Western Oklahoma State College

Financial Statements
with Independent Auditors' Reports

June 30, 2018 and 2017

Western Oklahoma State College
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June 30, 2018 and 2017

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HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the Western Oklahoma State College, component unit of the State of Oklahoma, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Western Oklahoma State College's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We have also audited the financial statements of the discretely presented component unit of Western Oklahoma State College Foundation, Inc., a not-for-profit Oklahoma corporation organized to support the College, as of and for the years ended June 30, 2018 and 2017. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, Western Oklahoma State College Foundation, Inc., as of June 30, 2018 and 2017 and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Oklahoma State College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Uniform *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018 on our consideration of the Western Oklahoma State College's internal control over financial reporting and 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Oklahoma State College's internal control over financial reporting and compliance.

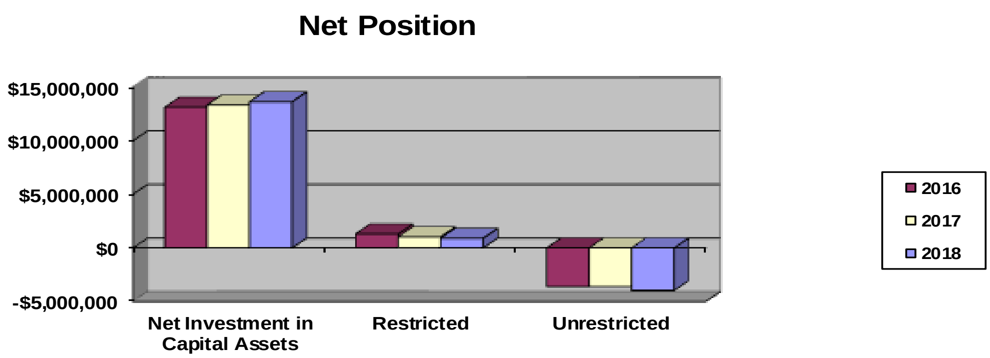
Hinkle & Company, PC

Tulsa, Oklahoma
October 17, 2018

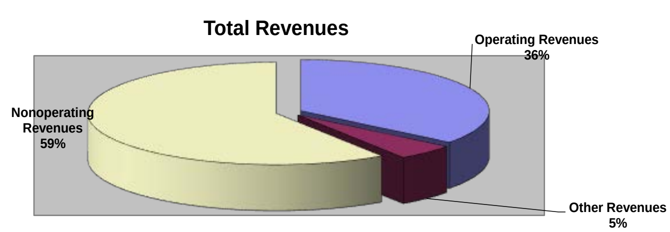
WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2018, 2017 and 2016

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, 2018. 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, 2018. The 2018 change in net position includes the effect of recognizing pension liabilities as discussed in Note 6.



In fiscal year ended June 30, 2018, the College's expenses exceeded revenues, creating an decrease in total net position of $222,057, which represents an 2% decrease in net position for 2018. In fiscal year ended June 30, 2017, the College's expenses exceeded revenues, creating an decrease in total net position of $54,454, which represents an 0.5% decrease in net position for 2017.

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 position. When the reverse occurs, the result is a decrease in total net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net position and changes in 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:

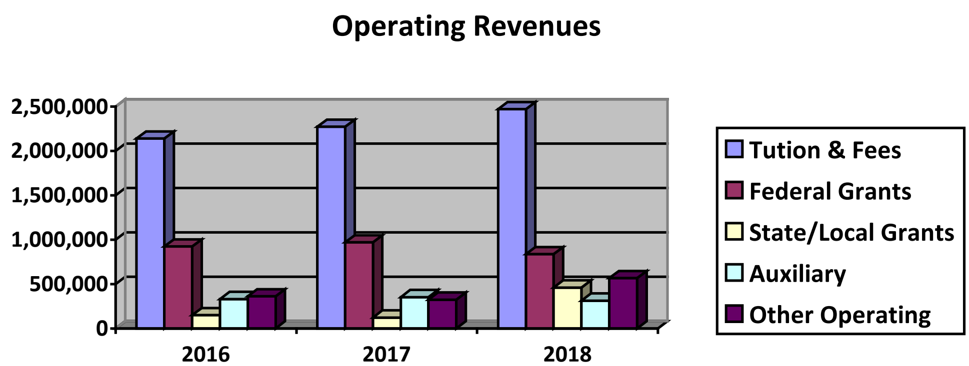
Condensed Statement of Net Position

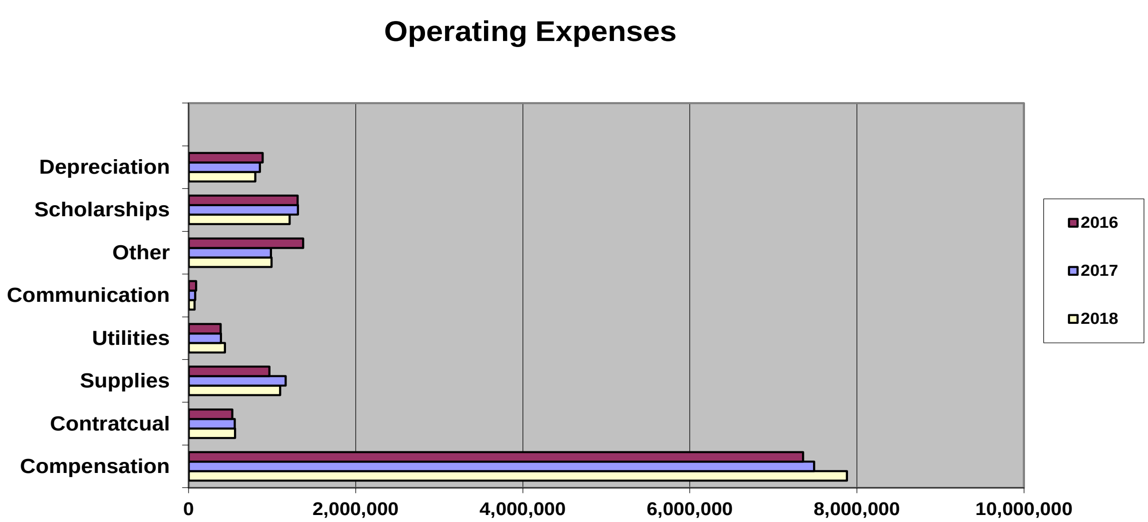
	Years Ended June 30 2018	2017	Increase (Decrease)	Percent Change	Year Ended June 30 2016	Increase (Decrease)	Percent Change
Current assets	$ 5,797,038	$ 5,824,972	$ (27,934)	-0.48%	$ 5,803,010	$ 21,962	0.38%
Noncurrent assets:							
Restricted Cash and							
Cash Equivalents	824,306	787,081	37,225	4.73%	1,187,059	(399,978)	-33.69%
Net OPEB Asset	54,658	-	54,658	0.00%	-	-	0.00%
Capital assets, net	16,725,132	16,950,672	(225,540)	-1.33%	17,234,391	(283,719)	-1.65%
Total assets	23,401,134	23,562,725	(161,591)	-0.69%	24,224,460	(661,735)	-2.73%
Deferred outflows	1,670,400	3,158,126	(1,487,726)	-47.11%	1,111,223	2,046,903	184.20%
Total Assets and deferred outflows of resources	25,071,534	26,720,851	(1,649,317)	-6.17%	25,335,683	1,385,168	5.47%
Current liabilities	1,391,778	993,217	398,561	40.13%	1,202,869	(209,652)	-17.43%
Noncurrent liabilities:	10,913,493	13,730,253	(2,816,760)	-20.51%	12,275,626	1,454,627	11.85%
Total liabilities	12,305,271	14,723,470	(2,418,199)	-16.42%	13,478,495	1,244,975	9.24%
Deferred Inflows	2,211,469	1,220,530	990,939	81.19%	1,025,883	194,647	0.00%
Total liabilites and deffered inflows of resources	14,516,740	15,944,000	(1,427,260)	-8.95%	14,504,378	1,439,622	9.93%
Net Position							
Investment in							
capital assets	13,625,908	13,334,202	291,706	2.19%	13,120,366	213,836	1.63%
Restricted	892,897	1,028,281	(135,384)	-13.17%	1,304,430	(276,149)	-21.17%
Unrestricted	(3,964,011)	(3,585,632)	(378,379)	10.55%	(3,593,491)	7,859	-0.22%
Total net position	$ 10,554,794	$ 10,776,851	$ (222,057)	-2.06%	$ 10,831,305	$ (54,454)	-0.50%

