

Western Oklahoma State College

**Financial Statements
with Independent Auditors' Reports**

June 30, 2020 and 2019



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Western Oklahoma State College
Table of Contents
June 30, 2020 and 2019

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Statements of Net Position – Fiduciary Fund	8
Notes to Financial Statements	9
Required Supplementary Information	
Schedule of the College's Proportionate Share of the Net Pension Liability (OTRS).....	52
Schedule of the College's Pension Contributions (OTRS)	53
Schedule of Changes in Net OPEB Liability and Related Ratios	54
Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset).....	55
Schedule of the College's OPEB Contributions.....	56
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Reports Required by the Uniform Guidance	
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	59
Schedule of Expenditures of Federal Awards.....	61
Notes to Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs.....	63
Summary Schedule of Prior Audit Findings	65



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Independent Auditors' Report

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Oklahoma State College, component unit of the State of Oklahoma, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Western Oklahoma State College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We have also audited the financial statements of the discretely presented component unit of Western Oklahoma State College Foundation, Inc., a not-for-profit Oklahoma corporation organized to support the College, as of and for the years ended June 30, 2020 and 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, Western Oklahoma State College Foundation, Inc., as of June 30, 2020 and 2019 and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020 on our consideration of the Western Oklahoma State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Oklahoma State College's internal control over financial reporting and compliance.

Hill & Company, PC

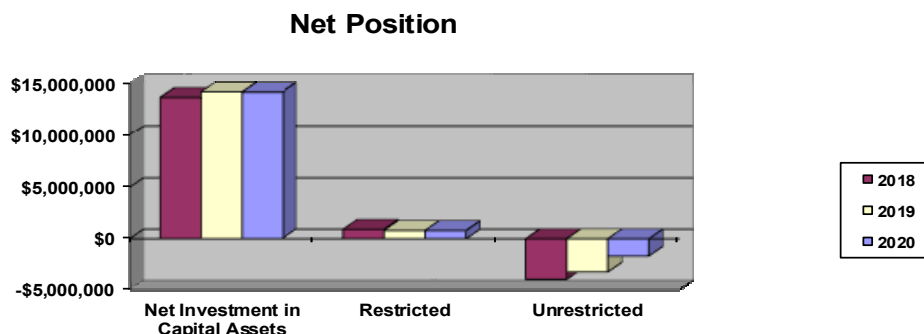
Tulsa, Oklahoma
October 7, 2020



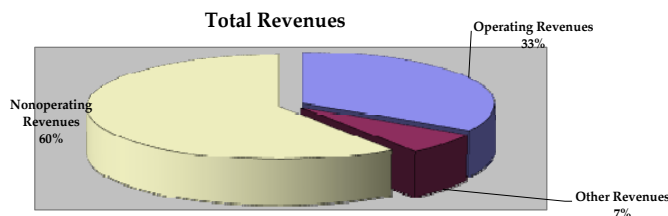
WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2020, 2019 and 2018

The discussion and analysis of Western Oklahoma State College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2020. Since this management's discussion and analysis is designed to focus on current activities and currently known facts, please read it in conjunction with the College's basic financial statements and related footnotes.

FINANCIAL HIGHLIGHTS



The following chart provides a graphical breakdown of total revenues by category for the fiscal year ended June 30, 2020. The 2020 change in net position includes the effect of recognizing pension liabilities as discussed in Note 6.



In fiscal year ended June 30, 2020, the College's revenues exceeded expenses, creating an increase in total net position of \$1,457,694, which represents an 12.5% increase in net position for 2020. In fiscal year ended June 30, 2019, the College's revenues exceeded expenses, creating an increase in total net position of \$1,113,498, which represents a 10.5% increase in net position for 2019.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

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

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

You can think of the College's net position-the difference between assets and liabilities-as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are an indicator of whether the financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend and quality of student applicants, freshman class size, student retention, condition of the buildings, and safety of the campus, to assess the overall health of the institution.

