

# WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

AUDITED FINANCIAL STATEMENTS

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## Independent Auditors' Report

Board of Regents  
Western Oklahoma State College  
Altus, Oklahoma

We have audited the accompanying statements of net assets of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the College's discretely presented component unit, the Western Oklahoma State College Foundation, Inc. Those financial statements were audited by another auditor, whose report thereon has been furnished to us, and in our opinion, insofar as they relate to the amounts included for the Foundation, are based on the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Western Oklahoma State College and its discretely presented component unit, Western Oklahoma State College Foundation, Inc., as of June 30, 2011 and 2010, and the respective changes in net assets and, where applicable, cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cole & Reed P.C.

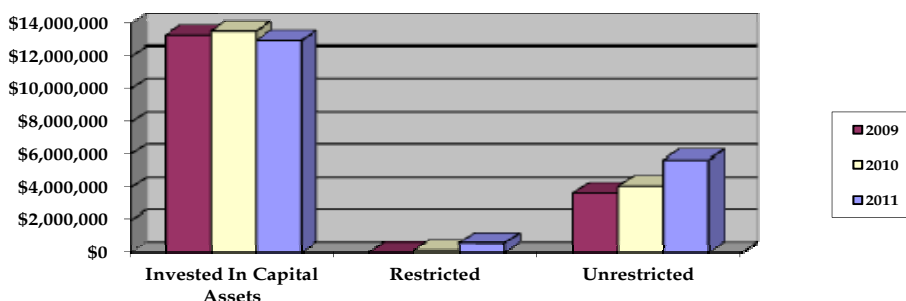
Oklahoma City, Oklahoma  
October 5, 2011

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2011, 2010 and 2009**

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, 2011. 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.

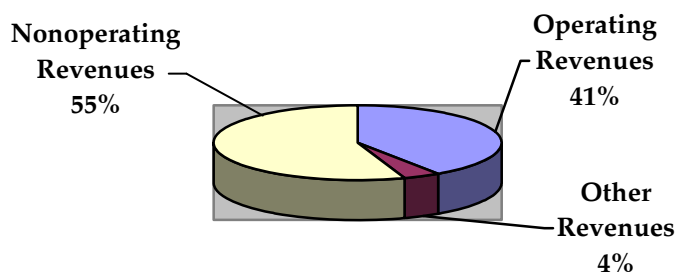
**FINANCIAL HIGHLIGHTS**

**Net Assets**



The following chart provides a graphical breakdown of total revenues by category for the fiscal year ended June 30, 2011.

**Total Revenues**



In fiscal year ended June 30, 2011, the College's revenues exceeded expenses, creating an increase in total net assets of \$1,483,381, which represents an 8.36% increase from that reported in 2010. In fiscal year ended June 30, 2010, the College's revenues exceeded expenses, creating an increase in total net assets of \$830,770, which represents a 4.91% increase from that reported in 2009.

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

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

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

These two statements report the College's net assets and changes in total assets. You can think of the College's net assets-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 assets 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 assets summarizes the major changes between years:

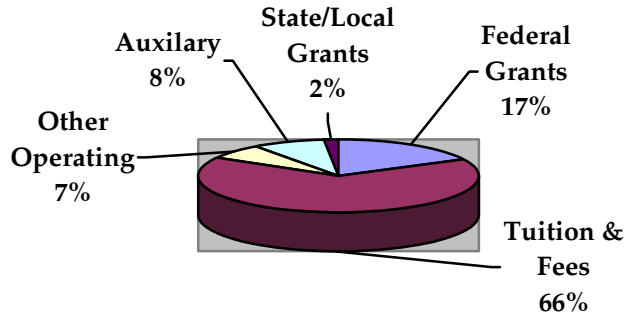
	Net Assets						
	June 30 2011	June 30 2010	Increase (Decrease)	Percent Change	June 30 2009	Increase (Decrease)	Percent Change
Current assets	\$ 6,632,910	\$ 4,879,078	\$ 1,753,832	36%	\$ 4,317,379	\$ 561,699	13%
Noncurrent assets:							
Restricted Cash and Cash Equivalents	274,459	148,066	126,393	85%	447,231	(299,165)	-67%
Receivable From State Agency	-	-	-	0%	775,359	(775,359)	-100%
Capital assets, net	17,694,535	18,197,329	(502,794)	-3%	17,603,963	593,366	3%
Other	285,277	986	284,291	28833%	1,380	(394)	-29%
Total assets	<u>24,887,181</u>	<u>23,225,459</u>	<u>1,661,722</u>	7%	<u>23,145,312</u>	<u>80,147</u>	0%
Current liabilities	707,632	1,131,482	(423,850)	-37%	1,686,469	(554,987)	-33%
Noncurrent liabilities:	4,957,447	4,355,256	602,191	14%	4,550,892	(195,636)	-4%
Total liabilities	<u>5,665,079</u>	<u>5,486,738</u>	<u>178,341</u>	3%	<u>6,237,361</u>	<u>(750,623)</u>	-12%
Net assets:							
Investment in capital assets	12,935,121	13,518,301	(583,180)	-4%	13,253,389	264,912	2%
Restricted	594,953	143,291	451,662	315%	-	143,291	0%
Unrestricted	5,692,028	4,077,129	1,614,899	40%	3,654,562	422,567	12%
Total net assets	<u>\$ 19,222,102</u>	<u>\$ 17,738,721</u>	<u>\$ 1,483,381</u>	8%	<u>\$ 16,907,951</u>	<u>\$ 830,770</u>	5%

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

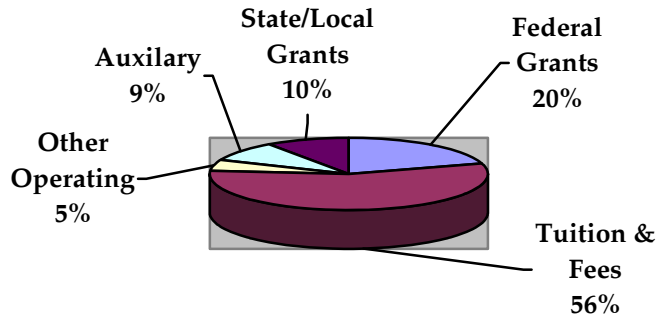
**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)**

The breakdown of operating revenues and expenses for fiscal years ended June 30, 2011, 2010 and 2009 are as follows:

