,336,912
Unrestricted	7,166,134	884,909	7,203,096	1,068,103
Total net position	20,327,419	5,888,060	20,225,581	5,667,975
Total liabilities and net position	$ 26,254,977	$ 6,695,762	$ 26,163,608	$ 6,596,079

The accompanying notes are an integral part of these financial statements.

Western Oklahoma State College

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30,

	2013		2012	
	WOSC	Component Unit WOSC Foundation, Inc.	WOSC	Component Unit WOSC Foundation, Inc.
Operating Revenues				
Tuition and fees, net of scholarship discounts and allowance of $4,358,000 and $4,445,000 at June 30, 2013 and 2012, respectively.	$ 5,268,469	$ -	$ 5,686,345	$ -
Federal grants and contracts	896,241	-	979,636	-
State and local grants and contracts	139,682	-	148,608	-
Student store, net of scholarship discounts and allowances of $311,000 and $363,000 at June 30, 2013 and 2012, respectively.	358,489	-	427,758	-
Residence hall, net of scholarship discounts and allowances of $85,000 and $81,000 at June 30, 2013 and 2012, respectively.	102,835	-	104,364	-
Other operating revenues	497,521	205,000	365,510	205,000
Contributions and donations	-	416,327	-	754,132
Interest and dividend income	-	111,509	-	115,292
Net realized and unrealized investement gains	-	(3,405)	-	(11,996)
Total operating revenues	7,263,237	729,431	7,712,221	1,062,428
Operating Expenses				
Compensation and employee benefits	9,955,211	-	9,404,580	-
Contractual services	740,057	76,808	652,385	38,457
Supplies and materials	1,080,545	-	1,203,994	-
Utilities	468,615	5,018	491,620	4,287
Communication	120,849	-	84,877	-
Bond interest expense	-	37,556	-	41,741
Other operating expenses	1,464,229	-	1,379,824	-
Scholarships and fellowships	1,956,644	341,120	2,347,206	356,986
Depreciation expense	1,093,157	48,844	1,081,614	48,844
Total operating expenses	16,879,307	509,346	16,646,100	490,315
Operating income (loss)	(9,616,070)	220,085	(8,933,879)	572,113
Nonoperating Revenues and (Expenses)				
State appropriations	6,138,714	-	5,626,900	-
OTRS on-behalf contributions	505,592	-	464,599	-
Federal grants and contracts	2,674,673	-	3,054,582	-
State and local grants and contracts	395,416	-	373,969	-
Endowment contributions	30,563	-	21,962	-
Return on investments	19,447	-	18,194	-
Interest expense	(136,203)	-	(127,879)	-
Net nonoperating revenues	9,628,202	-	9,432,327	-
Income before revenues, expenses gains, or losses	12,132	220,085	498,448	572,113
Capital grants and gifts	24,336	-	16,684	-
State appropriations restricted for capital purposes	-	-	432,367	-
On-behalf payments for OCIA capital leases	65,370	-	55,980	-
Change in net position	101,838	220,085	1,003,479	572,113
Net position, beginning of year	20,225,581	5,667,975	19,222,102	5,095,862
Net position, end of year	$ 20,327,419	$ 5,888,060	$ 20,225,581	$ 5,667,975

The accompanying notes are an integral part of these financial statements.

Western Oklahoma State College

Statements of Cash Flows

Years ended June 30,

	2013	2012
Cash flows from operating activities		
Tuition and fees	$ 5,269,168	$ 5,518,009
Grants and contracts	1,065,910	1,482,215
Student store	350,750	476,915
Residence hall	102,835	104,364
Other operating receipts	502,029	511,124
Payments to employees for salaries and benefits	(9,413,441)	(8,952,575)
Payments to suppliers	(6,062,031)	(5,801,463)
Net cash used in operating activities	(8,184,780)	(6,661,411)
Cash flows from noncapital financing activities		
State appropriations	6,138,714	5,626,900
Grants and contracts	3,070,089	3,428,551
Direct loans received	1,904,583	2,422,845
Direct loans disbursed	(1,904,583)	(2,422,845)
Gifts for other than capital purposes	30,563	27,725
Net cash provided by noncapital financing activities	9,239,366	9,083,176
Cash flows from capital and related financing activities		
Cash paid for capital assets	(1,991,403)	(543,294)
Capital appropriations received	-	432,367
Capital grants and gifts	8,261	-
Interest paid on capital debt and leases	(651)	(2,185)
Repayments of capital debt and leases	(16,250)	(38,583)
Proceeds from issuance of debt	500,000	-
Net cash used in capital and related financing activities	(1,500,043)	(151,695)
Cash flows from investing activities		
Interest income	19,447	18,194
Net cash provided by investing activities	19,447	18,194
Net increase (decrease) in cash and cash equivalents	(426,011)	2,288,264
Cash and cash equivalents, beginning of year	$ 7,730,775	5,442,511
Cash and cash equivalents, end of year	$ 7,304,764	$ 7,730,775

The accompanying notes are an integral part of these financial statements.