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

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

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

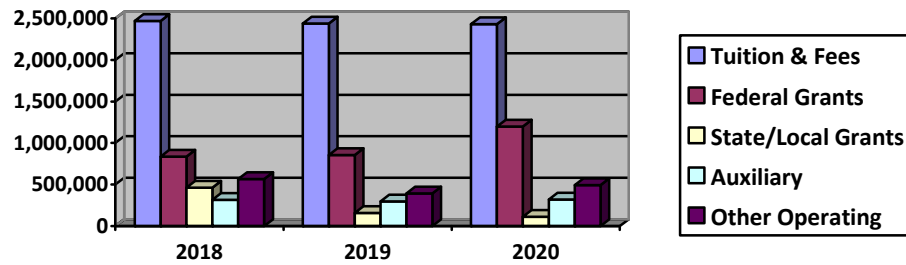
	Condensed Statement of Net Position						
	Years Ended June 30		Increase (Decrease)	Percent Change	Year Ended		Percent Change
	2020	2019			June 30 2018	Increase (Decrease)	
Current assets	\$ 7,211,403	\$ 5,934,801	\$ 1,276,602	21.51%	\$ 5,797,038	\$ 137,763	2.38%
Noncurrent assets:							
Restricted Cash and							
Cash Equivalents	1,025,126	596,397	428,729	71.89%	824,306	(227,909)	-27.65%
Net OPEB Asset	64,104	79,990	(15,886)	-19.86%	54,658	25,332	46.35%
Capital assets, net	16,610,658	16,728,515	(117,857)	-0.70%	16,725,132	3,383	0.02%
Total assets	<u>24,911,291</u>	<u>23,339,703</u>	<u>1,571,588</u>	6.73%	<u>23,401,134</u>	<u>(61,431)</u>	-0.26%
Deferred outflows	<u>1,310,889</u>	<u>1,277,761</u>	<u>33,128</u>	2.59%	<u>1,670,400</u>	<u>(392,639)</u>	-23.51%
Total Assets and deferred							
outflows of resources	<u>26,222,180</u>	<u>24,617,464</u>	<u>1,604,716</u>	6.52%	<u>25,071,534</u>	<u>(454,070)</u>	-1.81%
Current liabilities	1,387,558	781,963	605,595	77.45%	1,391,778	(609,815)	-43.82%
Noncurrent liabilities:	9,384,564	10,181,238	(796,674)	-7.82%	10,913,493	(732,255)	-6.71%
Total liabilities	<u>10,772,122</u>	<u>10,963,201</u>	<u>(191,079)</u>	-1.74%	<u>12,305,271</u>	<u>(1,342,070)</u>	-10.91%
Deferred Inflows	<u>2,324,072</u>	<u>1,985,971</u>	<u>338,101</u>	17.02%	<u>2,211,469</u>	<u>(225,498)</u>	-10.20%
Total liabilities and deferred							
inflows of resources	<u>13,096,194</u>	<u>12,949,172</u>	<u>147,022</u>	1.14%	<u>14,516,740</u>	<u>(1,567,568)</u>	-10.80%
Net Position							
Investment in							
capital assets	14,124,081	14,163,446	(39,365)	-0.28%	13,625,908	537,538	3.94%
Restricted	779,814	775,405	4,409	0.57%	892,897	(117,492)	-13.16%
Unrestricted	<u>(1,777,909)</u>	<u>(3,270,559)</u>	<u>1,492,650</u>	-45.64%	<u>(3,964,011)</u>	<u>693,452</u>	-17.49%
Total net position	<u>\$ 13,125,986</u>	<u>\$ 11,668,292</u>	<u>\$ 1,457,694</u>	12.49%	<u>\$ 10,554,794</u>	<u>\$ 1,113,498</u>	10.55%

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

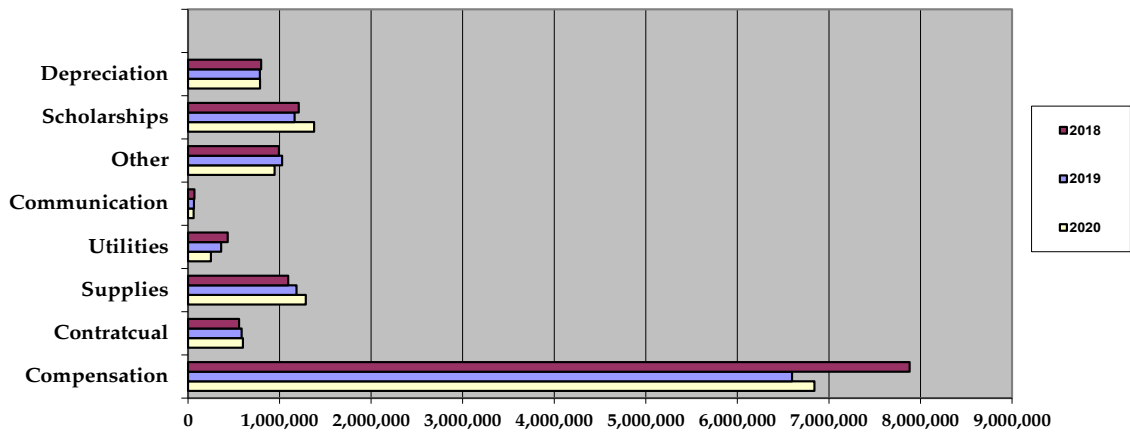
FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