**Operating Revenues 2011**



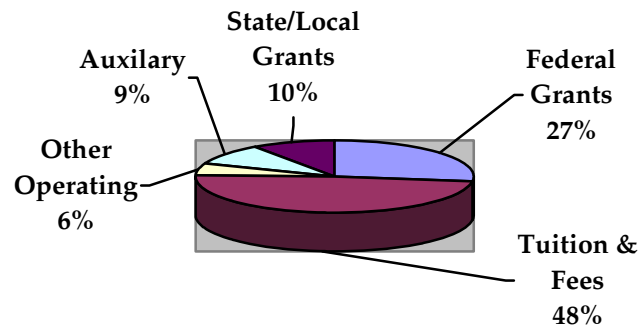
**Operating Revenues 2010**



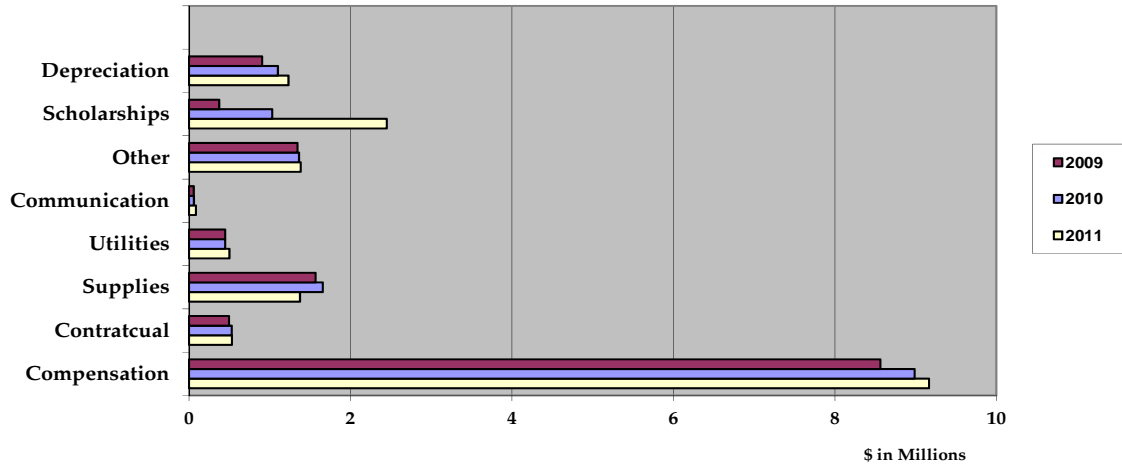
**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)**

**Operating Revenues 2009**



**Operating Expenses**





**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)**

**Revenues, Expenses and Changes in Net Assets**

	Years Ended June 30		Increase (Decrease)	Percent Change	Year Ended June 30		Increase (Decrease)	Percent Change
	2011	2010			2009			
Operating revenues:								
Tuition & Fees	\$ 4,844,905	\$ 3,046,070	\$ 1,798,835	59%	\$ 2,276,450	769,620	34%	
Federal and state grants	1,415,208	1,612,957	(197,749)	-12%	1,751,226	(138,269)	-8%	
Auxillary enterprise charges	605,326	483,724	121,602	25%	440,531	43,193	10%	
Other	499,438	264,362	235,076	89%	254,666	9,696	4%	
Total Operating Revenues	<u>7,364,877</u>	<u>5,407,113</u>	<u>1,957,764</u>	36%	<u>4,722,873</u>	<u>684,240</u>	14%	
Less operating expenses	<u>16,723,362</u>	<u>15,181,049</u>	<u>1,542,313</u>	10%	<u>13,760,072</u>	<u>1,420,977</u>	10%	
Net loss from operations	<u>(9,358,485)</u>	<u>(9,773,936)</u>	<u>415,451</u>	-4%	<u>(9,037,199)</u>	<u>(736,737)</u>	8%	
Nonoperating revenues (expenses):								
State appropriations	5,657,009	5,378,308	278,701	5%	5,819,608	(441,300)	-8%	
State payments from federal ARRA	380,447	437,693	(57,246)	-13%	-	437,693		
OTRS on-behalf contributions	399,826	342,859	56,967	17%	390,956	(48,097)	-12%	
Federal grants and contracts	3,251,710	2,994,763	256,947	9%	1,902,214	1,092,549	57%	
State & local grants and contrancts	366,950	355,800	11,150	3%	361,375	(5,575)	-2%	
State Regents								
Endowment Contributions	66,117	80,641	(14,524)	-18%	59,237	21,404	36%	
Interest Revenue	11,933	22,665	(10,732)	-47%	76,419	(53,754)	-70%	
Interest Expense	(73,385)	(227,689)	154,304	-68%	(252,057)	24,368	-10%	
Net Nonoperating revenues	<u>10,060,607</u>	<u>9,385,040</u>	<u>675,567</u>	7%	<u>8,357,752</u>	<u>1,027,288</u>	12%	
Other revenues, expenses, and gains and losses								
Capital grants and gifts	322,271	118,495	203,776	172%	10,475	108,020	1031%	
State appropriations restricted for capital purposes	458,988	467,266	(8,278)	-2%	467,266	-	0%	
On-behalf OCIA capital leases	-	633,905	(633,905)	-100%	690,200	(56,295)	-8%	
Total Other	<u>781,259</u>	<u>1,219,666</u>	<u>(438,407)</u>	-36%	<u>1,167,941</u>	<u>51,725</u>	4%	
Increase in net assets	1,483,381	830,770	652,611	79%	488,494	342,276	70%	
Net assets, beginning	<u>17,738,721</u>	<u>16,907,951</u>	<u>830,770</u>	5%	<u>16,419,457</u>	<u>488,494</u>	3%	
Net assets, ending	<u>\$ 19,222,102</u>	<u>\$ 17,738,721</u>			<u>\$ 16,907,951</u>			

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)**

June 30, 2011 compared to June 30, 2010 resulted in the following revenue and expense changes:

- Tuition & fees revenues increased by 59%. This increase is due to a combination of several factors. Collections of prior year receivables exceeded management's estimates by approximately 12.23%, out-of-state waivers increased by \$707,974 (due to a 18.19% increase in out-of-state enrollment), and although tuition and fee rates increased by only 3.2% over the FY 10 fiscal year, total enrollment increased 14.16%. Auxiliary revenues increased by 25%, which represents an increase of \$27,218 in Residence Hall and an increase in student store of \$94,384. Federal and State Grants & Contracts experienced a decrease of 12%, due mostly to the OSRHE Allied Health Grant that ended FY 10. The overall operating revenues increased by 36%, or \$1,957,764 over that of FY 10.
- Interest revenue and expense both declined this year. The interest revenue decreased by 47%, primarily caused by the elimination of the interest earned on the OCIA bond funds in previous years. These bond funds were fully spent by October 2009. The interest earnings on the OCIA bond funds were restricted to the projects that these funds support. The 68% decrease in the interest expense is attributed to the restructuring of the 2005 OCIA bond indebtedness. Payments made by OCIA on behalf of the College for the 2005 bonds were deferred to later years, so the interest paid for FY 11 represents the amortization of the deferred cost on the 2005 OCIA bond debt restructure.
- The \$203,776 increase in the Capital grants and gifts represents an increase in the overall activity in the restricted fund, primarily from federal grant awards for safety and security technology, nursing instructional equipment, and radiology program equipment.
- The on-behalf contributions to Oklahoma Teacher's Retirement System represent the amount of dedicated state revenue from the State's sales, use and income taxes that are used as contributions to the Oklahoma Teacher's Retirement Program (OTRS). For 2011, the State of Oklahoma contributed 5% of the State's General Revenue Fund to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. This amount was \$399,826 for FY 2011 and \$342,859 for FY 2010, which is a 17% increase, or \$56,967.
- On-behalf capital lease payments decreased by 100%, or \$633,905 less than previous year's numbers. Due to the 2005 OCIA bond restructuring, all principal payments have been deferred to later years. There were not principal payments to the OCIA 2005 bond indebtedness for FY2011.