Western Oklahoma State College

Statements of Cash Flows - Continued

Years ended June 30,

	2013	2012
Reconciliation of operating loss to cash provided by (used in) operating activities		
Operating loss	$ (9,616,070)	$ (8,933,879)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	1,093,157	1,081,614
Loss on disposal of capital assets	28,189	35,879
On-behalf contributions to Oklahoma Teachers' Retirement System	505,592	464,599
Changes in assets and liabilities		
Accounts receivable	27,455	380,406
Inventories	4,529	104,609
Accounts payable and accrued expenses	(245,672)	214,802
Accrued compensated absences	18,040	(9,441)
Net cash used in operating activities	$ (8,184,780)	$ (6,661,411)
Noncash capital and related financing items		
On-behalf principal and interest paid by OCIA	$ 65,370	$ 55,980
Contribution of capital assets	16,075	16,684
Amortization of deferred cost	80,385	80,385
Amortization of bond issuance cost	197	395
Amortization of lease premium	(10,399)	(11,073)
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current assets:		
Cash and cash equivalents	6,904,836	7,439,484
Noncurrent assets:		
Restricted cash and cash equivalents	399,928	291,291
	$ 7,304,764	$ 7,730,775

The accompanying notes are an integral part of these financial statements.

Note A - Summary of Significant Accounting Policies

Western Oklahoma State College (the "College") is a two-year state supported college, located in Altus, Oklahoma, operating under the jurisdiction of the Board of Regents of Western Oklahoma State College and the Oklahoma State Regents for Higher Education. The College is accredited by the North Central Association of Colleges and Schools. 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.

1. *Reporting Entity* - The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, includes the accounts and funds of the College.

   The Western Oklahoma State College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The eleven member board of trustees of the Foundation is self-perpetuating and consists of nine rotating board members, one permanent trustee, and one non-voting exoficio board member. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are 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 as required by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

   During the years ended June 30, 2013 and 2012, the Foundation distributed $181,408 and $195,712, respectively, in support to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Western Oklahoma State College Foundation, Inc., 2801 North Main Street, Altus, Oklahoma 73521.

2. *Financial Statement Presentation and Basis of Accounting* - The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 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 nonoperating revenues and expenses, and a statement of cash flows using the direct method.

   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

Note A - Summary of Significant Accounting Policies - Continued

2. *Financial Statement Presentation and Basis of Accounting* - Continued

   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 November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

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

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

5. *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.

6. *Accounts Receivable* - 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, 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 receivable are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are credited to the allowance for doubtful accounts when received. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

   Accounts receivables also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts, and distributable income from the State Regents for Higher Education. No allowance for doubtful accounts has been provided for other receivables.

Note A - Summary of Significant Accounting Policies - Continued

7. *Noncurrent Cash and Investments* - 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 noncurrent assets in the statements of net position.

8. *Capital Assets* - Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $500 or more, and an estimated useful life of greater than one year. Renovation to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 25-50 years for infrastructure and land improvements, and 7 to 20 years for library materials and equipment. Depreciation expense includes amortization of assets held under capital lease obligations.

9. *Compensated Absences* - Employee vacation pay is accrued when earned by employees. The liability and expense incurred are recorded at year-end as accrued expenses in the statements of net assets, and as a component of compensation expense in the statements of revenues, expenses and changes in net position.

10. *Noncurrent Liabilities* - Noncurrent liabilities include principal amounts of capital lease and promissory note obligations with contractual maturities greater than one year.

11. *Net Position* - The College's net position is classified as follows:

    Invested in Capital Assets, Net of Related Debts: 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.

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

Note A - Summary of Significant Accounting Policies - Continued

11. Net Position - Continued

The College's unrestricted net assets were designated for the following purposes at June 30:

	2013	2012
Educational and general operations	$ 5,153,647	$ 4,981,956
Auxiliary enterprises and other operating activities	2,012,487	2,221,140
Total unrestricted net position	$ 7,166,134	$ 7,203,096

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

12. *Classification of Revenu*es - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) certain grants and contracts.