The breakdown of operating revenues and expenses for fiscal years ended June 30, 2020, 2019 and 2018 are as follows:

Operating Revenues



Operating Expenses



WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

	Revenues, Expenses and Changes in Net Position						
	Years Ended June 30		Increase (Decrease)	Percent Change	Year Ended	Increase (Decrease)	Percent Change
	2020	2019			June 30 2018		
Operating revenues:							
Tuition & Fees	\$ 2,431,000	\$ 2,440,389	\$ (9,389)	-0.38%	\$ 2,470,641	(30,252)	-1.22%
Federal and state grants	1,310,258	1,011,745	298,513	29.50%	1,295,801	(284,056)	-21.92%
Auxillary enterprise charges	316,850	294,898	21,952	7.44%	312,677	(17,779)	-5.69%
Other	492,671	391,387	101,284	25.88%	565,753	(174,366)	-30.82%
Total Operating Revenues	<u>4,550,779</u>	<u>4,138,419</u>	<u>412,360</u>	9.96%	<u>4,644,872</u>	<u>(506,453)</u>	-10.90%
Less operating expenses	<u>12,146,665</u>	<u>11,771,968</u>	<u>374,697</u>	3.18%	<u>13,039,261</u>	<u>(1,267,293)</u>	-9.72%
Net loss from operations	<u>(7,595,886)</u>	<u>(7,633,549)</u>	<u>37,663</u>	-0.49%	<u>(8,394,389)</u>	<u>760,840</u>	-9.06%
Nonoperating revenues (expenses):							
State appropriations	4,801,755	4,556,723	245,032	5.38%	4,458,362	98,361	2.21%
Federal grants and contracts	2,691,802	2,482,327	209,475	8.44%	2,587,165	(104,838)	-4.05%
State & local grants and contracts	363,980	350,263	13,717	3.92%	326,112	24,151	7.41%
On-behalf appropriations for OTRS	356,390	393,835	(37,445)	-9.51%	341,883	51,952	15.20%
State Regents Endowment Contributions	36,767	31,546	5,221	16.55%	31,523	23	0.07%
Interest Revenue	20,212	15,270	4,942	32.36%	18,523	(3,253)	-17.56%
Interest Expense	(106,672)	(130,112)	23,440	-18.02%	(152,613)	22,501	-14.74%
Net Nonoperating revenues	<u>8,164,234</u>	<u>7,699,852</u>	<u>464,382</u>	6.03%	<u>7,610,955</u>	<u>88,897</u>	1.17%
Other revenues, expenses, and gains and losses							
Capital grants and gifts	3,400	123,362	(119,962)	-97.24%	9,050	114,312	1263.12%
Loss on Disposal of Asset					(46,303)	46,303	-100.00%
State appropriations restricted for capital purposes	772,011	330,792	441,219	133.38%	-	330,792	0.00%
On-behalf OCIA capital leases	113,935	593,041	(479,106)	-80.79%	598,630	(5,589)	-0.93%
Total Other	<u>889,346</u>	<u>1,047,195</u>	<u>(157,849)</u>	-15.07%	<u>561,377</u>	<u>485,818</u>	86.54%
Increase (decrease) in net assets	1,457,694	1,113,498	344,196	30.91%	(222,057)	1,335,555	-601.45%
Net assets, beginning	<u>11,668,292</u>	<u>10,554,794</u>	<u>1,113,498</u>	10.55%	<u>10,776,851</u>	<u>(222,057)</u>	-2.06%
Net assets, ending	<u>\$ 13,125,986</u>	<u>\$ 11,668,292</u>	<u>\$ 1,457,694</u>	12.49%	<u>\$ 10,554,794</u>	<u>\$ 1,113,498</u>	10.55%

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2020 compared to June 30, 2019 resulted in the following revenue and expense changes:

- Tuition & fees revenues decreased by .38%, or \$9,389. This decrease is due mainly to a decrease in collections. Auxiliary revenues increased by 7.44%, which represents a decrease of \$6,529 in Residence Hall and an increase in student store of \$28,481. Federal and State Grants & Contracts experienced an increase of 29.5% or \$298,513 due to the CARES Act. The overall operating revenues increased by 9.96% or \$412,360.
- Overall operating expenses increased by 3.18% or \$374,697. Utilities decreased by \$112,840, and Communications and Other Operating Expenses decreased slightly. Compensation increased by \$243,550, and the other operating expenses increased slightly.
- Net non-operating revenues and expenses increased by 6.03%, or \$464,382. On behalf payments and Interest Expense essentially offset the other.
- Section 13 Offset increased by 133% or \$441,219 and is in State Appropriations Restricted for Capital Purposes.
- On-behalf capital lease payments decreased by 80.79% resulting in a decrease of \$479,106 from the prior year. Please refer to Note 5 – Long Term Liabilities in the Notes to the Financial Statements.

June 30, 2019 compared to June 30, 2018 resulted in the following revenue and expense changes:

- Tuition & fees revenues decreased by 1.22%, or \$30,252. This decrease is due mainly to a decrease in enrollment. Auxiliary revenues decreased by 5.69%, which represents an increase of \$49,588 in Residence Hall and a decrease in student store of \$67,367. Federal and State Grants & Contracts experienced a decrease of 21.92% due to \$330,792 of Section 13 Offset being moved in FY19 from Federal Grants & Contracts to State Appropriations Restricted for Capital Purchases. The overall operating revenues decreased by 10.9% or \$506,453.
- Overall operating expenses decreased by 9.72% or \$1,267,293. Compensation decreased by \$1,283,422, and Utilities decreased by \$72,139. All other operating expenses increased slightly.
- Net non-operating revenues and expenses increased by 1.17%, or \$88,897. On behalf payments and Interest Expense essentially offset the other.
- Section 13 Offset moved in FY19 from Federal Grants & Contracts to State Appropriations Restricted for Capital Purchases showing a \$330,792 gain.
- On-behalf capital lease payments decreased slightly by 0.93% resulting in a decrease of \$5,589 from the prior year. Please refer to Note 5 – Long Term Liabilities in the Notes to the Financial Statements.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

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

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

The effect on the 2015 net position is reflected below:

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

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

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

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

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

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

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

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

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

Below is an illustration of the effect GASB Statement 68, 71 & 75 on the 2019 Unrestricted Net Position:

June 30, 2019 unrestricted net position	(\$ 3,270,559)
Deferred outflows related to pension	(1,271,350)
Deferred outflows related to OPEB	(6,411)
Net pension liability	7,481,414
Total OPEB liability	299,155
Deferred inflows related to pension	1,835,746
Deferred inflows related to OPEB	<u>55,797</u>
Unrestricted net position prior to net pension liability	<u>\$ 5,123,792</u>

Below is an illustration of the effect GASB Statement 68, 71 & 75 on the 2020 Unrestricted Net Position:

June 30, 2020 unrestricted net position	(\$ 1,777,909)
Deferred outflows related to pension	(1,302,150)
Deferred outflows related to OPEB	(8,739)
Net pension liability	6,862,320
Total OPEB liability	190,728
Deferred inflows related to pension	2,130,303
Deferred inflows related to OPEB	<u>107,861</u>
Unrestricted net position prior to net pension liability	<u>\$ 6,202,414</u>

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

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

	Cash Flows				
	Years Ended June 30 2020	2019	Increase (Decrease)	Year Ended June 30 2018	Increase (Decrease)
Cash provided (used) by:					
Operating activities	\$ (6,530,669)	\$ (6,882,139)	\$ 351,470	\$ (6,998,919)	\$ 116,780
Noncapital financing activities	7,894,304	7,420,859	473,445	7,412,212	8,647
Capital and related financing activities	26,081	(425,523)	451,604	(691,026)	265,503
Investing activities	<u>20,212</u>	<u>15,270</u>	<u>4,942</u>	<u>18,523</u>	<u>(3,253)</u>
Net increase (decrease) in cash and cash equivalents	1,409,928	128,467	1,281,461	(259,210)	387,677
Cash and cash equivalents, beginning	<u>5,798,613</u>	<u>5,670,146</u>	<u>128,467</u>	<u>5,929,356</u>	<u>(259,210)</u>
Cash and cash equivalents, ending	<u>\$ 7,208,541</u>	<u>\$ 5,798,613</u>	<u>\$ 1,409,928</u>	<u>\$ 5,670,146</u>	<u>\$ 128,467</u>