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

• **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.

	<b>Cash Flows</b>			Year Ended	
	Year Ended June 30		Increase	June 30	Increase
	2011	2010	(Decrease)	2009	(Decrease)
Cash provided (used) by:					
Operating activities	\$ (8,388,786)	\$ (8,284,599)	\$ (104,187)	\$ (7,712,749)	\$ (571,850)
Noncapital					
financing activities	9,677,909	9,186,895	491,014	8,142,111	1,044,784
Capital and related	(25,908)	(503,854)	477,946	(684,350)	180,496
financing activities					
Investing activities	<u>11,933</u>	<u>22,665</u>	<u>(10,732)</u>	<u>76,419</u>	<u>(53,754)</u>
Net increase in cash and					
cash equivalents	1,275,148	421,107	854,041	(178,569)	599,676
Cash and cash equivalents,					
beginning	<u>4,167,363</u>	<u>3,746,256</u>	<u>421,107</u>	<u>3,924,825</u>	<u>(178,569)</u>
Cash and cash equivalents,					
ending	<u>\$ 5,442,511</u>	<u>\$ 4,167,363</u>	<u>\$ 1,275,148</u>	<u>\$ 3,746,256</u>	<u>\$ 421,107</u>

June 30, 2011 compared to June 30, 2010 resulted in the following cash flow changes:

The College's liquidity increased during the year. Cash used by operating activities increased by approximately \$104,000 while non-capital financing activities increased due to an increase of grants and contracts and state appropriations by approximately \$491,000. Cash provided by investing activities decreased by approximately \$11,000, which is represented by a decrease in interest income as a result of the elimination of interest earnings on the unexpended portion of the 2005 OCIA bond proceeds. The net result of these items is an increase in cash by approximately \$1,275,000.

June 30, 2010 compared to June 30, 2009 resulted in the following cash flow changes:

The College's liquidity increased during the year. Cash used by operating activities increased by approximately \$572,000 while non-capital financing activities increased due an increase of grants and contracts by approximately \$1,045,000. Cash provided by investing activities decreased by approximately \$54,000, which is represented by a decrease in interest income as a result of the interest earnings on the unexpended portion of the 2005 OCIA bond proceeds. The net result of these items is an increase in cash by approximately \$600,000.

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)**

Although the Statement of Revenues, Expenses, and Changes in Net Assets shows an increase in total net assets of approximately \$1,483,000, this is representative of all funds combined. Management feels that it is important to point out the net change in fund balances for each individual fund. This is displayed below.

**Summary of Changes in Net Assets by Fund**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Educational and General Fund	\$ 1,413,709	\$ 482,513	\$ 196,381
Auxiliary Fund	189,060	(320,504)	347,758
Restricted Fund	280,207	201,736	(270,963)
Unexpended Plant Fund	135,744	202,117	(388,450)
Capital Assets	<u>(535,334)</u>	<u>264,908</u>	<u>603,768</u>
Combined Total	<u>\$ 1,483,386</u>	<u>\$ 830,770</u>	<u>\$ 488,494</u>

In 2010, because of deficits in the restricted funds, the Unrestricted Educational and General Fund was reduced by \$12,135 in the College's Statement of Net Assets. In 2009, because of deficits in restricted funds, the Unrestricted Educational and General Fund was reduced by \$272,695 in the College's State of Net Assets.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2011, the College has approximately \$17,695,000 invested in capital assets, net of accumulated depreciation of approximately \$11,816,000. Depreciation charges totaled approximately \$1,232,000 for the current fiscal year, compared to approximately \$1,101,000 for the previous fiscal year. Details of these assets for the three years are shown below.

	Year Ended June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 212,345	\$ 212,345	\$ 212,345
Infrastructure	2,605,873	2,578,583	756,108
Land Improvements	962,790	993,141	877,035
Buildings	9,840,422	10,059,923	6,433,666
Furniture, Fixtures, and Equipment	2,352,674	2,643,712	2,400,057
Library Materials	1,720,431	1,709,625	1,807,186
Construction in Progress	<u>-</u>	<u>-</u>	<u>5,117,566</u>
	<u>\$ 17,694,535</u>	<u>\$ 18,197,329</u>	<u>\$ 17,603,963</u>

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

CAPITAL ASSETS (Continued)

Planned capital expenditures for fiscal year ending June 2012 will be budgeted and paid primarily from Section 13 for the college academic programs. Throughout the year there will be expenditures from other grant programs like Title IV, TANF, and institutional reserve funds.

Section 13 for fiscal year 2012 will expend approximately \$450,000 in new funds to include items such as dorm debt retirement payment and Master Lease debt payment requirements - \$41,000; campus-wide computer technology equipment and software - \$215,000; new computer academic department requests - \$65,000; physical plant upgrades for HVAC, carpet & vehicles - \$85,000; and \$44,000 is undesignated at this time.

DEBT

At June 30, 2011, the College had \$4,996,030 in debt outstanding, compared to \$4,550,892 reported June 30, 2010 and \$4,985,746 reported June 30, 2009. The table below summarizes these amounts by type for the current year and the previous two years.

**Outstanding Debt**

	Year Ended June 30		
	2011	2010	2009
OCIA 1999 Capital Lease Obligations	\$ -	\$ -	\$ 10,705
OCIA 2005 Capital Lease Obligations	3,187,707	4,458,892	4,847,458
OCIA 2010 A&B Capital Lease Obligations	1,753,490	-	-
ODFA 2007 Master Lease Obligations	54,833	92,000	127,583
	<u>\$ 4,996,030</u>	<u>\$ 4,550,892</u>	<u>\$ 4,985,746</u>

The Oklahoma Capital Bond Authority (OCIA) 1999 capital lease obligations provide that the College is to make specified monthly payments to OCIA over 10 years. During the years ended June 30, 2011, 2010 and 2009, OCIA made lease principal and interest payments on behalf of the College totaling \$0, \$0 and \$67,452, respectively. These on-behalf payments have been recorded as restricted state appropriations in the College's Statement of Revenues, Expenses, and Changes in Net Assets.

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

DEBT (Continued)

In November 2005, the OCIA issued its OCIA Bond Issue 2005F Series. Of the total bond indebtedness, the State Regents for Higher Education allocated \$6,000,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for projects being funded by the OCIA bonds. This lease agreement provides for the College to make specified monthly payments to OCIA over 25 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005 bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. The College has recorded a deferred charge of \$482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. During the year ended June 30, 2011, amortization of the deferred charge was \$80,384. 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 also approximately the economic cost of the lease restructuring.

During the years ended June 30, 2011, 2010 and 2009, OCIA made lease principal and interest payments on behalf of the College totaling \$0, \$633,905 and \$622,748, 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.

**WESTERN OKLAHOMA STATE COLLEGE**  
**Management's Discussion and Analysis (Continued)**  
**Years Ended June 30, 2011, 2010 and 2009**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 927,387	\$ 809,916	\$ 656,978
Temporarily Restricted	266,469	260,243	292,367
Restricted	3,902,006	3,630,295	3,498,996

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic stability and future growth of the College is directly related to the state's economic stability. During recessionary times, Oklahoma historically trails 18 to 24 months behind the east and west costs in recovering economically. During FY11, the State of Oklahoma began to experience an economic upturn after two years of economic downturn. During FY09 and FY10, the State of Oklahoma experience reduced revenue collections and was forced to decrease the revenue appropriations originally budgeted for higher education. This was coupled with no tuition or mandatory fee increases. FY11 was the final year of the Federal ARRA revenues and despite increased revenue appropriations from the State of Oklahoma, Western experienced a 5.8% reduction in total appropriation for FY12.