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2018, 2017 and 2016

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

The breakdown of operating revenues and expenses for fiscal years ended June 30, 2018, 2017 and 2016 are as follows:





WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2018, 2017 and 2016

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
	2018	2017	(Decrease)	Change	2016	(Decrease)	Change
Operating revenues:							
Tuition & Fees	$ 2,470,641	$ 2,272,890	$ 197,751	8.70%	$ 2,139,742	133,148	6.22%
Federal and state grants	1,295,801	1,091,795	204,006	18.69%	1,071,082	20,713	1.93%
Auxillary enterprise charges	312,677	351,757	(39,080)	-11.11%	330,679	21,078	6.37%
Other	565,753	323,663	242,090	74.80%	361,689	(38,026)	-10.51%
Total Operating Revenues	4,644,872	4,040,105	604,767	14.97%	3,903,192	136,913	3.51%
Less operating expenses	13,039,261	12,812,587	226,674	1.77%	12,879,985	(67,398)	-0.52%
Net loss from operations	(8,394,389)	(8,772,482)	378,093	-4.31%	(8,976,793)	204,311	-2.28%
Nonoperating revenues (expenses):							
State appropriations	4,458,362	4,737,376	(279,014)	-5.89%	5,013,311	(275,935)	-5.50%
Federal grants and contracts	2,587,165	2,410,034	177,131	7.35%	2,231,612	178,422	8.00%
State & local grants and contracts	326,112	364,483	(38,371)	-10.53%	271,160	93,323	34.42%
On-behalf appropriations for OTRS	341,883	372,847	(30,964)	-8.30%	450,529	(77,682)	-17.24%
State Regents Endowment Contributions	31,523	30,547	976	3.20%	49,872	(19,325)	-38.75%
Interest Revenue	18,523	16,197	2,326	14.36%	15,381	816	5.31%
Interest Expense	(152,613)	(168,723)	16,110	-9.55%	(286,647)	117,924	-41.14%
Net Nonoperating revenues	7,610,955	7,762,761	(151,806)	-1.96%	7,745,218	17,543	0.23%
Other revenues, expenses, and gains and losses							
Capital grants and gifts	9,050	10,575	(1,525)	-14.42%	28,852	(18,277)	-63.35%
Transfer of Dorm to College	-	-	-	0.00%	976,833	(976,833)	-100.00%
Loss on Disposal of Asset	(46,303)	-	(46,303)	0.00%	-	-	0.00%
State appropriations restricted for capital purposes	-	349,641	(349,641)	-100.00%	421,648	(72,007)	-17.08%
On-behalf OCIA capital leases	598,630	595,051	3,579	0.60%	692,027	(96,976)	-14.01%
Total Other	561,377	955,267	(393,890)	-41.23%	2,119,360	(1,164,093)	-54.93%
Increase (decrease) in net assets	(222,057)	(54,454)	(167,603)	307.79%	887,785	(942,239)	-106.13%
Net assets, beginning	10,776,851	10,831,305	(54,454)	-0.50%	9,943,520	887,785	8.93%
Net assets, ending	$ 10,554,794	$ 10,776,851	$ (222,057)	-2.06%	$ 10,831,305	$ (54,454)	-0.50%

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2018 compared to June 30, 2017 resulted in the following revenue and expense changes:

- Tuition & fees revenues increased by 8.70%, or $197,751. This increase is due mostly to an increase in Western's tuition & mandatory fee rate. Auxiliary revenues decreased by 11.11%, which represents a decrease of $813 in Residence Hall and an increase in student store of $38,267. Federal and State Grants & Contracts experienced an increase of 18.69%. The overall operating revenues increased by 14.97%, or $604,767 over that of FY 17.

- Overall operating expenses increased by 1.77% or $226,674. Most of the expense categories remained relatively flat between FY 17 and FY 18.

- Net non-operating revenues and expenses decreased by 1.96%, or $151,806. Included in this is a decrease in State Appropriations of $279,014 or 5.89%. In contrast, there was an increase in interest expense for the OCIA Bond Issue Liability of $16,110 or 9.55%. In 2010 the state legislature voted to defer the payments for the 2005 OCIA Bond Issue and again in 2014, a portion of the remaining debt was refinanced. Because of these refinance actions, the interest and principal payments have gone through two phases of deferral. FY 2017 and FY 2018, some of these deferred expenses have returned resulting in an increase in interest expenses. We will continue to see this increase in the near future.

- On-behalf capital lease payments increased slightly by .60% resulting in an increase of $3,579 from the prior year. Please refer to Note 5 – Long Term Liabilities in the Notes to the Financial Statements.

June 30, 2017 compared to June 30, 2016 resulted in the following revenue and expense changes:

- Tuition & fees revenues increased by 6.22%, or $133,148. This increase is due mostly to a 12.5% increase in Western's tuition & mandatory fee rate along with a slight .63% increase in credit production hour enrollment for FY 2017. Auxiliary revenues increased by 6.37%, which represents a decrease of $779 in Residence Hall and an increase in student store of $21,857. Federal and State Grants & Contracts experienced a slight increase of 1.93%. The overall operating revenues increased by 3.51%, or $136,913 over that of FY 16.

- Overall operating expenses decreased by .52% or $67,398. Most of the expense categories remained relatively flat between FY 16 and FY 17.

- Net non-operating revenues and expenses increased slightly by 0.23%, or $17,543. Included in this is a decrease in State Appropriations of $275,935 or 5.5%. In contrast, there was an increase in interest expense for the OCIA Bond Issue Liability of $117,924 or 41%. In 2010 the state legislature voted to defer the payments for the 2005 OCIA Bond Issue and again in 2014, a portion of the remaining debt was refinanced. Because of these refinance actions, the interest and principal payments have gone through two phases of deferral. FY 2016 and FY 2017, some of these deferred expenses have returned resulting in an increase in interest expenses. We will continue to see this increase in the near future.

- On-behalf capital lease payments decreased by 14.01% resulting in a decrease of $96,976 from the prior year. This reduction is due to the full repayment of the OCIA 2005 and the

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

OCIA 2010B capital lease obligations. Both of these leases had debt service payments of $399,107 combined in 2016, which represented final payments. Please refer to Note 5– Long Term Liabilities in the Notes to the Financial Statements.

June 30, 2015, Western adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* The statement was effective for fiscal years beginning after June 15, 2014. This GASB statement requires that Western calculate its total pension liability using three essential steps:

1. Projecting future benefit payments for current and former employees and their beneficiaries
2. Discounting those payments to their present value
3. Allocating the present value over past, present, and future periods of employee service.

The effect on the 2015 net position is reflected below:

Beginning net position, as previously reported	$19,877,738
Implementation of GASB Statements 68 & 71	(9,561,745)
Beginning net position, restated	$10,315,993

The effect of the net pension liability has a direct effect on the Unrestricted Net Position. Below is an illustration of the effect GASB Statement 68 & 71 on the 2015 Unrestricted Net Position:

June 30, 2015 unrestricted net position	($ 3,871,416)
Deferred outflows related to pension	(587,022)
Net position liability June 30, 2014	7,619,358
Deferred inflows related to pension	1,969,604
Unrestricted net position prior to net pension liability	$ 5,130,524

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Below is an illustration of the effect GASB Statement 68 & 71 on the 2016 Unrestricted Net Position:

June 30, 2016 unrestricted net position	($ 3,593,491)
Deferred outflows related to pension	(1,111,223)
Net position liability June 30, 2015	8,770,623
Deferred inflows related to pension	905,897
Unrestricted net position prior to net pension liability	$ 4,971,806

Below is an illustration of the effect GASB Statement 68 & 71 on the 2017 Unrestricted Net Position:

June 30, 2017 unrestricted net position	($ 3,585,632)
Deferred outflows related to pension	(3,158,126)
Net position liability June 30, 2016	10,733,975
Deferred inflows related to pension	1,109,063
Unrestricted net position prior to net pension liability	$ 5,099,280

For the year ended June 30, 2018, in addition to GASB Statement 68 & 71, Western adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Statement is effective for fiscal years beginning after June 15, 2017. This GASB statement requires that Western measure its total OPEB liability using three broad steps:

1. Project benefit payments,
2. Discount projected benefit payments to actuarial present value, and
3. Attribute actuarial present value to periods.