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

13. *Scholarship Discounts and Allowances -* Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. 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

Note A - Summary of Significant Accounting Policies - Continued

13. *Scholarship Discounts and Allowances - Continued*

    students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

15. *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 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.

Note B - Deposits and Investments

1. *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. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the College deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the College's name. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b)

Note B - Deposits and Investments - Continued

1. *Deposits - Continued*

U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102 percent and, whereby, the collateral is held by a third party in the name of OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. Government at 102 percent of maturity value. At June 30, 2013 and 2012, the bank balances of all College deposits with the OST and other financial institutions were $7,355,867 and $7,696,903, respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* totaled $1,145,295 in 2013 and $1,311,018 in 2012.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* is as follows:

At June 30, 2013

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 450,196	$ 448,293
Money market mutual fund	107,471	107,471
Commercial paper sweep	24,072	24,072
Certificates of deposit	29,257	29,257
Mortgage backed agency securities	492,138	494,554
Municipal bonds	19,294	21,358
Foreign bonds	9,046	9,041
U.S. Treasury obligations	13,821	16,866
Totals	$ 1,145,295	$ 1,150,912

Note B - Deposits and Investments - Continued

2. *Deposits - Continued*

At June 30, 2012

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 463,512	$ 464,874
Money market mutual fund	179,453	179,453
Certificates of deposit	42,345	42,345
Mortgage backed agency securities	578,663	614,806
Municipal bonds	23,515	26,828
Foreign bonds	6,597	6,597
U.S. Treasury obligations	16,933	21,125
Totals	$ 1,311,018	$ 1,356,028

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 OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements.

Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at *www.ok.gov/treasurer*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes investments in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

Note B - Deposits and Investments - Continued

1. Deposits - Continued

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

2. Interest Rate Risk - At June 30, 2013, the College does not have any investments. 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.

*3. Concentration of Credit Ri*sk - The College places no limit on the amount the College may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. Government.

Note C - Accounts Receivable

Accounts receivable consist of the following at June 30:

	2013	2012
Student tuition and fees	$ 1,007,395	$ 978,231
Auxiliary enterprises	108,734	100,995
Contributions, gifts and other operating activities	149,459	153,967
Federal, state, and private grants and contracts	227,060	257,047
	1,492,648	1,490,240
Less allowance for doubtful accounts	(751,233)	(721,370)
Accounts receivable, net of allowance for doubtful accounts	$ 741,415	$ 768,870

Note D - Capital Assets

Following are the changes in capital assets for the years ended June 30, 2013 and 2012:

	Year Ended June 30, 2013				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	$ 230,453	$ -	$ -	$ -	$ 230,453
Total capital assets not being depreciated	$ 230,453	$ -	$ -	$ -	$ 230,453
Other capital assets					
Non-major infrastructure networks	$ 3,152,323	$ 1,341,482	$ 3,140	$ -	$ 4,496,945
Land improvements	1,907,834	3,649	12,227	-	1,923,710
Buildings	15,580,788	5,700	219,871	-	15,806,359
Furniture, fixtures, and equipment	7,626,409	144,071	-	(181,584)	7,588,896
Library materials	2,006,779	29,627	-	(12,954)	2,023,452
Construction in progress	17,940	226,762	(235,238)	-	9,464
Total other capital assets	30,292,073	1,751,291	-	(194,538)	31,848,826
Less accumulated depreciation					
Non-major infrastructure networks	(598,385)	(89,939)	-	-	(688,324)
Land improvements	(993,859)	(50,570)	-	-	(1,044,429)
Buildings	(6,034,528)	(316,127)	-	-	(6,350,655)
Furniture, fixtures, and equipment	(5,449,021)	(599,331)	-	163,016	(5,885,336)
Library materials	(309,713)	(37,190)	-	3,333	(343,570)
Total accumulated depreciation	(13,385,506)	(1,093,157)	-	166,349	(14,312,314)
Other capital assets, net	16,906,567	658,134	-	(28,189)	17,536,512
Capital asset summary					
Capital assets not being depreciated	230,453	-	-	-	230,453
Other capital assets	30,292,073	1,751,291	-	(194,538)	31,848,826
Total capital assets	30,522,526	1,751,291	-	(194,538)	32,079,279
Less accumulated depreciation	(13,385,506)	(1,093,157)	-	166,349	(14,312,314)
Capital assets net	$ 17,137,020	$ 658,134	$ -	$ (28,189)	$ 17,766,965