Currently monthly targets in regard to receipt of state revenues are reaching the expectations of the Office of State Finance. For the time being, Western and other institutions of Higher Education have not been forced to take reductions to their FY 12 allocations; however recovery to pre-recession funding levels is expected to take a number of years. In FY 11 Western was able to raise tuition by 3.2%, and in FY 12 there was strong urging to stay within a 5.5% tuition increase. Western's Board of Regents voted to raise tuition only by 3.2% to help alleviate the state reductions, at the same time holding the increase to the student at a minimum.

In order to address the future declines in state revenues and the loss of stimulus dollars, Western is aggressively seeking new revenue streams in three primary areas: (1) on-line course offerings; (2) expanding the number of students participating in our athletic programs; and, (3) expanding targeted academic programs that are in high demand areas, i.e. nursing.

Despite the downturn in the State's economy, the College is well positioned financially to continue its service to students, the community, and the citizens of Oklahoma. Although our current enrollment levels are remaining constant to the prior year and are anticipated to remain stable, Western is preparing itself to explore every opportunity to stabilize these enrollments and to acquire the necessary funding to move the institution forward.

## STATEMENTS OF NET ASSETS

## WESTERN OKLAHOMA STATE COLLEGE

	June 30, 2011		June 30, 2010	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,168,052	\$ 458,838	\$ 4,019,297	\$ 311,956
Interest receivable	-	16,628	-	28,704
Accounts receivable, net of allowance for doubtful accounts	1,155,039	-	666,369	-
Inventories	309,819	-	193,412	-
Total Current Assets	<u>6,632,910</u>	<u>475,466</u>	<u>4,879,078</u>	<u>340,660</u>
<b>NONCURRENT ASSETS</b>				
Restricted cash and cash equivalents	274,459	-	148,066	-
Investments, net of allowance	-	4,357,782	-	4,158,678
Debt service reserve funds	592	-	986	-
Deferred cost on OCIA lease restructure	284,685	-	-	-
Other assets	-	85,000	-	85,000
Capital assets, net of accumulated depreciation	17,694,535	1,221,104	18,197,329	1,269,948
Total noncurrent assets	<u>18,254,271</u>	<u>5,663,886</u>	<u>18,346,381</u>	<u>5,513,626</u>
TOTAL ASSETS	<u>24,887,181</u>	<u>6,139,352</u>	<u>23,225,459</u>	<u>5,854,286</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	460,334	-	614,812	-
Accrued interest payable	-	3,490	-	3,832
Deposits held in custody for others	52,215	-	41,763	-
Accrued payroll	82,178	-	79,070	-
Accrued compensated absences	73,508	-	71,078	-
Current portion of noncurrent liabilities	38,583	115,000	195,636	110,000
Lease premium, net	814	-	129,123	-
Total current liabilities	<u>707,632</u>	<u>118,490</u>	<u>1,131,482</u>	<u>113,832</u>
<b>NONCURRENT LIABILITIES, net of current portion</b>				
Obligations under capital leases	4,957,447	-	4,355,256	-
Revenue bonds payable	-	925,000	-	1,040,000
Total noncurrent liabilities	<u>4,957,447</u>	<u>925,000</u>	<u>4,355,256</u>	<u>1,040,000</u>
TOTAL LIABILITIES	<u>5,665,079</u>	<u>1,043,490</u>	<u>5,486,738</u>	<u>1,153,832</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,935,121	-	13,518,301	-
Restricted:				
Expendable				
Instruction, scholarships and other	268,072	266,469	-	260,243
Capital projects	326,881	-	143,291	-
Nonexpendable	-	3,902,006	-	3,630,295
Unrestricted	5,692,028	927,387	4,077,129	809,916
TOTAL NET ASSETS	<u>\$ 19,222,102</u>	<u>\$ 5,095,862</u>	<u>\$ 17,738,721</u>	<u>\$ 4,700,454</u>

See notes to financial statements.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30, 2011		Year Ended June 30, 2010	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
<b>OPERATING REVENUES</b>				
Tuition and fees, net of scholarship discounts and allowances of \$3,945,000 and \$3,886,000 at June 30, 2011 and 2010, respectively	\$ 4,844,905	\$ -	\$ 3,046,070	\$ -
Federal grants and contracts	1,285,295	-	1,091,456	-
State and local grants and contracts	129,913	-	521,501	-
Student store, net of scholarship discounts and allowances of \$433,000 and \$565,000 at June 30, 2011 and 2010, respectively	504,810	-	410,426	-
Residence hall, net of scholarship discounts and allowances of \$81,000 and \$93,000 at June 30, 2011 and 2010, respectively	100,516	-	73,298	-
Other operating revenues	499,438	205,000	264,362	205,000
Contributions and donations	-	549,388	-	442,630
Interest and dividend income	-	90,655	-	96,689
Other investment income	-	24,040	-	27,458
Net realized and unrealized investment gains	-	20,006	-	57,017
<b>TOTAL OPERATING REVENUES</b>	<b>7,364,877</b>	<b>889,089</b>	<b>5,407,113</b>	<b>828,794</b>
<b>OPERATING EXPENSES</b>				
Compensation and employee benefits	9,165,610	-	8,987,505	-
Contractual services	531,043	41,096	530,286	40,173
Supplies and materials	1,374,985	-	1,657,818	-
Utilities	501,212	3,357	448,107	2,513
Communication	85,015	-	61,029	-
Bond interest expense	-	45,636	-	49,742
Other operating expenses	1,384,374	-	1,364,182	-
Scholarships and fellowships	2,449,115	354,748	1,031,237	435,409
Depreciation expense	1,232,008	48,844	1,100,885	48,844
<b>TOTAL OPERATING EXPENSES</b>	<b>16,723,362</b>	<b>493,681</b>	<b>15,181,049</b>	<b>576,681</b>
Operating income (loss)	(9,358,485)	395,408	(9,773,936)	252,113
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	5,657,009	-	5,378,308	-
State payments from federal ARRA revenues	380,447	-	437,693	-
OTRS on-behalf contributions	399,826	-	342,859	-
Federal grants and contracts	3,251,710	-	2,994,763	-
State and local grants and contracts	366,950	-	355,800	-
Endowment contributions	66,117	-	80,641	-
Return on investments	11,933	-	22,665	-
Interest expense	(73,385)	-	(227,689)	-
<b>NET NONOPERATING REVENUES</b>	<b>10,060,607</b>	<b>-</b>	<b>9,385,040</b>	<b>-</b>
Income (loss) before other revenues, expenses, gains, or losses	702,122	395,408	(388,896)	252,113
Capital grants and gifts	322,271	-	118,495	-
State appropriations restricted for capital purposes	458,988	-	467,266	-
On-behalf payments for OCIA capital leases	-	-	633,905	-
Change in net assets	1,483,381	395,408	830,770	252,113
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>17,738,721</b>	<b>4,700,454</b>	<b>16,907,951</b>	<b>4,448,341</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 19,222,102</b>	<b>\$ 5,095,862</b>	<b>\$ 17,738,721</b>	<b>\$ 4,700,454</b>

See notes financial statements.