June 30, 2020 compared to June 30, 2019 resulted in the following cash flow changes:

The College's liquidity increased by \$1,409,928 in 2020. Cash used by operating activities decreased by \$351,470 likewise, cash provided by non-capital financing activities increased by \$473,445. Cash used for investing activities increased by \$4,942. Cash used by capital and related financing activities decreased by \$451,604 due to limited capital projects. The net result of these items is an increase in cash of \$1,409,928.

June 30, 2019 compared to June 30, 2018 resulted in the following cash flow changes:

The College's liquidity increased by \$128,467 in 2019. Cash used by operating activities decreased by \$116,780 likewise, cash provided by non-capital financing activities increased by \$8,647. Cash used for investing activities decreased by \$3,253. Cash used by capital and related financing activities decreased by \$265,503 due to limited capital projects. The net result of these items is an increase in cash of \$128,467.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Although the Statement of Revenues, Expenses, and Changes in Net Position shows an increase in total net position of \$1,457,694, this is representative of all funds combined. Management feels that it is important to point out the net change in fund balances for each individual fund. This is displayed below.

Summary of Changes in Net Position by Fund

	Years Ended		
	2020	2019	2018
Educational and General Fund	\$ 743,356	\$ 368,651	\$ (17,914)
Auxillary Fund	31,273	(148,432)	(68,317)
Restricted Fund	8,486	(57,924)	33,567
Unexpended Plant Fund	268,380	(112,444)	(129,307)
Capital Assets	(39,367)	537,539	291,704
Net Pension Revenue & Expense Recognition	445,566	526,108	(331,790)
Combined Total	\$ 1,457,694	\$ 1,113,498	\$ (222,057)

The College began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool ("OKHEEI"). College employees are provided health insurance coverage through OKHEEI, which is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessment may be made to participating Colleges and Universities. An OKHEEI Trust has been formed in FY21 and all premiums will be deposited, the remaining expenses will be paid out of the fund until all funds are exhausted.

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

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2020, the College has \$16,610,658 invested in capital assets, net of accumulated depreciation of \$19,297,943. Depreciation charges totaled \$787,168 for the current fiscal year, compared to \$785,769 for the previous fiscal year. Details of these assets for the three years are shown below.

	Years Ended June 30		
	2020	2019	2018
Land	\$ 230,453	\$ 230,453	\$ 230,453
Infrastructure	3,554,547	3,587,304	3,620,905
Land Improvements	758,874	817,718	646,296
Buildings	9,788,998	10,052,173	9,974,288
Furniture, Fixtures, and Equipment	840,686	780,586	745,033
Library Materials	1,228,530	1,254,081	1,288,547
Construction in Progress	201,220	-	214,820
Livestock	7,350	6,200	4,790
	<u>\$ 16,610,658</u>	<u>\$ 16,728,515</u>	<u>\$ 16,725,132</u>

Planned capital expenditures for fiscal year ending June 2020 will be budgeted and paid through a combination of E & G fund reserves, Auxiliary fund reserves, and from Section 13 appropriated capital funds. Throughout the year there will be expenditures from other grant programs like Title IV, TANF, and institutional reserve funds.

Section 13 for fiscal year 2021 will expend approximately \$741,542 in new funds to include items WOSC Foundation promissory note payment requirements of \$40,000; Classroom equipment and upgrades \$150,000; physical plant upgrades for HVAC and roof of \$252,000; Flooring \$50,000; and repair of parking lots \$249,542.

In 2013 Western contracted with an energy service company to perform an energy performance contract for approximately \$1,300,000. These projects included the retrofitting of many different HVAC units on campus that are obsolete and inefficient, lighting retrofits and vending machine meter regulators. These projects are guaranteed to generate enough savings for the life of the project to completely fund the investment. Approximately \$800,000 of the project was paid from E & G and Auxiliary Fund reserves, with the remaining \$500,000 financed through the Western Oklahoma State College Foundation, Inc. This debt will be repaid over an eight year term at an interest rate of 3.0%. FY21 is the last payment.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT

At June 30, 2020, the College had \$2,400,670 in debt outstanding, compared to \$2,470,640 reported June 30, 2019 and \$2,996,278 reported June 30, 2018. The table below summarizes these amounts by type for the current year and the previous two years.