Note D - Capital Assets - Continued

	Year Ended June 30, 2012				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	$ 212,345	$ 18,108	$ -	$ -	$ 230,453
Total capital assets not being depreciated	$ 212,345	$ 18,108	$ -	$ -	$ 230,453
Other capital assets					
Non-major infrastructure networks	$ 3,141,211	$ 11,112	$ -	$ -	$ 3,152,323
Land improvements	1,907,834	-	-	-	1,907,834
Buildings	15,563,334	17,454	-	-	15,580,788
Furniture, fixtures, and equipment	7,858,763	469,412	-	(701,766)	7,626,409
Library materials	1,994,536	25,952	-	(13,709)	2,006,779
Construction in progress	-	17,940	-	-	17,940
Total other capital assets	30,465,678	541,870	-	(715,475)	30,292,073
Less accumulated depreciation					
Non-major infrastructure networks	(535,338)	(63,047)	-	-	(598,385)
Land improvements	(945,044)	(48,815)	-	-	(993,859)
Buildings	(5,722,912)	(311,616)	-	-	(6,034,528)
Furniture, fixtures, and equipment	(5,506,089)	(621,815)	-	678,883	(5,449,021)
Library materials	(274,105)	(36,321)	-	713	(309,713)
Total accumulated depreciation	(12,983,488)	(1,081,614)	-	679,596	(13,385,506)
Other capital assets, net	17,482,190	(539,744)	-	(35,879)	16,906,567
Capital asset summary					
Capital assets not being depreciated	212,345	18,108	-	-	230,453
Other capital assets	30,465,678	541,870	-	(715,475)	30,292,073
Total capital assets	30,678,023	559,978	-	(715,475)	30,522,526
Less accumulated depreciation	(12,983,488)	(1,081,614)	-	679,596	(13,385,506)
Capital assets net	$ 17,694,535	$ (521,636)	$ -	$ (35,879)	$ 17,137,020

Note D - Capital Assets - Continued

The cost and related accumulated depreciation of assets held under capital lease obligations was as follows at June 30:

2013	Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost	$ 3,524,754	$ 1,167,520	$ 1,692,189	$ 761,047	$ 7,145,510
Less accumulated depreciation	(311,116)	(1,029,795)	(135,375)	(190,414)	(1,666,700)
	$ 3,213,638	$ 137,725	$ 1,556,814	$ 570,633	$ 5,478,810

2012	Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost	$ 3,524,754	$ 1,167,520	$ 1,692,189	$ 761,047	$ 7,145,510
Less accumulated depreciation	(240,621)	(916,218)	(101,531)	(159,972)	(1,418,342)
	$ 3,284,133	$ 251,302	$ 1,590,658	$ 601,075	$ 5,727,168

Note E - Noncurrent Liabilities

Noncurrent liability activity for the College was as follows for the years ended June 30:

2013	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within One Year
Capital lease obligations					
OCIA 2005F capital lease obligations	$ 3,187,707	$ -	$ -	$ 3,187,707	$ 171,902
OCIA 2010 A&B capital lease obligations	1,753,490	-	-	1,753,490	-
ODFA 2007 master lease obligations	16,250	-	(16,250)	-	-
Total capital lease obligations	4,957,447	-	(16,250)	4,941,197	171,902
Other noncurrent obligations					
Compensated absences	64,067	127,979	(109,939)	82,107	82,107
WOSC Foundation, Inc. promissory note	-	500,000	-	500,000	56,228
Total noncurrent liabilities	$ 5,021,514	$ 627,979	$ (126,189)	$ 5,523,304	$ 310,237

Note E - Noncurrent Liabilities - Continued

	2012				
Capital lease obligations	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amounts Due Within One Year
OCIA 2005F capital lease obligations					
OCIA 2010 A&B capital lease obligations	$ 3,187,707	$ -	$ -	$ 3,187,707	$ -
ODFA 2007 master lease obligations	1,753,490	-	-	1,753,490	-
Total capital lease obligations	54,833	-	(38,583)	16,250	16,250
Other noncurrent obligations	4,996,030	-	(38,583)	4,957,447	16,250
Compensated absences					
Total noncurrent liabilities	73,508	118,979	(128,420)	64,067	64,067
	$ 5,069,538	$ 118,979	$ (167,003)	$ 5,021,514	$ 80,317

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. During the year ended June 30, 2013, amortization of the deferred charge was $80,385.

During the years ended June 30, 2013 and 2012, OCIA made principal and interest payments totaling $65,370 and $55,980, 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.

Note E - Noncurrent Liabilities - Continued

Oklahoma Development Finance Authority Master Lease Program - In 2007, the Oklahoma Development Finance Authority ("ODFA") issued the Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2007. Of the total bond indebtedness, the State Regents for Higher Education allocated $181,000 to the College. The proceeds of the bonds are to provide for capital improvements at the College.