STATEMENTS OF CASH FLOWS

WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 4,750,198	\$ 2,859,415
Grants and contracts	1,122,720	1,846,067
Student store	385,226	411,616
Residence hall	100,516	73,298
Other operating receipts	561,871	411,097
Payments to employees for salaries and benefits	(8,760,246)	(8,627,117)
Payments to suppliers	<u>(6,549,071)</u>	<u>(5,258,975)</u>
NET CASH USED IN OPERATING ACTIVITIES	(8,388,786)	(8,284,599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	5,657,009	5,378,308
State payments from federal ARRA revenues	380,447	437,693
Grants and contracts	3,618,660	3,350,563
Direct Loans and Federal Family Education Loans received	2,295,800	2,053,923
Direct Loans and Federal Family Education Loans disbursed	(2,295,800)	(2,053,923)
Gifts for other than capital purposes	<u>21,793</u>	<u>20,331</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>9,677,909</u>	<u>9,186,895</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(444,049)	(1,705,793)
Capital appropriations received	458,988	467,266
Interest paid on capital debt and leases	(84,064)	(5,103)
Proceeds from capital leases	1,351,569	775,359
Repayments of capital debt and leases	<u>(1,308,352)</u>	<u>(35,583)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,908)</u>	<u>(503,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>11,933</u>	<u>22,665</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,933</u>	<u>22,665</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,275,148	421,107
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,167,363</u>	<u>3,746,256</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,442,511</u>	<u>\$ 4,167,363</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS--Continued

WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30	
	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (9,358,485)	\$ (9,773,936)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,232,008	1,100,885
Loss on disposal of capital assets	37,106	130,037
On-behalf contributions to Oklahoma Teachers' Retirement System	399,826	342,859
Changes in assets and liabilities		
Accounts receivable	(444,346)	194,380
Inventories	(116,407)	24,503
Accounts payable and accrued expenses	(140,918)	(293,768)
Accrued compensated absences	2,430	(9,559)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (8,388,786)</u>	<u>\$ (8,284,599)</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ITEMS</b>		
On-behalf interest paid by OCIA	\$ -	\$ 234,634
On-behalf principal payments made by OCIA	-	399,541
Deferred cost on OCIA lease restructure	401,921	-
Amortization of bond issuance cost	394	394
Amortization of lease premium	(11,073)	(12,442)
	<u>\$ 391,242</u>	<u>\$ 622,127</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,168,052	\$ 4,019,297
Noncurrent assets		
Restricted cash and cash equivalents	274,459	148,066
	<u>\$ 5,442,511</u>	<u>\$ 4,167,363</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

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

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

The Western Oklahoma State College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The eleven member board of trustees of the Foundation is self-perpetuating and consists of nine rotating board members, one permanent trustee, and one non-voting ex officio board member. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements as required by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

During the years ended June 30, 2011 and 2010, respectively, the Foundation distributed \$201,887 and \$257,216 in support to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Western Oklahoma State College Foundation, Inc., 2801 North Main Street, Altus, Oklahoma 73521.

Financial Statement Presentation and Basis of Accounting: The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*. Under GASB Statements No. 34 and 35, the College is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

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

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

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

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

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

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are credited to the allowance for doubtful accounts when received. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

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

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more, and an estimated useful life of greater than one year. Renovation to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 25-50 years for infrastructure and land improvements, and 7 to 20 years for library materials and equipment. Depreciation expense includes amortization of assets held under capital lease obligations.

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

Noncurrent Liabilities: Noncurrent liabilities include principal amounts of capital lease obligations with contractual maturities greater than one year.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

Net Assets: The College's net assets are classified as follows:

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

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

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

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

	2011	2010
Educational and general operations	\$ 3,750,135	\$ 2,324,295
Auxiliary enterprises and other operating activities	1,941,893	1,752,834
Total unrestricted net assets	<u>\$ 5,692,028</u>	<u>\$ 4,077,129</u>

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.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

Classification of Revenues--Continued:

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

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

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

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.

Reclassification of Financial Statement Presentation: Certain reclassifications have been made to the 2010 financial statements to conform with the 2011 financial statement presentation. Such reclassifications have had no effect on changes in net assets as previously reported.



NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS

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 states' name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the College deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the College's name.

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

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. Government at 102% of maturity value.

At June 30, 2011 and 2010, the carrying amounts of all College deposits with the OST and other financial institutions were \$5,442,511 and \$4,167,363, respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$548,284 in 2011 and \$595,262 in 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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* are as follows:

At June 30, 2011		
<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. agency securities	\$ 200,252	\$ 201,858
Money market mutual fund	60,281	60,281
Certificates of Deposit	25,888	25,888
Tri-party repurchase agreements	36,999	36,999
Mortgage Backed Agency Securities	198,891	207,674
Municipal Bonds	10,928	11,834
Foreign Bonds	2,039	2,039
Commercial Paper	5,096	5,096
U.S. treasury obligations	7,910	9,373
Totals	<u>\$ 548,284</u>	<u>\$ 561,042</u>

At June 30, 2010		
<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. agency securities	\$ 228,080	\$ 231,910
Money market mutual fund	52,104	52,104
Certificates of Deposit	33,857	33,858
Tri-party repurchase agreements	38,175	38,174
Mortgage Backed Agency Securities	210,591	219,741
Municipal Bonds	12,826	13,752
Foreign Bonds	2,386	2,359
U.S. treasury obligations	17,243	18,252
Totals	<u>\$ 595,262</u>	<u>\$ 610,150</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statues and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and it's funds and agencies' daily cash flow requirements.

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

*Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. *U.S. Government securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Interest Rate Risk: At June 30, 2011, the College does not have any investments. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Student tuition and fees	\$ 809,895	\$ 715,188
Auxillary enterprises and other operating activities	150,152	30,568
Contributions and gifts	159,730	115,406
Federal, state, and private grants and contracts	<u>611,018</u>	<u>318,530</u>
	1,730,795	1,179,692
Less allowance for doubtful accounts	<u>(575,756)</u>	<u>(513,323)</u>
Accounts receivable, net of allowance for doubtful accounts	<u>\$ 1,155,039</u>	<u>\$ 666,369</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2011 and 2010:

	Year Ended June 30, 2011				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	212,345	-	-	-	212,345
Total capital assets not being depreciated	<u>\$ 212,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,345</u>
Other capital assets					
Non-major infrastructure networks	\$ 3,053,737	\$ 104,395	\$ -	\$ (16,921)	\$ 3,141,211
Land improvements	1,887,129	20,705	-	-	1,907,834
Buildings	15,471,959	93,329	-	(1,954)	15,563,334
Furniture, fixtures, and equipment	7,438,168	494,035	-	(73,440)	7,858,763
Library materials	1,949,683	53,856	-	(9,003)	1,994,536
Total other capital assets	<u>29,800,676</u>	<u>766,320</u>	<u>-</u>	<u>(101,318)</u>	<u>30,465,678</u>
Less accumulated depreciation					
Non-major infrastructure networks	475,154	62,824	-	(2,640)	535,338
Land improvements	893,988	51,056	-	-	945,044
Buildings	5,412,036	311,267	-	(391)	5,722,912
Furniture, fixtures and equipment	4,794,456	772,299	-	(60,666)	5,506,089
Library materials	240,058	34,562	-	(515)	274,105
Total accumulated depreciation	<u>11,815,692</u>	<u>1,232,008</u>	<u>-</u>	<u>(64,212)</u>	<u>12,983,488</u>
Other capital assets, net	<u>\$ 17,984,984</u>	<u>\$ (465,688)</u>	<u>\$ -</u>	<u>\$ (37,106)</u>	<u>\$ 17,482,190</u>
Capital asset summary					
Capital assets not being depreciated	\$ 212,345	\$ -	\$ -	\$ -	\$ 212,345
Other capital assets	<u>29,800,676</u>	<u>766,320</u>	<u>-</u>	<u>(101,318)</u>	<u>30,465,678</u>
Total capital assets	30,013,021	766,320	-	(101,318)	30,678,023
Less accumulated depreciation	<u>11,815,692</u>	<u>1,232,008</u>	<u>-</u>	<u>(64,212)</u>	<u>12,983,488</u>
Capital assets, net	<u>\$ 18,197,329</u>	<u>\$ (465,688)</u>	<u>\$ -</u>	<u>\$ (37,106)</u>	<u>\$ 17,694,535</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE D--CAPITAL ASSETS--Continued

	Year Ended June 30, 2010				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 212,345	\$ -	\$ -	\$ -	\$ 212,345
Construction-in-progress	5,117,566	664,632	(5,782,198)	-	-
Total capital assets not being depreciated	<u>\$ 5,329,911</u>	<u>\$ 664,632</u>	<u>\$ (5,782,198)</u>	<u>\$ -</u>	<u>\$ 212,345</u>
Other capital assets					
Non-major infrastructure networks	\$ 1,170,187	\$ 85,361	\$ 1,798,189	\$ -	\$ 3,053,737
Land improvements	1,720,796	22,225	144,108	-	1,887,129
Buildings	11,536,263	95,795	3,839,901	-	15,471,959
Furniture, fixtures, and equipment	6,807,641	915,754	-	(285,227)	7,438,168
Library materials	2,014,835	40,521	-	(105,673)	1,949,683
Total other capital assets	<u>23,249,722</u>	<u>1,159,656</u>	<u>5,782,198</u>	<u>(390,900)</u>	<u>29,800,676</u>
Less accumulated depreciation					
Non-major infrastructure networks	414,079	61,075	-	-	475,154
Land improvements	843,761	50,227	-	-	893,988
Buildings	5,102,597	309,439	-	-	5,412,036
Furniture, fixtures and equipment	4,407,584	647,735	-	(260,863)	4,794,456
Library materials	207,649	32,409	-	-	240,058
Total accumulated depreciation	<u>10,975,670</u>	<u>1,100,885</u>	<u>-</u>	<u>(260,863)</u>	<u>11,815,692</u>
Other capital assets, net	<u>\$ 12,274,052</u>	<u>\$ 58,771</u>	<u>\$ 5,782,198</u>	<u>\$ (130,037)</u>	<u>\$ 17,984,984</u>
Capital asset summary					
Capital assets not being depreciated	\$ 5,329,911	\$ 664,632	\$ (5,782,198)	\$ -	\$ 212,345
Other capital assets	<u>23,249,722</u>	<u>1,159,656</u>	<u>5,782,198</u>	<u>(390,900)</u>	<u>29,800,676</u>
Total capital assets	28,579,633	1,824,288	-	(390,900)	30,013,021
Less accumulated depreciation	<u>10,975,670</u>	<u>1,100,885</u>	<u>-</u>	<u>(260,863)</u>	<u>11,815,692</u>
Capital assets, net	<u>\$ 17,603,963</u>	<u>\$ 723,403</u>	<u>\$ -</u>	<u>\$ (130,037)</u>	<u>\$ 18,197,329</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE D--CAPITAL ASSETS--Continued

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

		2011				
		Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost		\$ 3,524,754	\$ 1,167,520	\$ 1,692,189	\$ 761,047	\$ 7,145,510
Less accumulated depreciation		170,126	799,438	67,688	138,602	1,175,854
		<u>\$ 3,354,628</u>	<u>\$ 368,082</u>	<u>\$ 1,624,501</u>	<u>\$ 622,445</u>	<u>\$ 5,969,656</u>
		2010				
		Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost		\$ 3,524,754	\$ 1,167,520	\$ 1,692,189	\$ 761,047	\$ 7,145,510
Less accumulated depreciation		99,631	682,657	33,844	108,160	924,292
		<u>\$ 3,425,123</u>	<u>\$ 484,863</u>	<u>\$ 1,658,345</u>	<u>\$ 652,887</u>	<u>\$ 6,221,218</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE E--NONCURRENT LIABILITIES

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

	2011				
	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts Due Within One Year
Capital lease obligations					
OCIA 2005F capital lease obligations	4,458,892	-	(1,271,185)	3,187,707	-
OCIA 2010 A&B capital lease obligations	-	1,753,490		1,753,490	-
ODFA 2007 master lease obligations	92,000	-	(37,167)	54,833	38,583
Total capital lease obligations	4,550,892	1,753,490	(1,308,352)	4,996,030	38,583
Other noncurrent obligations					
Compensated absences	71,078	115,816	(113,386)	73,508	73,508
Total noncurrent liabilities	<u>\$ 4,621,970</u>	<u>\$ 1,869,306</u>	<u>\$ (1,421,738)</u>	<u>\$ 5,069,538</u>	<u>\$ 112,091</u>
	2010				
	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amounts Due Within One Year
Capital lease obligations					
OCIA 1999 capital lease obligations	\$ 10,705	\$ -	\$ (10,705)	\$ -	\$ -
OCIA 2005F capital lease obligations	4,847,458	-	(388,566)	4,458,892	158,469
ODFA 2007 master lease obligations	127,583	-	(35,583)	92,000	37,167
Total capital lease obligations	4,985,746	-	(434,854)	4,550,892	195,636
Other noncurrent obligations					
Compensated absences	80,637	122,914	(129,226)	71,078	71,078
Total noncurrent liabilities	<u>\$ 5,066,383</u>	<u>\$ 122,914</u>	<u>\$ (564,080)</u>	<u>\$ 4,625,217</u>	<u>\$ 266,714</u>



NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE E--NONCURRENT LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations: In September 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$500,000 to the College. Concurrently with the allocation, the College entered into three individual lease agreements with OCIA, representing the three projects being funded through 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. This obligation was repaid in full during the fiscal year ended June 30, 2010.

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

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The College has recorded a deferred charge of \$482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. During the year ended June 30, 2011, amortization of the deferred charge was \$80,384. 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 also approximately the economic cost of the lease restructuring.