Below is an illustration of the effect GASB Statement 68, 71 &75 on the 2018 Unrestricted Net Position:

June 30, 2018 unrestricted net position	($ 3,964,001)
Deferred outflows related to pension	(1,662,662)
Deferred outflows related to OPEB	(7,718)
Net pension liability	8,115,880
Total OPEB liability	326,972
Deferred inflows related to pension	2,063,518
Deferred inflows related to OPEB	45,004
Unrestricted net position prior to net pension liability	$ 4,916,993

Please refer to Note 6 & 7 – Retirement Plans and Other Post-Employment Benefits in the Notes to the Financial Statements for further information regarding the implementation of GASB Statements 68, 71 & 75.

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

	Years Ended June 30		Increase	Year Ended June 30	Increase
	2018	2017	(Decrease)	2016	(Decrease)
Cash provided (used) by:					
Operating activities	$ (6,998,919)	$ (7,278,405)	$ 279,486	$ (7,844,241)	$ 565,836
Noncapital financing activities	7,412,212	7,528,090	(115,878)	7,565,955	(37,865)
Capital and related financing activities	(664,560)	(274,000)	(390,560)	(698,738)	424,738
Investing activities	(7,943)	(168,723)	160,780	15,381	(184,104)
Net increase (decrease) in cash and cash equivalents	(259,210)	(193,038)	(66,172)	(961,643)	768,605
Cash and cash equivalents, beginning	5,929,356	6,122,394	(193,038)	7,084,037	(961,643)
Cash and cash equivalents, ending	$ 5,670,146	$ 5,929,356	$ (259,210)	$ 6,122,394	$ (193,038)

June 30, 2018 compared to June 30, 2017 resulted in the following cash flow changes:

The College's liquidity decreased by $259,210 in 2018. Cash used by operating activities decreased by $279,486 likewise, cash provided by non-capital financing activities decreased by $115,878 due mostly to a decrease in state appropriations. Cash used by capital and related financing activities increased by $390,560 due HVAC and Roofing Projects. The net result of these items is a decrease in cash of $259,210.

June 30, 2017 compared to June 30, 2016 resulted in the following cash flow changes:

The College's liquidity decreased by $193,038 in 2017. Cash used by operating activities decreased by $565,836, likewise, cash provided by non-capital financing activities decreased by $37,865 due mostly to a decrease in state appropriations. Cash used by capital and related financing activities decreased by $424,738 due to the completion of construction projects in 2016. The net result of these items is a decrease in cash of 193,038.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Although the Statement of Revenues, Expenses, and Changes in Net Position shows a decrease in total net position of $222,057, 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

	Years Ended 2018	Years Ended 2017	Years Ended 2016
Educational and General Fund	$ (17,914)	$ 93,815	$ (273,109)
Auxiliary Fund	(68,317)	33,656	114,397
Restricted Fund	33,567	(28,846)	(5,358)
Unexpended Plant Fund	(129,307)	(247,303)	(953,576)
Capital Assets	291,704	213,837	1,568,790
Net Pension Revenue & Expense Recognition	(331,790)	(119,613)	436,641
Combined Total	$ (222,057)	$ (54,454)	$ 887,785

The College began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". College employees are provided health insurance coverage through OKHEEI, which is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessment may be made to participating Colleges and Universities. As of June 30, 2018 additional assessments did not occur.

The Statement of Fiduciary Net Position represents the agency fund for the Oklahoma Higher Education Employee Interlocal Group "OKHEEI". Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2018, the College has $16,725,131 invested in capital assets, net of accumulated depreciation of $18,222,083. Depreciation charges totaled $799,035 for the current fiscal year, compared to $853,123 for the previous fiscal year. Details of these assets for the three years are shown below.

	Years Ended June 30		
	2018	2017	2016
Land	$ 230,453	$ 230,453	$ 230,453
Infrastructure	3,620,905	3,701,893	3,664,827
Land Improvements	646,296	685,788	736,775
Buildings	9,974,288	10,332,155	10,349,488
Furniture, Fixtures, and Equipment	745,032	662,578	683,602
Library Materials	1,288,547	1,337,805	1,425,432
Construction in Progress	214,820	-	143,814
Livestock	4,790	-	-
	$ 16,725,131	$ 16,950,672	$ 17,234,391

Planned capital expenditures for fiscal year ending June 2019 will be budgeted and paid through a combination of E & G fund reserves, Auxiliary fund reserves, and from Section 13 appropriated capital funds. Throughout the year there will be expenditures from other grant programs like Title IV, TANF, and institutional reserve funds.

Section 13 for fiscal year 2019 will expend approximately $330,792 in new funds to include items WOSC Foundation promissory note payment requirements of $40,000; campus-wide computer technology equipment and software of approximately $97,970; new computer academic department requests of $87,141; physical plant upgrades for HVAC and other projects of $105,000.

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 guaranteed to generate enough savings for the life of the project to completely 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%.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT

At June 30, 2018, the College had $2,996,278 in debt outstanding, compared to $3,505,003 reported June 30, 2017 and $3,994,039 reported June 30, 2016. The table below summarizes these amounts by type for the current year and the previous two years.

Outstanding Debt

	Years Ended June 30		
	2018	2017	2016
OCIA 2005 Capital Lease Obligations	-	-	-
OCIA 2010 A&B Capital Lease Obligations	455,213	900,653	1,160,127
OCIA 2014 Capital Lease Obligations	2,339,588	2,339,588	2,507,708
WOSC Foundation, Inc. Promissory Note	201,477	264,762	326,204
	$ 2,996,278	$ 3,505,003	$ 3,994,039

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.

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of $139,156,

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT

which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2014, the unamortized gain totaled $137,026. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $343,469, which approximates the economic savings of the transaction.

During the years ended June 30, 2018, 2017 and 2016, OCIA made lease principal and interest payments on behalf of the College totaling $ 487,423, $595,051 and $692,027 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:

	Years Ended June 30		
	2018	2017	2016
Unrestricted	$ 845,329	$ 784,044	$ 739,817
Temporarily Restricted	3,721	14,622	38,208
Restricted	5,426,299	5,239,869	5,161,146

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

Over the past 5 years, Western has experienced over 25% in reductions to State Appropriations. The 2019 State Appropriations looks like it will be a flat funding year. The economy for the state of Oklahoma is expected to rise this year, but not to the level of five years ago. The ultimate impact of a shrinking appropriation equates to pressure to raise tuition and reduce services to students.

Securing adequate funding to support the increasing number of college bound individuals, who subsequently become college graduates, is a major challenge for the state's colleges and universities. As Oklahoma annually ranks among the U.S. states with the lowest unemployment rate, legislative support of increased funding to help colleges meet their respective completion initiatives will become critically important. Quality, high paying jobs drive a robust economy. Colleges and universities produce graduates who fill these quality jobs. Given this dynamic, the level of legislative appropriation an institution receives is a significant factor, both short term and long term to Oklahoma's economy. Another way to express the potential impact of inadequate appropriations from the legislature is to recognize that inadequate funding is not only challenging to colleges and universities but poses a serious threat to the future expansion and improvement of Oklahoma's 21st century economy.