Future minimum lease payments related to the College's obligations under its various capital lease obligations are as follows:

Year Ending June 30:	Principal	Interest	Total
2014	$ 171,902	$ 245,601	$ 417,503
2015	473,485	237,155	710,640
2016	488,820	223,398	712,218
2017	426,320	184,529	610,849
2018	445,440	165,453	610,893
2019 - 2023	697,762	635,804	1,333,566
2024 - 2028	1,295,034	434,384	1,729,418
2029 - 2032	942,434	95,216	1,037,650
Total	$ 4,941,197	$ 2,221,540	$ 7,162,737

Note F - Retirement Plan

Oklahoma Teachers' Retirement System

The College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employees retirement system. The College does not maintain the accounting records, hold the investments for, or administer this plan. *Oklahoma Teachers' Retirement System* Plan Description: The College contributes to the Oklahoma Teachers' Retirement System ("OTRS"), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement plan provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-120, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387.

Note F - Retirement Plan - Continued

Oklahoma Teachers' Retirement System - Continued

Funding Policy - The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5 percent in fiscal years 2013 and 2012, is applied to annual compensation, and is determined by state statute.

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

The College's contributions to the OTRS for the years ended June 30, 2013, 2012 and 2011 were approximately $1,092,000, $1,017,000, and $999,000, respectively. These contributions included the College's statutory contribution and the share of the employees' contributions paid directly by the College. The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2013, the State of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.

The College has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2013 and 2012, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately $506,000 and $465,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses and changes in net assets.

Note G - 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 statement of net position. At June 30, 2013 and 2012, the funds totaled approximately $709,000 and $641,000, respectively. The College is entitled to receive an annual distribution of earnings on these funds. Distributions to be received totaled approximately $28,000 and $26,000 at June 30, 2013 and 2012, respectively.

Note H - 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

Note H - Related Party Transactions - Continued

exchange for the support the College receives. The College provides support to the Foundation through employee services and office space.

In July 1998, the Foundation issued revenue bonds through the Jackson County Public Finance Authority to construct a student housing facility (the "Housing Facility") on property owned by the College. Concurrently with the issuance of these bonds, the College entered into a Lease and Development Agreement (the "Lease Agreement") and an Operations and Maintenance Agreement (the "Operation Agreement"). In connection with the Lease Agreement, the College agreed to pay a development fee to the Foundation, and further agreed to rent the real property upon which the Housing Facility was to be constructed. The term of the lease agreement was for 50 years beginning July 1, 1998, and provided for the Foundation to pay the College $100 per year in rent expense.

The Operation Agreement provided that the College would be responsible for the management and operations of the Housing Facility, and in exchange for the services provided by the College to the Foundation, the Foundation would pay the College the sum of $925 per semester for each student residing in the Housing Facility. The Operations Agreement automatically renewed each fiscal year but could be terminated by the College or the Foundation. In connection with the Operations Agreement, the College's Board of Regents had verbally agreed to incur the expenses and debt service in excess of revenues collected. The agreement was reviewed annually by the College, and was subject to Board approval for future years. Effective July 1, 2002, the College entered into a Student Housing Facility Lease Agreement (the "Student Housing Lease Agreement") with the Foundation. The Operations Agreement was terminated as a result of this agreement. Under the Student Housing Lease Agreement, the Foundation and the College agreed that the College would lease all of the Foundation's rights and interest in the Housing Facility for $205,000 per year. The initial lease term of the Student Housing Lease Agreement was from July 1, 2002 through June 30, 2003. The College and the Foundation must agree to future lease terms.

During 2013, the College entered into an agreement to borrow an amount not to exceed $500,000 from the Foundation. The proceeds were used to finance certain campus energy efficient campus infrastructure improvements. The promissory note accrues interest at an interest rate of not more than three percent per annum. Interest and principal are payable in eight successive annual installments of $71,228.19 with the final installment being due on August 1, 2020. Future principal payments as of June 30, 2013 are as follows: $56,228 in 2014, $57,915 in 2015, $59,652 in 2016, $61,442 in 2017, $63,285 in 2018 and $201,478 in 2019 - 2021.

Note I - Commitments and Contingencies

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; 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 torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note I - Commitments and Contingencies - Continued

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the state insurance fund entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverage. The Oklahoma Risk Management Pool's (the "Pool") 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.