During the years ended June 30, 2011 and 2010, OCIA made principal and interest payments totaling \$0 and \$633,905, 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 assets.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE E--NONCURRENT LIABILITIES--Continued

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

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

Year Ending June 30:	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 38,583	\$ 58,174	\$ 96,757
2013	16,250	65,720	81,970
2014	171,901	245,601	417,502
2015	473,485	237,155	710,640
2016	488,820	223,398	712,218
2017-2021	1,346,306	740,489	2,086,795
2022-2026	962,122	544,081	1,506,203
2027-2031	1,498,563	230,816	1,729,379
Total	<u>\$ 4,996,030</u>	<u>\$ 2,345,434</u>	<u>\$ 7,341,464</u>

NOTE F--RETIREMENT PLAN

The College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employees retirement system. The College does not maintain the accounting records, hold the investments for, or administer this plan.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE F--RETIREMENT PLAN--Continued

*Oklahoma Teachers' Retirement System*

Plan Description: The College contributes to the Oklahoma Teachers' Retirement System ("OTRS"), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement plan provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-120, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387.

Funding Policy: The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5%, is applied to annual compensation, and is determined by state statute. The contribution rate was 9%-9.5% in fiscal year 2010 and 8.5%-9% in fiscal year 2009.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2011, 2010 and 2009, respectively. These contributions were made directly by the College for 2011, 2010 and 2009.

The College's contributions to the OTRS for the years ended June 30, 2011, 2010 and 2009 were approximately \$999,000, \$971,000 and \$934,000, respectively. These contributions included the College's statutory contribution and the share of the employees' contributions paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2011, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.

The College has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2011 and 2010, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately \$400,000 and \$343,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE G--FUNDS HELD IN TRUST BY OTHERS

*Oklahoma State Regents' Endowment Trust Funds*

In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), funds are invested by the Oklahoma State Regents on behalf of the College. These funds are not recognized in the College's statement of net assets. At June 30, 2011 and 2010, the funds totaled approximately \$632,000 and \$556,000, respectively. The College is entitled to receive an annual distribution of earnings on these funds. Distributions to be received totaled approximately \$26,000 and \$26,000 at June 30, 2011 and 2010, respectively.

NOTE H--RELATED PARTY TRANSACTIONS

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE I--COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.

The following are significant disclosures of the Foundation:

DESCRIPTION OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Western Oklahoma State College Foundation, Inc., a nonprofit organization, was formed in 1974 for the benefit of Western Oklahoma State College (the College) in aid of charitable, benevolent educational, scientific and literary purposes.

The purposes of the Foundation are strengthened by the worthy accomplishments that are a part of the history of the Foundation.

The role of the Foundation is to provide the financial support that will enable the College to achieve expanded goals and fulfill higher purposes that otherwise are not possible on limited funding.

The Foundation leaders recognize the potential for the Foundation and realize greater support can be attained for the College as it reaches increasingly significant level of educational leadership.

The Foundation seeks continuous support from individuals, business firms, corporations, civic groups, foundations, service organizations and bequests of wills. As the Foundation grows, the College educational programs grow. The Foundation provides a variety of opportunities to share in the future development of the College and its continuing *Commitment to Excellence*.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

DESCRIPTION OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation: The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) in its Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and Statement No. 117, *Financial Statement for Not-for-Profit Organizations*, which requires the Foundation to report information regarding its financial position and activities according to the three classes of net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purpose.

Investments: The Foundation has adopted SFAS No. 157, *Fair Value Measurements* with respect to financial assets and liabilities. SFAS No.157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value under SFAS No. 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs that are derived principally from or corroborated by observable market data;

Level 3 – Inputs that are unobservable and significant to overall fair measurement.

Investments which are contributed to the Foundation are carried at their fair market value at the time of donation.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

DESCRIPTION OF THE ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Capital Assets: Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which is generally 37.5 years for buildings.

Capital assets that are contributed to the Foundation are carried at their fair market value at the time of the donation.

Statement of Cash Flows: In accordance with FASB Statement No. 95, *Statement of Cash Flows*, as amended by FASB Statement No.17, the accompanying financial statements include a statement of cash flows, which is presented using the direct method. For purposes of the statements of cash flows, cash and cash equivalents include checking and time deposits with maturities of 90 days or less.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, the significant estimates used in the preparation of these financial statements are depreciation and the allowance for investment revaluation.

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

Concentration of Risk: The Foundation maintains its cash accounts and certificates of deposit at several commercial banks. Cash accounts and certificates of deposit at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 and additional insurance to cover any of those amounts that may exceed the \$250,000 FDIC insurance.



NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

WOSC STUDENT FACILITIES REVENUE BOND SERIES 2008

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 115,000	\$ 42,127	\$ 157,127
2013	120,000	37,958	157,958
2014	120,000	33,478	153,478
2015	125,000	28,798	153,798
2016	135,000	21,131	156,131
2017-2019	<u>425,000</u>	<u>40,494</u>	<u>465,494</u>
	<u>\$ 1,040,000</u>	<u>\$ 203,986</u>	<u>\$ 1,243,986</u>

CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Student housing facility	\$ 1,807,234	\$ 1,807,234
Less accumulated depreciation	<u>(586,130)</u>	<u>(537,286)</u>
	<u>\$ 1,221,104</u>	<u>\$ 1,269,948</u>

Depreciation expense included in the accompanying financial statements for the years ended June 30, 2011 and 2010 was \$48,844 each year.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

INVESTMENTS AND ALLOWANCE FOR INVESTMENT LOSS

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair market values are reported at their fair market value in the statement of net assets. Realized and unrealized gains and losses are included in the statement of activities as gains or losses in market revaluation.

Types of investments are as follows at June 30:

	<u>2011</u>	<u>2010</u>
U.S. government agencies	\$ -	\$ 3,497
Certificates of deposits	2,789,016	2,789,172
Money market funds	21,656	36,660
Mutual funds	1,144,747	948,019
Annuities	251,000	251,000
Real estate investment trusts (REIT)	<u>169,846</u>	<u>169,846</u>
Total investments	4,376,265	4,198,194
Allowance for market revaluation	<u>(18,483)</u>	<u>(39,516)</u>
Fair market value (carrying value)	<u>\$ 4,357,782</u>	<u>\$ 4,158,678</u>

ENDOWMENT DISCLOSURE

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURE--Continued

Interpretation Of Relevant Law

The Board of Trustees of the Foundation have interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net asset is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in the manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

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

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

Endowments	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>2011</b>				
Donor restricted endowments	\$ -	\$ 266,469	\$ 3,902,006	\$ 4,168,475
Board designated endowments	720,479	-	-	720,479
Total Funds Invested	<u>\$ 720,479</u>	<u>\$ 266,469</u>	<u>\$ 3,902,006</u>	<u>\$ 4,888,954</u>
Endowments	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>2010</b>				
Donor restricted endowments	\$ -	\$ 260,243	\$ 3,630,295	\$ 3,890,538
Board designated endowments	663,142	-	-	663,142
Total Funds Invested	<u>\$ 663,142</u>	<u>\$ 260,243</u>	<u>\$ 3,630,295</u>	<u>\$ 4,553,680</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURE--Continued

Interpretation Of Relevant Law (Continued)