Western Oklahoma State College
Statements of Net Position
June 30, 2018 and 2017

	2018		2017	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	$ 4,845,840	$ 130,655	$ 5,142,275	$ 113,831
Interest receivable	-	5,540	-	7,281
Accounts receivable, net of allowance for doubtful accounts	774,722	-	590,113	-
Inventories	101,889	-	92,584	-
Due from other funds	74,587	-	-	-
Notes receivable, current portion	-	65,184	-	63,285
Total Current Assets	5,797,038	201,379	5,824,972	184,397
Noncurrent Assets				
Restricted cash and cash equivalents	824,306	-	787,081	-
Investments	-	1,125,385	-	1,132,573
Certificates of Deposit	-	4,818,592	-	4,579,732
Notes receivable, long term	-	136,291	-	201,477
Net OPEB asset	54,658	-	-	-
Other assets	-	85,000	-	85,000
Capital assets, net of accumulated depreciation	16,725,132	-	16,950,672	-
Total noncurrent assets	17,604,096	6,165,268	17,737,753	5,998,782
Total Assets	23,401,134	6,366,647	23,562,725	6,183,179
Deferred Outflows of Resources				
Deferred amounts related to pensions	1,662,682	-	3,158,126	-
Deferred amounts related to OPEB	7,718	-	-	-
Total Deferred Outflow of Resources	1,670,400	-	3,158,126	-
Total assets and deferred outflows of resources	$ 25,071,534	$ 6,366,647	$ 26,720,851	$ 6,183,179

Western Oklahoma State College
Statements of Net Position
June 30, 2018 and 2017

	2018		2017	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
LIABILITIES				
Current Liabilities				
Accounts payable	$ 362,694	$ -	$ 119,942	$ -
Payable to Western State College	-	12,048	-	46,809
Accrued payroll	111,586	-	94,846	-
Deposits held in custody for others	150,969	79,250	197,323	97,835
Accrued compensated absences	50,504	-	72,381	-
Unearned revenue	190,388	-	-	-
Current portion of noncurrent liabilities	525,637	-	508,725	-
Total Current Liabilities	1,391,778	91,298	993,217	144,644
Noncurrent Liabilities, net of current portion				
Obligations under capital leases and notes payable	2,470,641	-	2,996,278	-
Net OTRS pension liability	8,115,880	-	10,733,975	
Total OPEB liability	326,972	-	-	-
Total Noncurrent Liabilities	10,913,493	-	13,730,253	-
Total Liabilities	12,305,271	91,298	14,723,470	144,644
Deferred Inflows of Resources				
Deferred gain on lease restructure	102,947	-	111,467	-
Deferred amounts related to OPEB	45,004	-	-	-
Deferred amounts related to pensions	2,063,518	-	1,109,063	-
Total Deferred Inflows of Resources	2,211,469	-	1,220,530	-
Net Position				
Net investments in capital assets	13,625,908	-	13,334,202	-
Restricted for:				
Nonexpendable	-	5,426,299	-	5,239,869
Expendable				
Instruction, scholarships and other	225,469	3,721	241,200	14,622
Capital projects	657,774	-	787,081	-
OPEB	9,654	-	-	-
Unrestricted	(3,964,011)	845,329	(3,585,632)	784,044
Total Net Position	10,554,794	6,275,349	10,776,851	6,038,535
Total liabilities, deferred inflows of resources and net position	$ 25,071,534	$ 6,366,647	$ 26,720,851	$ 6,183,179

Western Oklahoma State College
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018		2017	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
Operating Revenues				
Tuition and fees, net of scholarship allowances of $2,383,000 and $1,883,000	$ 2,470,641	$ -	$ 2,272,890	$ -
Federal grants and contracts	836,334	-	969,889	-
State and local grants and contracts	459,467	-	121,906	-
Auxilary enterprise charges, net of scholarship allowance of $201,000 and $250,000	210,778	-	249,045	-
Residence hall, net of schorship allowance of $93,000 and $98,000	101,899	-	102,712	-
Other operating revenues	565,753	1,790	323,663	4,435
Contribution and donations	-	307,784	-	192,543
Interest and dividend income	-	126,778	-	108,968
Net realized/unrealized gain (loss) on investments	-	(25,774)	-	(5,046)
Total Operating Revenues	4,644,872	410,578	4,040,105	300,900
Operating Expenses				
Compensation	7,880,426	-	7,486,896	-
Contract services	557,207	49,265	551,182	68,188
Supplies and materials	1,095,156	3,171	1,162,970	2,208
Utilities	434,515	-	385,555	-
Communications	70,654	-	77,950	-
Other operating expenses	992,091	-	985,995	-
Scholarships and fellowships	1,210,177	121,328	1,308,916	131,140
Depreciation	799,035	-	853,123	-
Total Operating Expenses	13,039,261	173,764	12,812,587	201,536
Operating Income (Loss)	(8,394,389)	236,814	(8,772,482)	99,364
Nonoperating Revenues (Expenses)				
State apprropriations	4,458,362	-	4,737,376	-
OTRS on-behalf contributions	341,883	-	372,847	-
Federal grants and contracts	2,587,165	-	2,410,034	-
State and local grants	326,112	-	364,483	-
Endowment contributions	31,523	-	30,547	-
Investment income	18,523	-	16,197	-
Interest expense	(152,613)	-	(168,723)	-
Net Nonoperating Revenues	7,610,955	-	7,762,761	-
Income (loss) before revenues, expenses, gains, or losses	(783,434)	236,814	(1,009,721)	99,364
Capital grants and gifts	9,050		10,575	-
Intra-fund transfers	-		-	
State appropriations restricted for capital purposes	-	-	349,641	-
OCIA on-behalf appropriations	598,630	-	595,051	-
Loss of disposal of asset	(46,303)			
Change in Net Position	(222,057)	236,814	(54,454)	99,364
Net Position, beginning of year	10,776,851	6,038,535	10,831,305	5,939,171
Net Position, end of year	$ 10,554,794	$ 6,275,349	$ 10,776,851	$ 6,038,535

Western Oklahoma State College
Statements of Cash Flows
For the Years Ended June 30 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Tution and fees	$ 2,476,420	$ 2,296,767
Grants and contracts	1,295,801	1,092,821
Student store	210,778	336,681
Residence hall	101,899	102,712
Other operating receipts	491,166	370,246
Payments to employees for salaries and benefits, net on-behalf payments	(7,159,524)	(7,016,812)
Payments to suppliers	(4,415,459)	(4,460,820)
Net cash used in operating activities	(6,998,919)	(7,278,405)
Cash Flows from Noncapital Financing Activities		
Federal direct loan program receipts	1,405,662	1,522,383
Federal direct loan program disbursements	(1,405,662)	(1,522,383)
State appropriations	4,458,362	4,737,376
Grants and contracts	2,913,277	2,774,517
Gifts for other than capital purposes	40,573	16,197
Net cash provided by noncapital financing activities	7,412,212	7,528,090
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(619,798)	(776,022)
Capital appropriations received	-	349,641
Proceeds from sale of capital assets	-	24,338
Principle paid on capital debt and leases	(63,285)	(61,442)
Interest paid on capital debt and leases	(7,943)	(168,723)
Net cash used in capital and related financing activities	(691,026)	(632,208)
Cash Flows from Investing Activities		
Interest income	18,523	189,485
Net cash provided by investing activities	18,523	189,485
Net Decrease in Cash	(259,210)	(193,038)
Cash and Cash Equivalents, Beginning of Year	5,929,356	6,122,394
Cash and Cash Equivalents, End of Year	$ 5,670,146	$ 5,929,356

Western Oklahoma State College
Statement of Cash Flows
For the Years Ended June 30 2018 and 2017
(Continued)