During 2013, the College was placed on academic probation by its accrediting agency over concerns about the quality of the College's online classes. As such, the College is temporarily suspended from offering its condensed format online classes from which the College derived approximately 46 percent of its revenue in 2013 and 52 percent of its revenue in 2012. The College is evaluating the effect that this will have on its operations and is implementing measures to help lessen the financial statement impact. The accrediting agency will be assessing the academic quality of the College's courses and is expected to determine whether to extend the probationary period in the 2014 fiscal year.

Note J - Adoption of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65

In 2013, the College adopted GASB Statement No. 63 - *Financial Reporting of Deferred Outflows, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities.* Statement No. 63 establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 also specifies that the statement of net position should report the residual amount as net position rather than net assets. Under this statement, net position should be displayed in three components similar to those currently required for net assets; net investment in capital assets, restricted, and unrestricted.

Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. Under GASB 65, the College is required to present the deferred cost on OCIA lease restructure described in Note E as deferred outlows of resources in the statement of net position.

Note K - Western Oklahoma State College Foundation, Inc.

The following are significant disclosures of the Foundation:

Description of the Entity and Summary of Significant Accounting Policies

Nature of Operations - Western Oklahoma State College Foundation, Inc., 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*.

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting - The Foundation uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred. Expenses incurred but not paid are represented by a liability on the statement of financial position. Other revenues are recognized when received or earned. Net assets represent the cumulative excess of revenues recognized over expenses incurred.

Financial Statement Presentation - The financial statement presentation follows the guidance of ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Foundation reports information regarding its financial position and changes in net assets according to the three classes of net assets based on the existence or absence of donor-imposed restrictions, as follows: unrestricted net assets consist of expendable amounts available to support the Foundation's operations and objectives; temporarily restricted net assets consist of amounts which have been temporarily restricted by donors for specific purposes or time periods; and permanently restricted net assets consist of amounts required to be maintained by the Foundation, with income generated by such amounts available to support general or specific purposes.

Revenue Recognition and Support - The Foundation reports gifts of cash and other assets as unrestricted contributions unless they are received with donor stipulations that limit the use of the asset. In the case that a donor restriction expires, through the passage of time or when the stipulated purpose is

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Description of The Entity And Summary Of Significant Accounting Policies - Continued

Revenue Recognition and Support - Continued

accomplished, temporarily restricted net assets are reclassified as unrestricted and reported as net assets released from restrictions. Donor restricted net assets whose stipulations are met within the same year as the reporting period are reflected as unrestricted net assets in the statement of activities. Contributions received under endowment agreements, where donors have restricted the use of income received from the assets, are reported as increases in permanently restricted net assets. Income and realized or unrealized gains that are not donor restricted are reported as increases in unrestricted net assets in the statement of activities.

Fair Value Measurements - The Foundation follows the ASC Topic 820, *Fair Value Measurements and Disclosures*, with respect to financial assets and liabilities. Topic 820 defines fair value, establishes a framework for fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Capital Assets - Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which is generally 37.5 years for buildings. Capital assets that are contributed to the Foundation are carried at their fair market value at the time of the donation.

Cash and Cash Equivalents - The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

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, disclosure of 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.

Income Taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; as such; no provision has been made for federal or state income taxes. Federal and state informational tax returns have been filed as required.

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Description of The Entity And Summary Of Significant Accounting Policies - Continued

Income Taxes - Continued

The Foundation has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The implementation of this standard has no impact on the financial statements. As of June 30, 2013 and 2012, the unrecognized tax benefit accrual was zero.

Concentration of Risk - The Foundation maintains its cash accounts and certificates of deposit at several commercial banks. Cash accounts and certificates of deposit at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 and additional insurance to cover any of those amounts that may exceed the $250,000 FDIC insurance. The Foundation has not experienced any losses in cash and cash equivalents and does not believe that they are exposed to significant credit risk.

Date of Management's Review - Subsequent events were evaluated through October 3, 2013, which is the date the financial statements were available to be issued.

WOSC Student Facilities Revenue Bond Series 2008

In July 1998, Western Oklahoma State College Foundation, Inc. ("Foundation") entered into a lease and development agreement with the Board of Regents of Western Oklahoma State College (the Board) to lease a portion of the Western Oklahoma State College campus for the purpose of constructing a student housing facility. The Board agreed to pay the development fee of $150,000 in order to obtain the financing. In addition, the Board entered into an operation and maintenance agreement whereby the Board agreed to operate and maintain the student housing facility. In July 2002, the Board terminated the original operation and maintenance agreement and entered into a lease agreement providing for an annual lease of $205,000. The Board agreed to pay for all maintenance, utilities, insurance and repairs necessary to operate the student housing facility.