Outstanding Debt

	Years Ended June 30		
	2020	2019	2018
OCIA 2010 A&B Capital Lease Obligations	-	-	455,213
OCIA 2014 Capital Lease Obligations	2,331,516	2,334,347	2,339,588
WOSC Foundation, Inc. Promissory Note	69,154	136,293	201,477
	<u>\$ 2,400,670</u>	<u>\$ 2,470,640</u>	<u>\$ 2,996,278</u>

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

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005 bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. The College has recorded a charge of \$482,305 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$2,757,544 which is approximately the economic cost of the lease restructuring.

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

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT

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

During the years ended June 30, 2020, 2019 and 2018, OCIA made lease principal and interest payments on behalf of the College totaling \$113,935, \$593,041 and \$598,630 respectively.

More detailed information about the College's outstanding debt is presented in Note 5 to the financial statements.

WESTERN OKLAHOMA STATE COLLEGE FOUNDATION, INC.

Western Oklahoma State College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit for the College and is discretely presented in the College's financial statements.

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

	Years Ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions	\$ 981,180	\$ 892,247	\$ 845,329
Net Asset With Donor Restrictions:			
Subject to Expenditure	2,620	98,696	3,721
Not Subject to Expenditure	5,655,271	5,534,429	5,426,299

More detailed information on the Foundation can be found in the financial statements and in Note 13 to the financial statements.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2020, 2019 and 2018

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

With Oil and Gas revenues down and COVID-19 shutting everything down, Oklahoma can expect cuts to appropriations in the near future. This will be on top of the 18% cut to appropriations over the last six years.

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

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Western Oklahoma State College
Statements of Net Position
June 30, 2020 and 2019

	2020		2019	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 6,183,415	\$ 119,008	\$ 5,202,216	\$ 101,031
Interest receivable	-	-	-	3,748
Accounts receivable, net of allowance for doubtful accounts	992,660	-	641,174	-
Inventories	35,328	-	91,411	-
Notes receivable, current portion	-	69,154	-	67,139
Total Current Assets	<u>7,211,403</u>	<u>188,162</u>	<u>5,934,801</u>	<u>171,918</u>
Noncurrent Assets				
Restricted cash and cash equivalents	1,025,126	-	596,397	-
Investments	-	1,962,116	-	1,160,265
Certificates of Deposit	-	4,507,156	-	5,130,547
Notes receivable, long term	-	-	-	69,154
Net OPEB asset	64,104	-	79,990	-
Other assets	-	85,000	-	85,000
Capital assets, net of accumulated depreciation	16,610,658	-	16,728,515	-
Total Noncurrent Assets	<u>17,699,888</u>	<u>6,554,272</u>	<u>17,404,902</u>	<u>6,444,966</u>
Total Assets	<u>24,911,291</u>	<u>6,742,434</u>	<u>23,339,703</u>	<u>6,616,884</u>
Deferred Outflows of Resources				
Deferred amounts related to pensions	1,302,150	-	1,271,350	-
Deferred amounts related to OPEB	8,739	-	6,411	-
Total Deferred Outflow of Resources	<u>1,310,889</u>	<u>-</u>	<u>1,277,761</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,222,180</u>	<u>\$ 6,742,434</u>	<u>\$ 24,617,464</u>	<u>\$ 6,616,884</u>