	2018	2017
Reconciliation of operating loss to cash provided by (used in) operating activities		
Operating loss	$ (8,394,389)	$ (8,772,482)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	799,035	853,123
Loss on disposal of capital assets	-	73,816
State of Oklahoma on-behalf contributions to OTRS	341,883	372,847
Excess in pension expense over on-behalf payments	(1,130,369)	2,166,518
Deferred cost related to pensions	954,455	(2,046,903)
Deferred cost related to OPEB	45,004	-
Changes in assets and liabilities		
Accounts receivable	(259,196)	159,122
Inventories	(9,305)	25,856
Accounts payable and accrued expenses	242,752	(116,015)
Accrued compensated absences	(5,137)	5,713
Net OPEB obligation	272,314	-
Unearned revenue and other	144,034	-
Net Cash Used In Operating Activities	$ (6,998,919)	$ (7,278,405)
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
On-behalf principal and interest paid by OCIA	598,630	595,051
Contribution of capital assets	-	10,575
Amortization of lease premium	(2,618,095)	1,963,352
Amortization of deferred gain on OCIA lease structure	(8,520)	(8,519)
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Current Assets:		
Cash and cash equivalents	4,845,840	5,142,275
Noncurrent Assets:		
Restricted cash and cash equivalents	824,306	787,081
Net cash provided by capital and related financing activities	$ 5,670,146	$ 5,929,356

Western Oklahoma State College
Statements of Fiduciary Net Position
For the Years Ended June 30 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 40,005	$ 74,587
	$ 40,005	$ 74,587
Liabilities		
Due to OKHEEI	$ 40,005	$ 74,587
	$ 40,005	$ 74,587
Net Position		
Net position held in trust for self-insurance	$ -	$ -
	$ -	$ -

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources or incomes 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.

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Although the College is the exclusive beneficiary of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary or affiliate of the College and is not directly or indirectly controlled by the College. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authorities to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Third parties dealing with the College should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Separate financial statements of the Foundation can be requested by contacting the Foundation's controller at (580)628-6237.

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support College programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds.

Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities). Agency fund assists and liabilities are recognized using the accrual basis of accounting. The college has one agency fund for the Oklahoma Higher Education Employee Interlocal Group.

Measurement Focus 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 College 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 recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

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

Deposits and Investment

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 method) or market.

Accounts Receivable and Other Receivables

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

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income until received.

Other receivables include 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. No allowance for doubtful accounts has been provided for other receivables.

Restricted Cash and Investments

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

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or fair value if acquired by gift. 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. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The following estimated useful lives are being used by the College:

Land Improvements	5 - 20 years
Buildings and Improvements	up to 40 years
Furniture, Fixtures and Equipment	5 - 10 years
Infrastruction	5 - 20 years

Leasehold Improvements made pursuant to property with one-year lease agreements are capitalized for control purposes and amortized over a one-year period.

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

Compensated Absences

Employees of the College earn accrued vacation or leave at the rate of 8 to 12 hours per month, depending on the length of employment. The liability for and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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. The significant estimates used in the preparation these financial statements include the depreciation of capital assets and the allowance for doubtful accounts for accounts receivable.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

The College's net position is classified as follows:

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

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

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

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

The College has a deficit in unrestricted net position as a result of the net pension liability. See Note 6. The College's unrestricted net position consists of the following at June 30, 2018 and 2017.

	2018	2017
Educational and general operations	$ (2,457,687)	$ (2,207,745)
Auxiliary enterprises and other operating activities	(1,506,324)	(1,377,887)
Total unrestricted net position	$ (3,964,011)	$ (3,585,632)

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

<u>Income Taxes</u>

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

<u>Classification of Revenues</u>

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

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

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

<u>Scholarship Discounts and Allowances</u>

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

Deferred outflows of resources Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2017, the College's deferred outflows of resources were comprised of contributions to pensions applicable to a future reporting period.

Deferred inflows of resources Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2017, the College's deferred inflows of resources were comprised of credits realized on lease restructures and deferred inflows related to net pension obligation.

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

Other Post-Employment Benefits (OPEB)

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

The College has evaluated subsequent events through October 17, 2018, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the October 17, 2018 financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

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

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2018 and 2017, the bank balances of all College deposits with the OST and other financial institutions were $5,670,146 and $5,929,678, respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* totaled $925,805 in 2018 and $1,306,002 in 2017. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at http://www.ok.gov/treasurer/. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

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

June 30, 2018

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 421,796	$ 419,744
Money market mutual funds	90,364	90,364
Certificates of deposits	34,804	34,804
Mortgage backed agency securities	365,714	364,624
Municipal bonds	5,595	5,726
Foreign bonds	3,348	3,343
U.S. Treasury obligations	4,184	4,869
Total	$ 925,805	$ 923,474

June 30, 2017

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 550,543	$ 549,192
Money market mutual funds	135,095	135,095
Certificates of deposits	58,179	58,179
Mortgage backed agency securities	523,196	523,673
Municipal bonds	20,452	21,025
Foreign bonds	12,512	12,511
U.S. Treasury obligations	6,025	7,207
Total	$ 1,306,002	$ 1,306,882

Note 2: Deposits and Investments (Continued)

<u>Custodial Credit Risk – Deposits</u> (Continued)

Investments: Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the College's investments are managed by the State Treasurer. In accordance with state statutes the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes.

Neither the College nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the College's investment in a single issuer. Neither the College's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provided by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2018, and 2017, additional assessments did not occur.

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2018 and 2017:

	2018	2017
Student tuition and fees	$ 1,394,672	$ 1,240,074
Auxilary enterprises	42,114	39,643
Contributions, gifts and other operating activities	84,355	162,164
Federal, state, and private grants and contracts	421,426	187,651
	1,942,567	1,629,532
Less allowance for doubtful accounts	(1,167,846)	(1,039,419)
Accounts receivable, net of allowance for doubtful accounts	$ 774,721	$ 590,113

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2018 and 2017 was as follows:

	Year Ended June 30, 2018				
	Beginning Balances	Increases	Transfers	Retirements	Ending Balance
Capital Assts not being depreciated:					
Land	$ 230,453	$ -	$ -	$ -	$ 230,453
Construction in Progress	-	214,820	-	-	214,820
Livestock	-	4,790	-	-	4,790
Total Capital Assts not being depreciated	$ 230,453	$ 219,610	$ -	$ -	$ 450,063
Capital Assts being depreciated:					
Land Improvements	$ 1,934,170	$ 11,975	$ -	$ -	$ 1,946,145
Infrastucture	4,739,800	14,090	-	-	4,753,890
Buildings and Building Improvements	18,847,333	32,428	-	-	18,879,761
Furniture, Fixtures & Equipment	7,299,043	321,484	-	(406,957)	7,213,570
Library materials	1,736,568	20,210	-	(52,993)	1,703,785
Total Capital Assts being depreciated:	34,556,914	400,187	-	(459,950)	34,497,151
Less Accumulated Depreciation for:					
Land Improvements	(1,248,382)	(51,467)	-	-	(1,299,849)
Infrastucture	(1,037,907)	(95,078)	-	-	(1,132,985)
Buildings and Building Improvements	(8,515,178)	(390,295)	-	-	(8,905,473)
Furniture, Fixtures & Equipment	(6,636,465)	(229,873)	-	397,800	(6,468,538)
Library materials	(398,763)	(32,322)	-	15,847	(415,238)
Total Accumulated Depreciation, net	(17,836,695)	(799,035)	-	413,647	(18,222,083)
Total Capital Assets being depreciated, net	16,720,219	(398,848)	-	(46,303)	16,275,068
Capital Assets, net	$ 16,950,672	$ (179,238)	$ -	$ (46,303)	$ 16,725,131

Note 4: Capital Assets (Continued)