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

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as of June 30, 2009	\$ 560,139	\$ 292,367	\$ 3,498,996	\$ 4,351,502
Investment return				
Investment income	11,829	93,103	12,415	117,347
Net realized and unrealized gain on investments	<u>57,017</u>	<u>-</u>	<u>-</u>	<u>57,017</u>
Total investment return	<u>68,846</u>	<u>93,103</u>	<u>12,415</u>	<u>174,364</u>
Contributions	34,157	113,060	118,884	266,101
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(238,287)</u>	<u>-</u>	<u>(238,287)</u>
Endowment net assets, as of June 30, 2010	<u>\$ 663,142</u>	<u>\$ 260,243</u>	<u>\$ 3,630,295</u>	<u>\$ 4,553,680</u>
Investment return				
Investment income	14,387	127,660	11,376	153,423
Net realized and unrealized gain on investments	<u>20,006</u>	<u>-</u>	<u>-</u>	<u>20,006</u>
Total investment return	<u>34,393</u>	<u>127,660</u>	<u>11,376</u>	<u>173,429</u>
Contributions	22,944	102,814	260,335	386,093
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(224,248)</u>	<u>-</u>	<u>(224,248)</u>
Endowment net assets, as of June 30, 2011	<u>\$ 720,479</u>	<u>\$ 266,469</u>	<u>\$ 3,902,006</u>	<u>\$ 4,888,954</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURE--Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, the allowance reported in unrestricted net assets which is a reduction in fair market value of invested endowment funds is \$18,483 and \$39,516 at June 30, 2011 and 2010, respectively.

Return Objectivities and Risk Parameters

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

Spending Policy

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

How The Investment Objectives Relate to the Spending Policy

Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowments. In light of the current market fluctuations and the future needs of the Foundation, it evaluates the spending policy annually to ensure that it remains in accordance with the long term objectives of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS

The Foundation has no liabilities measured at fair value on a recurring basis. Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As Of June 30, 2011			
	Level 1	Level 2	Level 3	Total
U.S. government agencies	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	2,794,646	-	-	2,794,646
Money market funds	21,656	-	-	21,656
Mutual funds	1,120,634	-	-	1,120,634
Annuities	251,000	-	-	251,000
Real estate investment trusts	169,846	-	-	169,846
Investments	<u>\$ 4,357,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,357,782</u>

	As Of June 30, 2010			
	Level 1	Level 2	Level 3	Total
U.S. government agencies	\$ -	\$ 3,497	\$ -	\$ 3,497
Certificates of deposit	2,804,469	-	-	2,804,469
Money market funds	36,660	-	-	36,660
Mutual funds	890,329	-	-	890,329
Annuities	251,664	-	-	251,664
Real estate investment trusts	172,059	-	-	172,059
Investments	<u>\$ 4,155,181</u>	<u>\$ 3,497</u>	<u>\$ -</u>	<u>\$ 4,158,678</u>

Following is a description of the methodologies used for instruments measured at fair value on a recurring basis:

When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include cash and cash equivalents, common and preferred stocks, and mutual funds. Other investments, such as government agency, corporate bonds, and municipal securities are classified within Level 2 of the hierarchy and are independently valued by nationally recognized, third-party pricing services, and provided by the investment manager to the Foundation. Certificates of deposit values are based on yield curves, interest rates, and other relevant factors.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE J--WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.--Continued

SILVER STATUES

The Foundation maintains various silver statues. These statues are maintained for public exhibition rather than financial gain. On June 30, 2011 and 2010, these statues had a value of approximately \$85,000. These statues are protected, kept unencumbered, cared for, and preserved.

CONTRIBUTIONS AND DONATIONS

The following is a breakdown of the contributions and donations received in 2011 and 2010 and their respective categories by restriction:

	As of June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and donations				
Endowments	\$ 5,901	\$ 102,814	\$ 253,076	\$ 361,791
Sustaining membership account	19,544	-	-	19,544
Pass-through funds	-	139,018	-	139,018
President's partners	21,776	-	7,259	29,035
Total contributions and donations	<u>\$ 47,221</u>	<u>\$ 241,832</u>	<u>\$ 260,335</u>	<u>\$ 549,388</u>

	As of June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and donations				
Endowments	\$ 4,238	\$ 103,756	\$ 111,137	\$ 219,131
Sustaining membership account	18,010	-	-	18,010
Pass-through funds	-	174,501	-	174,501
President's partners	23,241	-	7,747	30,988
Total contributions and donations	<u>\$ 45,489</u>	<u>\$ 278,257</u>	<u>\$ 118,884</u>	<u>\$ 442,630</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

NOTE K--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*. GASB No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

Management is currently evaluating the effects that the above GASB Pronouncements will have on its financial statements.



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

Board of Regents  
Western Oklahoma State College  
Altus, Oklahoma

We have audited the financial statements of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 5, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of the Western Oklahoma State College Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 5, 2011

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

Board of Regents  
Western Oklahoma State College  
Altus, Oklahoma

Compliance

We have audited Western Oklahoma State College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of Western Oklahoma State College based on our audit.

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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, Western Oklahoma State College complied, in all material respects, with the 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, 2011.

## Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 5, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN OKLAHOMA STATE COLLEGE

Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant Program	84.063	\$ 3,495,932
Federal Supplemental Educational Opportunity Grants	84.007	14,682
Federal Work Study Program	84.033	76,674
Federal Family Education Loan Program	84.032	3,093
Federal Direct Student Loan Program	84.268	2,292,706
Federal Academic Competiveness Grant Program	84.375	136,639
College Access Challenge Grant Program	84.78A	<u>8,592</u>
<i>Total Student Financial Aid Cluster</i>		<u>6,028,318</u>
TRIO Program Cluster		
Upward Bound	84.047	295,905
Student Support Services	84.042A	<u>219,768</u>
<i>Total TRIO Program Cluster</i>		<u>515,673</u>
Congressionally-directed Grant for Nursing Equipment	84.116Z	10,271
Congressionally-directed Grant for Technology Upgrades	84.116Z	95,000
Congressionally-directed Grant for Radiology Equipment	84.116Z	100,000
Passed through the Oklahoma State Department of		
Education: Carl Perkins Program	84.051	<u>38,635</u>
Total U.S. Department of Education		6,787,897
Oklahoma State Regents for Higher Education		
State Fiscal Stabilization Fund-Education State Grants (ARRA)	84.394 ARRA	380,447
U.S. Department of Health and Human Services		
Temporary Assistance for Needy Families	93.558	123,140
Child Development Associative Initiative	93.575	<u>120,238</u>
Total U.S. Department of Health and Human Services		<u>243,378</u>
U.S. Department of Homeland Security		
Public Assistance Grants	97.036	<u>48,242</u>
Total U.S. Department of Homeland Security		<u>48,242</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 7,459,964</u>

See notes to schedule of expenditures of federal awards.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

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

#### NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

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

#### NOTE C--SUBRECIPIENTS

During the year ended June 30, 2011, the College did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  none reported

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

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes  no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
State Fiscal Stabilization Fund-Education State Grant (ARRA)	84.394 ARRA
Temporary Assistance for Needy Families	93.558

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

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

Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no



SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

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

None to report for the June 30, 2011 period.

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

None to report for the June 30, 2011 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2011

No matters are reportable.