In June 2008, the WOSC Student Facilities Revenue Bonds Series 1998 were retired with the proceeds from the issue of the WOSC Student Facilities Revenue Bonds Series 2008 in the amount of $1,360,000 with interest due on June 1 and December 1 and with principal payments annually. The first principal and interest payments commenced on December 1, 2008.

Note K - Western Oklahoma State College Foundation, Inc. - Continued

WOSC Student Facilities Revenue Bond Series 2008 - Continued

The bonds mature during the fiscal year ending June 30, in the following manner:

Year Ending June 30:	Principal	Interest	Total
2014	$ 120,000	$ 33,478	$ 153,478
2015	125,000	28,798	153,798
2016	130,000	23,798	153,798
2017	135,000	18,468	153,468
2018	145,000	12,798	157,798
2019	150,000	6,563	156,563
Total	$ 805,000	$ 123,903	$ 928,903

Capital Assets

Capital assets consist of the following at June 30:

	2013	2012
Student housing facility	$ 1,807,234	$ 1,807,234
Less accumulated deprecation	(683,819)	(634,974)
	$ 1,123,415	$ 1,172,260

Depreciation expense included in the accompanying financial statements for the years ended June 30, 2013 and 2012 was $48,844 each year (net balance changes by $48,845 this year due to effects of rounding on cents charged to depreciation).

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Investments and Allowance for Investment Loss

Investments are made in conformity with the objectives and guidelines of the Foundation's Board of Directors. The investments are stated at fair value. The fair values are based primarily on quoted market prices for those or similar instruments (considered level 1 inputs for determination of fair value, as illustrated below). Types of investments are as follows at June 30:

	2013	2012
	Fair Value Level 1	Fair Value Level 1
Certificates of deposits	$ 2,885,079	$ 3,192,004
Money market funds	22,248	54,836
Mutual funds	1,059,870	1,037,322
Annuities	251,000	251,000
Real estate investment trusts	369,846	269,846
Total investments	4,588,043	4,805,008
Allowance for market revaluation	(33,883)	(30,479)
Fair market value (carrying value)	$ 4,554,160	$ 4,774,529

Endowment Disclosure

The Foundation's endowment consists of 92 individual donor restricted funds which are managed and controlled by the Foundation and were established for scholarships and program support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

Interpretation of Relevant Law

The Board of Trustees of the Foundation have interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Interpretation of Relevant Law - Continued

permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in the manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

(1) The duration and preservation of the funds;
(2) The purpose of the Foundation and donor restricted endowment fund;
(3) General economic conditions;
(4) Possible effect of inflation and deflation;
(5) The expected total return from income and appreciation of investments;
(6) Other resources of the Foundation;
(7) The investment policies of the Foundation.

Endowment net asset composition by type of funds as of June 30:

		2013		
Endowments	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	$ -	$ 279,921	$ 4,404,815	$ 4,684,736
Board designated endowments	873,084	-	-	873,084
Total funds invested	$ 873,084	$ 279,921	$ 4,404,815	$ 5,557,820
		2012		
Donor restricted endowments	$ -	$ 262,960	$ 4,336,912	$ 4,599,872
Board designated endowments	802,919	-	-	802,919
Total funds invested	$ 802,919	$ 262,960	$ 4,336,912	$ 5,402,791

Note K - Western Oklahoma State College Foundation, Inc. – Continued

Changes in endowment net assets for the year ended June 30:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2011	$ 720,479	$ 266,469	$ 3,902,006	$ 4,888,954
Investment return				
Investment income	52,511	61,069	1,712	115,292
Net realized and unrealized gain on investments	(11,996)	-	-	(11,996)
Total investment return	40,515	61,069	1,712	103,296
Contributions	41,925	154,139	433,194	629,258
Appropriation of endowment assets for expenditure	-	(218,717)	-	(218,717)
Endowment net assets, as of June 30, 2012	802,919	262,960	4,336,912	5,402,791
Investment return				
Investment income	47,117	62,549	1,843	111,509
Net realized and unrealized gain on investments	(3,405)	-	-	(3,405)
Total investment return	43,712	62,549	1,843	108,104
Contributions	26,453	179,141	66,060	271,654
Appropriation of endowment assets for expenditure	-	(224,729)	-	(224,729)
Endowment net assets, as of June 30, 2013	$ 873,084	$ 279,921	$ 4,404,815	$ 5,557,820

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Endowment Disclosure - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, the allowance reported in unrestricted net assets which is a reduction in fair market value of invested endowment funds is $33,833 and $30,479 at June 30, 2013 and 2012, respectively.