	Year Ended June 30, 2017				
	Beginning Balances	**Increases**	**Transfers**	**Retirements**	**Ending Balance**
Capital Assts not being depreciated:					
Land	$ 230,453	$ -	$ -	$ -	$ 230,453
Construction in Progress	143,813	-	(143,813)	-	-
Total Capital Assts not being depreciated	$ 374,266	$ -	$ (143,813)	$ -	$ 230,453
Capital Assts being depreciated:					
Land Improvements	$ 1,934,170	$ -	$ -	$ -	$ 1,934,170
Infrastucture	4,609,639	144,350	-	(14,189)	4,739,800
Buildings and Building Improvements	18,475,020	228,500	143,813	-	18,847,333
Furniture, Fixtures & Equipment	7,491,216	273,716		(465,889)	7,299,043
Library materials	1,824,237	20,993	-	(108,662)	1,736,568
Total Capital Assts being depreciated:	34,334,282	667,559	143,813	(588,740)	34,556,914
Less Accumulated Depreciation for:					
Land Improvements	(1,197,393)	(50,989)			(1,248,382)
Infrastucture	(944,813)	(94,797)		1,703	(1,037,907)
Buildings and Building Improvements	(8,125,532)	(389,646)		-	(8,515,178)
Furniture, Fixtures & Equipment	(6,807,615)	(283,448)		454,598	(6,636,465)
Library materials	(398,804)	(34,243)	-	34,284	(398,763)
Total Accumulated Depreciation, net	(17,474,157)	(853,123)	-	490,585	(17,836,695)
Total Capital Assets being depreciated, net	16,860,125	(185,564)	143,813	(98,155)	16,720,219
Capital Assets, net	$ 17,234,391	$ (185,564)	$ -	$ (98,155)	$ 16,950,672

The cost and related accumulated depreciation of assets held under lease obligations for the year ended June 30, 2018 and 2017, was as follows:

	2018				
	Buildings	Equipment	Infrastructure	Land Improvements	Total
Capital Leases:					
Cost	$ 3,524,754	$ 1,167,520	$ 1,692,189	$ 761,047	$ 7,145,510
Less Accumulated				-	
Depreciation	(661,326)	(1,167,520)	(304,594)	(342,623)	(2,476,063)
	$ 2,863,428	$ -	$ 1,387,595	$ 418,424	$ 4,669,447

	2017				
	Buildings	Equipment	Infrastructure	Land Improvements	Total
Capital Leases:					
Cost	$ 3,524,754	$ 1,167,520	$ 1,692,189	$ 761,047	$ 7,145,510
Less Accumulated				-	
Depreciation	(590,831)	(1,167,520)	(270,750)	(312,181)	(2,341,282)
	$ 2,933,923	$ -	$ 1,421,439	$ 448,866	$ 4,804,228

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 and 2017, was as follows:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Amounts Due Within One Year
Capital Leases:					
2010A & 2010 B OCIA capital lease	$ 900,653	$ -	$ (445,440)	$ 455,213	$ 455,213
2014A OCIA capital lease	2,339,588	-	-	2,339,588	5,240
Total Capital Leases	3,240,241	-	(445,440)	2,794,801	460,453
Other Liabilities					
Accrued compensated absences	72,381	111,815	(133,692)	50,504	50,504
WOSC Foundation, promissory note	264,762		(63,285)	201,477	65,184
Total Other Liabilities	337,143	111,815	(196,977)	251,981	115,688
Total Long Term Liabilities	$ 3,577,384	$ 111,815	$ (642,417)	$ 3,046,782	$ 576,141

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts Due Within One Year
Capital Leases:					
2010A & 2010 B OCIA capital lease	$ 1,160,127		$ (259,474)	$ 900,653	$ 445,440
2014A OCIA capital lease	2,507,708		(168,120)	2,339,588	-
Total Capital Leases	3,667,835	-	(427,594)	3,240,241	445,440
Other Liabilities					
Accrued compensated absences	66,668	110,232	(104,519)	72,381	72,381
WOSC Foundation, promissory note	326,204		(61,442)	264,762	63,285
Total Other Liabilities	392,872	110,232	(165,961)	337,143	135,666
Total Long Term Liabilities	$ 4,060,707	$ 110,232	$ (593,555)	$ 3,577,384	$ 581,106

Additional information regarding capital lease obligations is included in the note on Lease Commitments below.

Lease Commitments

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.

Note 5: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. In FY 2011, the College recorded a deferred charge of $482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. The deferred cost has been fully amortized.

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of $139,156, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized gain totaled $102,947 and $111,467 as of June 30, 2018 and 2017 respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $343,469, which approximates the economic savings of the transaction.

During the years ended June 30, 2018 and 2017, OCIA made principal and interest payments totaling $487,423 and $595,051, 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.

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

Note 5: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

Year ending June 30,	Principal	Interest	Total Lease Payments
2019	$ 460,453	$ 132,587	$ 593,040
2020	2,833	111,103	113,936
2021	-	111,046	111,046
2022	-	111,046	111,046
2023	217,338	111,046	328,384
2024 - 2028	1,230,803	392,947	1,623,750
2029 - 2031	883,374	87,734	971,108
Total	$ 2,794,801	$ 1,057,509	$ 3,852,310

During 2013, the College entered into an agreement to borrow an amount not to exceed $500,000 from the WOSC 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 with the final installment being due on August 1, 2020. Future minimum lease payments related to the College's obligations are as follows:

Year ending June 30,	Principal	Interest	Total Lease Payments
2019	$ 65,184	$ 6,044	$ 71,228
2020	67,139	4,089	71,228
2021	69,154	-	69,154
Total	$ 201,477	$ 10,133	$ 211,610

Note 6: Retirement Plans

Oklahoma Teachers' Retirement System (OTRS)

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

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

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

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

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

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

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

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

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

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note 8. Contributions to the pension plan from the College were $486,099. The State of Oklahoma also made on-behalf contributions to OTRS, of which $341,883 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2018, the College reported a liability of $8,115,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the College's proportion was .1226% percent.

For the year ended June 30, 2018, the College recognized pension expense of $652,221. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 554,093
Changes of assumptions	963,132	485,152
Net difference between projected and actual earnings on pension plan investments	115,364	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
Changes in College's proportionate share of contributions	98,086	983,041
Differences between College Contributions and proportionate share of contributions	-	41,232
College contributions subsequent to the measurement date	486,099	-
Total	$ 1,662,681	$ 2,063,518

Note 6: Retirement Plans (Continued)

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

The amount of $486,099 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2019	$	(298,633)
2020		100,345
2021		(58,756)
2022		(474,526)
2023		(155,366)
Total	$	(886,936)

Actuarial Assumptions – The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 6: Retirement Plans (Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.00%	

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

Discount Rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	$ 11,586,895	$ 8,115,880	$ 5,581,530

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

Note 7 Other Post-Employment Benefits (OPEB)

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

Benefits Provided – The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group. The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees Covered by Benefit Terms – At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees	70
In-actives or beneficiaries currently receiving benefit payments	11
Total	81

Total OPEB Liability – The College's total OPEB liability of $326,972 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal Level Percentage of Salary
- Inflation – 2.25%
- Salary Scale – 3.25%
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age – Retirement rates are as shown below and they are based on the College's actual retirement experience in 2011 through 2016.

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

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

Total OPEB Liability (Continued)

- Turnover Rates – Developed from assumptions used in the actuarial valuation of the Oklahoma Teachers Retirement System.
- Healthcare cost trend rates – Level 5.50%
- Average per capita claim cost – Range from age 50 of $8,900 to age 65 of $13,008
- Mortality Rates – RPH-2017 Total Table with Projection MP-2017
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives who currently have individual coverage will continue with individual coverage upon retirement.

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability (a)
Balances Beginning of Year	$ 353,750
Changes for the Year:	
Service cost	3,644
Interest expense	13,024
Benefits paid	(43,446)
Net Changes	(26,778)
Balances End of Year	$ 326,972

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net OPEB liability (asset)	$ 348,546	$ 326,972	$ 307,366

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

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.50%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease (4.5%)	Healthcare Cost Trend Rates (5.5%)	1% Increase (6.5%)
Employers' net OPEB liability (asset)	$ 306,636	$ 326,972	$ 349,927

OPEB Expense – For the year ended June 30, 2018, the College recognized OPEB expense of $16,668.

Note 8: Supplemental Health Insurance Program

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

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

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6 from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were $7,718.