Western Oklahoma State College
Statements of Net Position
June 30, 2020 and 2019

	2020		2019	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 845,498	\$ -	\$ 218,845	\$ -
Payable to Western State College	-	22,020	-	13,169
Accrued payroll	69,925	-	87,578	-
Deposits held in custody for others	201,206	81,343	174,513	78,343
Accrued compensated absences	72,964	-	54,820	-
Unearned revenue	128,811	-	176,235	-
Current portion of noncurrent liabilities	69,154	-	69,972	-
Total Current Liabilities	<u>1,387,558</u>	<u>103,363</u>	<u>781,963</u>	<u>91,512</u>
Noncurrent Liabilities, net of current portion				
Obligations under capital leases and notes payable	2,331,516	-	2,400,669	-
Net OTRS pension liability	6,862,320	-	7,481,414	-
Total OPEB liability	190,728	-	299,155	-
Total Noncurrent Liabilities	<u>9,384,564</u>	<u>-</u>	<u>10,181,238</u>	<u>-</u>
Total Liabilities	<u>10,772,122</u>	<u>103,363</u>	<u>10,963,201</u>	<u>91,512</u>
Deferred Inflows of Resources				
Deferred gain on lease restructure	85,908	-	94,428	-
Deferred amounts related to OPEB	107,861	-	55,797	-
Deferred amounts related to pensions	2,130,303	-	1,835,746	-
Total Deferred Inflows of Resources	<u>2,324,072</u>	<u>-</u>	<u>1,985,971</u>	<u>-</u>
Net Position				
Net investments in capital assets	14,124,081	-	14,163,446	-
Restricted for:				
Nonexpendable	-	5,655,271	-	5,534,429
Expendable				
Instruction, scholarships and other	225,329	2,620	216,843	98,696
Capital projects	813,711	-	545,330	-
OPEB	(259,226)	-	13,232	-
Unrestricted	(1,777,909)	981,180	(3,270,559)	892,247
Total Net Position	<u>13,125,986</u>	<u>6,639,071</u>	<u>11,668,292</u>	<u>6,525,372</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,222,180</u>	<u>\$ 6,742,434</u>	<u>\$ 24,617,464</u>	<u>\$ 6,616,884</u>

Western Oklahoma State College
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	2020		2019	
	WOSC	WOSC Foundation	WOSC	WOSC Foundation
Operating Revenues				
Tuition and fees, net of scholarship allowances of \$1,883,000 and \$2,359,000	\$ 2,431,000	\$ -	\$ 2,440,389	\$ -
Federal grants and contracts	1,199,337	-	855,745	-
State and local grants and contracts	110,921	-	156,000	-
Auxiliary enterprise charges, net of scholarship allowance of \$210,000 and \$199,000	171,892	-	143,411	-
Residence hall, net of scholarship allowance of \$91,000 and \$92,000	144,958	-	151,487	-
Other operating revenues	492,671	-	391,387	-
Contribution and donations	-	208,695	-	392,252
Interest and dividend income	-	140,754	-	145,343
Net realized/unrealized gain (loss) on investments	-	(16,003)	-	19,764
Total Operating Revenues	4,550,779	333,446	4,138,419	557,359
Operating Expenses				
Compensation	6,840,554	-	6,597,004	-
Contract services	598,741	62,495	585,632	54,000
Supplies and materials	1,286,153	2,952	1,184,406	2,298
Utilities	249,536	-	362,376	-
Communications	60,568	-	63,630	-
Other operating expenses	946,276	11,369	1,028,166	116,487
Scholarships and fellowships	1,377,669	142,931	1,164,985	134,551
Depreciation	787,168	-	785,769	-
Total Operating Expenses	12,146,665	219,747	11,771,968	307,336
Operating Income (Loss)	(7,595,886)	113,699	(7,633,549)	250,023
Nonoperating Revenues (Expenses)				
State appropriations	4,801,755	-	4,556,723	-
OTRS on-behalf contributions	356,390	-	393,835	-
Federal grants and contracts	2,691,802	-	2,482,327	-
State and local grants	363,980	-	350,263	-
Endowment contributions	36,767	-	31,546	-
Investment income	20,212	-	15,270	-
Interest expense	(106,672)	-	(130,112)	-
Net Nonoperating Revenues	8,164,234	-	7,699,852	-
Income (loss) before revenues, expenses, gains, or losses	568,348	113,699	66,303	250,023
Capital grants and gifts	3,400	-	123,362	-
Intra-fund transfers	-	-	-	-
State appropriations restricted for capital purposes	772,011	-	330,792	-
OCIA on-behalf appropriations	113,935	-	593,041	-
Loss of disposal of asset	-	-	-	-
Change in Net Position	1,457,694	113,699	1,113,498	250,023
Net Position, Beginning of Year	11,668,292	6,525,372	10,554,794	6,275,349
Net Position, End of Year	\$ 13,125,986	\$ 6,639,071	\$ 11,668,292	\$ 6,525,372