Return Objectivities 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 the 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.

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.

How the Investment Objectives Relate to the Spending Policy

Since the Foundation has a policy of designating unrestricted funds 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.

Silver Statues

The Foundation maintains various silver statues. These statues are maintained for public exhibition rather than financial gain. On June 30, 2013 and 2012, these statues had a value of approximately $85,000. These statues are protected, kept unencumbered, cared for, and preserved.

Note K - Western Oklahoma State College Foundation, Inc. - Continued

Contributions and Donations

The following is a breakdown of the contributions and donations received in 2013 and 2012 and their respective categories by restriction:

	As of June 30, 2013			
Contributions and Donations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments	$ 12,845	$ 124,973	$ 66,060	$ 203,878
Sustaining membership account	15,425	-	-	15,425
Pass-through funds	-	169,724	-	169,724
President's partners	27,300	-	-	27,300
Total contributions and donations	$ 55,570	$ 294,697	$ 66,060	$ 416,327

	As of June 30, 2012			
Contributions and Donations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments	$ 25,137	$ 115,940	$ 425,009	$ 566,086
Sustaining membership account	15,466	-	-	15,466
Pass-through funds	-	144,190	-	144,190
President's partners	20,205	-	8,185	28,390
Total contributions and donations	$ 60,808	$ 260,130	$ 433,194	$ 754,132

Note Receivable

Effective August 1, 2012, the Foundation loaned Western Oklahoma State College (the "College") $500,000 as part of a performance-based efficiency contrast pursuant to Section 312 of Title 62 of the Oklahoma Statutes for certain campus infrastructure improvements. The borrowing was made at an interest rate of 3 percent and a term of 8 years, and is paid back in successive annual installments of $71,228.19 made August 1 of each year, with the final installment due in 2020. The note receivable is stated at $443,772 in the statement of financial position for the year ended June 30, 2013, representing a payment of $15,000 interest and $56,228 made during the year.

Note L - New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective to the College in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below.

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions*, an Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the College has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

Internal Control and Compliance Reports

Stanfield & O'Dell PC
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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited the financial statements of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 3, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Western Oklahoma State College Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stanfield & O'Dell P.C.

Tulsa, Oklahoma
October 3, 2013

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance
With Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Tulsa, Oklahoma
October 3, 2013

Stanfield & O'Dell P.C.

Western Oklahoma State College

Schedule of Expenditures and Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant Program	84.063	$ 2,667,455
Federal Supplemental Educational Opportunity Grants	84.007	38,689
Federal Work Study Program	84.033	82,172
Federal Direct Student Loan Program	84.268	1,899,341
College Access Challenge Grant Program	84.378A	5,942
Total Student Financial Aid Cluster		4,693,599
TRIO Program Cluster		
Upward Bound	84.047	275,646
Student Support Services	84.042A	240,991
Total TRIO Program Cluster		516,637
Passed through the Oklahoma State Department of Education:		
Carl Perkins Program	84.051	34,727
Total U.S. Department of Education		5,244,963
U.S. Department of Health and Human Services		
Temporary Assistance for Needy Families	93.558	161,010
Child Development Associative Initiative	93.596	71,070
Early Retiree Reinsurance Program	93.546	1,336
Total U.S. Department of Health and Human Services		233,416
U.S. Department of Labor		
Oklahoma Works (TAACCCT)	17.282	47,641
Total U.S. Department of Labor		47,641
Total Federal Awards Expended		$ 5,526,020

See Notes to Schedule of Expenditures of Federal Awards.

Note A - Summary Of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting, which is the basis used by Western Oklahoma State College to present the basic financial statements. Under the accrual basis, expenditures are recognized when the related liability is incurred.

Note B - Federal Direct Student Loan Program

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

Note C - Subrecipients

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	____Yes _X_No
Significant deficiency(s) identified that are not considered to be material weaknesses?	____Yes _X_ None reported
Noncompliance material to financial statements noted?	____Yes _X_No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____Yes _X_ None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____Yes _X_No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____Yes _X_No

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

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

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings - None

Section III - Findings Required to be Reported in Accordance with OMB Circular A-133 - None

Western Oklahoma State College

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2012

Section II - Findings Required to be Reported in Accordance with *Government Auditing Standards:*
None to report for the June 30, 2012 period.

Section III - Findings Required to be Reported in Accordance with OMB Circular A-133:
None to report for the June 30, 2012 period.