Note 8: Supplemental Health Insurance Program (Continued)

OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the College reported a asset of $54,658 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the College's proportion was .1586% percent.

For the year ended June 30, 2018, the College recognized OPEB expense of ($2,620). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	$ 14,671
Net difference between projected and actual earnings on OPEB plan investments	-	29,980
Differences between College contributions and proportionate share of contributions	-	353
College contributions subsequent to the measurement date	7,718	-
Total	$ 7,718	$ 45,004

The $7,718 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	$ (10,277)
2020	(10,277)
2021	(10,277)
2022	(10,277)
2023	(2,782)
Thereafter	(1,114)
Total	$ (45,004)

Note 8: Supplemental Health Insurance Program (Continued)

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

Actuarial Assumptions – The total OPEB liability (asset) as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.00%	

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

Note 8: Supplemental Health Insurance Program (Continued)

Discount Rate – A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net OPEB liability (asset)	$ (2,288)	$ (54,658)	$ (99,433)

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

Note 9: Funds Held in Trust by Others

Oklahoma State Regents ' Endowment Trust Funds

In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), funds are invested by the Oklahoma State Regents on behalf of the College. These funds are not recognized in the College ' s statement of net position. At June 30, 2018 and 2017, the funds totaled approximately $638,000 and 616,000 respectively. The College is entitled to receive an annual distribution of earnings on these funds. Distributions to be received totaled approximately $27,000 and $27,000 at June 30, 2018 and 2017, respectively.

Note 10: Related Party Transactions

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

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 agreed that this lease would not continue past June 30, 2016.

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 with the final installment being due on August 1, 2020.

Note 11: Commitments and Contingencies

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

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

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". College employees have health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating College and Universities in the State. The College pays monthly health insurance premiums to OKHEE for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges & Universities. As of June 30, 2018, and 2017 respectively, additional assessments were not probable.

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

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the years ended June 30, 2018 and 2017 respectively, approximately $1,406,000 and $1,522,000, of Direct Lending Program loans were provided to College students.

Note 12: Western Oklahoma State College Foundation, Inc.

Note A: Summary of Significant Accounting Policies

Background

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

Financial Statement Presentation

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

Net Asset Classifications

The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted by the State of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees (the "Trustees") of the Foundation has interpreted OK UPMIFA to require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds.

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

Note A: Summary of Significant Accounting Policies (Continued)

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets: Net assets for which there are no donor-imposed restrictions that the assets be used for a specific purpose or held for a certain period of time.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Contribution Revenue

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

Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectable contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Contributions receivable previously deemed uncollectable are recognized if subsequently received. No discount has been recognized at June 30, 2018 nor 2017 as management has determined such amounts to be immaterial.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or

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

Note A: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received no significant contributed services meeting the specified criteria in 2018 or 2017.

Investment Income

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to the permanent endowment. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in unrestricted net assets in all other cases, except in the case of income earned on donor-restricted endowment funds which is classified as temporarily or permanently restricted dependent upon the donor's restriction(s).

Generally, losses on investments of endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized and then to temporarily restricted net assets

Cash and Cash Equivalents

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

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

Note A: Summary of Significant Accounting Policies (Continued)

Investments

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

Property and Equipment

Property and equipment are stated at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. At June 30, 2018 and 2017, the Foundation had no property and equipment. Depreciation expense included in the accompanying financial statements for the years ended June 30, 2018 and 2017 was $0 and $0 respectively.

Funds Held for Others

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

Office Facility and Staff Support

The Foundation and College operate under an agreement that the College will provide office space for the Foundation records, administrator and secretarial support and various other operating costs. The Foundation also provides monies for scholarship support and other program needs of the College which is in excess of the benefits provided by the College. All costs incurred for College programs are included in program expenses. No additional accounting entries are made to record the benefits received from the College.

Concentration of Credit Risk

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

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

Note A: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Accounting for Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or before June 30, 2014.

Fair Value Measurements

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

> Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
>
> Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3: Unobservable and significant to the fair value measurement.

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

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

Note A: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Financial assets and liabilities carried at fair value on a recurring basis include investments and funds held for others (see Note 3). There are no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2018 and 2017.

Functional Allocation of Expenses

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

Use of Estimates

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

Significant Estimates

Estimates that are particularly susceptible to significant change include the estimated fair value of investments and contributions receivable. The Foundation's investment portfolio is exposed to various risks, such as interest rate, credit and overall market volatility.

Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Reclassification of Prior Year Presentation
Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events
The Foundation has evaluated subsequent events through September 26, 2018, the date on which the financial statements were issued.

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

Note B: Fair Value Measurement

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

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

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

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

	As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 4,818,592	$ -	$ -	$ 4,818,592
Money Market Fund	34,376	-	-	34,376
Mutual Funds	689,179	-	-	689,179
Annuities	252,068	-	-	252,068
Real Estate Investment Trusts (REIT)	-	-	149,762	149,762
	$ 5,794,215	$ -	$ 149,762	$ 5,943,977

	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 4,579,732	$ -	$ -	$ 4,579,732
Money Market Fund	25,042	-	-	25,042
Mutual Funds	701,455	-	-	701,455
Annuities	252,067	-	-	252,067
Real Estate Investment Trusts (REIT)	-	-	154,009	154,009
	$ 5,558,296	$ -	$ 154,009	$ 5,712,305

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

Note C: Related Party Transactions

Substantially all expenditures are incurred for the benefit of the College. College management and faculty are very much involved in the operations of the Foundation and are considered related parties. During the year ended June 30, 2018 and 2017, the Foundation awarded scholarships totaling $109,517 and $86,097 respectively to students of the College.

The College employs three individuals who provide support for the Foundation. The executive secretary of the Foundation spends 100% of their time supporting Foundation activities. The Director of Alumni & Development and the Secretary spend 25% of their time supporting Foundation activities. The College pays the total salary and benefits of these individuals.

Effective August 1, 2012, the Foundation loaned Western Oklahoma State College (the College) $500,000 as part of a performance-based efficiency contract 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% and a term of 8 years and is paid back in successive annual installments of $71,228 made August 1 of each year, with the final installment due in 2020. The note receivable is stated at $201,475 in the statement of financial position for the year ended

June 30, 2018 and $264,762 for the year ended June 30, 2017. The current portion of the note receivable is recorded as a current asset.

Note D: Contributions and Donations

The following is a breakdown of the contributions and donations received in 2018 and 2017 and their respective categories by restriction:

	As of June 30, 2018			
Contributions and Donations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments	$ 18,909	$ 60,916	$ 186,415	$ 266,240
Sustaining membership account	12,820	-	-	12,820
President's partners	28,724	-	-	28,724
Total contributions and donations	$ 60,453	$ 60,916	$ 186,415	$ 307,784

	As of January 00, 1900			
Contributions and Donations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments	$ 9,667	$ 64,006	$ 76,097	$ 149,770
Sustaining membership account	13,270	-	-	13,270
President's partners	29,503	-	-	29,503
Total contributions and donations	$ 52,440	$ 64,006	$ 76,097	$ 192,543

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

Note E: Endowment Disclosures

The Foundation's endowment consists of 119 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 preservation of the original gift's fair value 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 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA.
In accordance with the SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, an allowance to adjust invested funds to their fair market value was recorded. At June 30, 2018, the allowance reported represented a incline in the fair market value of invested endowment funds totaling $96,064 which is also the endowment funding deficiency for the year then ended. For the year ended June 30, 2017 the deficiency was $70,290.

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

Note E: Endowment Disclosures (Continued)

Return Objectives and Risk Parameters

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

Strategies for Achieving Objectives

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.

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

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

Note E: Endowment Disclosures (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets of January 00, 1900	$ 700,916	$ 38,308	$ 5,161,146	$ 5,900,370
Investment return				
Investment income	65,357	41,185	1,776	108,318
Other income	-	3,190	850	4,040
Net realized and unrealized gain on investments	-	(5,046)	-	(5,046)
Total investment returns	65,357	39,329	2,626	107,312
Contributions	14,042	64,006	76,097	154,145
Appropriation of endowment assets for expenditure	(49,199)	(127,021)	-	(176,220)
Endowment net assets of January 00, 1900	$ 731,116	$ 14,622	$ 5,239,869	$ 5,985,607
Investment return				
Investment income	64,473	60,328	1,265	126,066
Other income	-	-	-	-
Net realized and unrealized gain on investments	-	(25,774)	-	(25,774)
Total investment returns	64,473	34,554	1,265	100,292
Contributions	16,253	60,916	186,415	263,584
Appropriation of endowment assets for expenditure	(45,823)	(106,371)	(1,250)	(153,444)
Endowment net assets of June 30, 2018	$ 766,019	$ 3,721	$ 5,426,299	$ 6,196,039

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

Note E: Endowment Disclosures (Continued)

Endowment net asset composition by type of funds as of June 30, 2018 and 2017 are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowments as of June 30, 2018				
Donor restricted endowments	$ -	$ 3,721	$ 5,426,299	$ 5,430,020
Board designated endowments	766,019	-	-	766,019
Total funds invested	$ 766,019	$ 3,721	$ 5,426,299	$ 6,196,039

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowments as of June 30, 2017				
Donor restricted endowments	$ -	$ 14,622	$ 5,239,869	$ 5,254,491
Board designated endowments	731,116	-	-	731,116
Total funds invested	$ 731,116	$ 14,622	$ 5,239,869	$ 5,985,607

Note F: Net Assets

Unrestricted net assets consist of the following at June 30:

	2018	2017
Board designated:		
Sustaining membership	$ 563,323	$ 531,083
Endowments	202,696	200,033
	$ 766,019	$ 731,116

Note 15: Western Oklahoma State College Foundation, Inc. (Continued)

Note F: Net Assets (Continued)

Temporarily restricted net assets consist of the following at June 30:

	2018	2017
Scholarships	$ 3,721	$ 14,622

Permanently restricted net assets consist of the following at June 30:

	2018	2017
Scholarships	$ 4,150,680	$ 4,076,780
Endowed chairs	1,275,619	1,163,089
	$ 5,426,299	$ 5,239,869

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

	2018	2017
Scholarships	$ 96,010	$ 111,877
Professorships, Lectureships, and Endowed Chairs	11,611	15,043
	$ 107,621	$ 126,920

Note G: Other Assets

The Foundation maintains various silver statues. The statues are maintained for public exhibition rather than financial gain. On June 30, 2018 and 2017, these statues had a value of approximately $85,000. The statues are protected, kept unencumbered, cared for and preserved.

Required Supplementary Information

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

	2015	2016	2017	2018
College's proportion of the net pension liability	0.1416%	0.1444%	0.1286%	12.2570%
College's proportionate share of the net pension liability	$7,619,358	$8,770,623	$10,733,975	$10,733,975
College's covered payroll	$5,487,910	$5,788,613	$5,245,215	$4,775,626
College's proportionate share of the net pension liability as a percentage of its covered payroll	139%	152%	205%	225%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	62%	69%

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

Notes to Schedule:

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

The Plan's net pension liability increased between 2015 and 2016 due to changes in assumptions adopted by the System's Board. The most notable change was the lowering of the System's discount rate from 8.0% to 7.5%.

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

	2015	2016	2017	2018
Contractually required contribution	$ 587,022	$ 532,250	$ 484,014	$ 486,099
Contributions in relation to the contractually required contribution	587,022	532,250	484,014	486,099
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 5,788,613	$ 5,245,215	$ 4,775,626	$ 4,856,495
Contributions as a percentage of covered payroll	10.14%	10.15%	10.14%	10.01%

Notes to Schedule:

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

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

	2018
Total OPEB liability	
Service cost	$ 3,644
Interest	13,024
Benefit payments, including refunds of member contributions	(43,446)
Net change in total OPEB liability	(26,778)
Total OPEB liability - beginning	353,750
Total OPEB liability - ending (a)	$ 326,972
Covered employee payroll	$ 2,730,357
Net OPEB liability (asset) as a percentage of covered-employee payroll	11.98%

Notes to Schedule:

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

The discount rate used for 2018 is 3.88%.

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

	2018
College's proportion of the net OPEB liability (asset)	0.1226%
College's proportionate share of the net OPEB liability (asset)	$ (54,658)
College's covered payroll	$ 4,775,626
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.14%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%

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

Notes to Schedule:

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

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

	2018
Contractually required contribution	$ 7,718
Contributions in relation to the contractually required contribution	7,718
Contribution deficiency (excess)	$ -
College's covered payroll	$ 4,856,945
Contributions as a percentage of covered payroll	0.16%

Notes to Schedule:

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

HINKLE & COMPANY PC
Strategic Business Advisors

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

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Western Oklahoma State College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Western Oklahoma State College's basic financial statements, and have issued our report thereon dated October 17, 2018.

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

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

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

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

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

Hinkle & Company, PC

Tulsa, Oklahoma
October 17, 2018

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on Compliance for Each Major Federal Program
We have audited the Western Oklahoma State College compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Western Oklahoma State College's major federal programs for the year ended June 30, 2018. The Western Oklahoma State College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance 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 Western Oklahoma State 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, 2018.

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Report on Internal Control Over Compliance
Management of the Western Oklahoma State College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Western Oklahoma State 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the Western Oklahoma State College as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 17, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hinkle & Company, PC

Tulsa, Oklahoma
October 17, 2018

Western Oklahoma State College
Schedule of Expenditures of Federal Awards
Period Ended June 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Expenditures to Subrecipients
U.S. Department of Education				
Student Financial Aid Cluster				
Federal Pell Grant Program	84.063		$ 2,564,345	$ -
Federal Supplemental Educational Opportunity Grants	84.007		32,396	-
Federal Work Study Program	84.033		77,077	-
Federal Direct Student Loans	84.268		1,405,662	-
Total Student Financial Aid Cluster			$ 4,079,480	$ -
Upward Bound	84.047		$ 326,852	$ -
Student Support Services Grant	84.042A		257,508	-
Passed Through the Oklahoma State Department of Education				
Carl Perkins	84.048		35,253	-
Passed Through the Oklahoma State Regents for Higher Education				
OK Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP	84.334		69,756	-
Total U. S. Department of Education			$ 4,768,850	$ -
U. S Department of Health and Human Services				
Passed Through the Oklahoma State Regents for Higher Education				
Child Development Associate Initiative	93.596		$ 74,213	$ -
Temporary Assistance for Needy Families	93.558		99,260	-
Passed Through the Oklahoma Higher Education Employee Insurance Group				
Early Retiree Reinsurance Program	93.546		-	-
Total U. S. Department of Health and Human Services			$ 173,472	$ -
Total Federal Expenditures			$ 4,942,322	$ -

Western Oklahoma State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Western Oklahoma State College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Western Oklahoma State College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Western Oklahoma State College.

Note B: Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with how the college presents its basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.
3. The College has elected not to use the 10 percent *de minimis* cost rate under the Uniform Guidance.
4. During the year ended June 30, 2018 the College did not provide any federal awards to subrecipients.

Western Oklahoma State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

<u>Summary of Auditors' Results</u>

1. The opinion expressed in the independent accountants' report was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

Significant deficiencies	☐ Yes	☒ None reported
Material weaknesses?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditors' report on internal control over compliance for major federal awards programs disclosed:

Significant deficiencies?	☐ Yes	☒ None reported
Material weaknesses?	☐ Yes	☒ No

5. The opinion expressed in the independent auditors' report on compliance for major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? ☐ Yes ☒ No

Western Oklahoma State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditors' Results (Continued)

7. The College's major program was:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was $750,000.

9. The College qualified as a low-risk auditee as that term is defined in Uniform Guidance. ☒ Yes ☐ No

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Western Oklahoma State College
Summary Schedule of Prior Audit
Findings Year Ended June 30, 2018

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.