Western Oklahoma State College
Statements of Cash Flows
For the Years Ended June 30 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 2,352,060	\$ 2,438,860
Grants and contracts	1,056,614	1,181,639
Student store	171,892	143,411
Residence hall	144,958	151,487
Other operating receipts	426,344	417,004
Payments to employees for salaries and benefits, net on-behalf payments	(7,480,555)	(7,320,448)
Payments to suppliers	(3,201,982)	(3,894,092)
	<u>(6,530,669)</u>	<u>(6,882,139)</u>
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Federal direct loan program receipts	1,077,616	1,239,510
Federal direct loan program disbursements	(1,077,616)	(1,239,510)
State appropriations	4,801,755	4,556,723
Grants and contracts	3,055,782	2,832,590
Gifts for other than capital purposes	36,767	31,546
	<u>7,894,304</u>	<u>7,420,859</u>
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(675,316)	(694,390)
Capital appropriations received	772,011	330,792
Proceeds from sale of capital assets	615	9,302
Principle paid on capital debt and leases	(67,139)	(65,184)
Interest paid on capital debt and leases	(4,090)	(6,043)
	<u>26,081</u>	<u>(425,523)</u>
Net cash provided by (used in) capital and related financing activities		
Cash Flows from Investing Activities		
Interest income	20,212	15,270
	<u>20,212</u>	<u>15,270</u>
Net cash provided by investing activities		
Net Increase (Decrease) in Cash	1,409,928	128,467
Cash and Cash Equivalents, Beginning of Year	<u>5,798,613</u>	<u>5,670,146</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,208,541</u>	<u>\$ 5,798,613</u>

Western Oklahoma State College
Statements of Cash Flows
For the Years Ended June 30 2020 and 2019
(Continued)

	2020	2019
Reconciliation of operating loss to cash provided by (used in) operating activities		
Operating loss	\$ (7,595,886)	\$ (7,633,549)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	787,168	785,769
Loss on disposal of capital assets	8,791	19,298
State of Oklahoma on-behalf contributions to OTRS	356,390	393,835
Excess in pension expense over on-behalf payments	(324,537)	(862,238)
Deferred cost related to pensions	(30,800)	391,332
Deferred cost related to OPEB	49,736	12,100
Changes in assets and liabilities		
Accounts receivable	(351,486)	133,548
Inventories	56,083	10,478
Due from other funds	-	74,587
Accounts payable and accrued expenses	609,000	(167,857)
Deposits held in custody of others	26,693	23,544
Accrued compensated absences	18,144	4,316
Net OPEB asset or obligation	(92,541)	(53,149)
Unearned revenue and other	(47,424)	(14,153)
Net Cash Used In Operating Activities	\$ (6,530,669)	\$ (6,882,139)
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
On-behalf principal and interest paid by OCIA	\$ 113,935	\$ 593,041
Amortization of deferred gain on OCIA lease structure	(8,520)	(8,519)
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Current Assets:		
Cash and cash equivalents	\$ 6,183,415	\$ 5,202,216
Noncurrent Assets:		
Restricted cash and cash equivalents	1,025,126	596,397
Net cash provided by capital and related financing activities	\$ 7,208,541	\$ 5,798,613

Western Oklahoma State College
Statements of Fiduciary Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 80,048	\$ 47,945
	\$ 80,048	\$ 47,945
 Liabilities		
Due to OKHEEI	\$ 80,048	\$ 47,945
	\$ 80,048	\$ 47,945
 Net Position		
Net position held in trust for self-insurance	\$ -	\$ -
	\$ -	\$ -

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

The Western Oklahoma State College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

Separate financial statements of the Foundation can be requested by contacting the WOSC Foundation Office at (580)477-7706.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Measurement Focus and Basis of Accounting

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

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

Cash Equivalents

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

Deposits and Investment

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

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

Accounts Receivable and Other Receivables

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

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

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. No allowance for doubtful accounts has been provided for other receivables.

Restricted Cash and Investments

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

Unearned Revenues

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

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or fair value if acquired by gift. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Land Improvements	5 - 25 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	7 - 20 years
Infrastructure	50 years

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

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

Compensated Absences

Employees of the College earn accrued vacation or leave at the rate of 7 to 10 hours per month. The liability for and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates used in the preparation these financial statements include the depreciation of capital assets and the allowance for doubtful accounts for accounts receivable.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

The College's net position is classified as follows:

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

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

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

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

The College has a deficit in unrestricted net position as a result of the net pension liability. See Note 6. The College's unrestricted net position consists of the following at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Educational and general operations	\$ (1,066,745)	\$ (1,962,335)
Auxiliary enterprises and other operating activities	(711,164)	(1,308,224)
Total unrestricted net position	<u>\$ (1,777,909)</u>	<u>\$ (3,270,559)</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

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

Income Taxes

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

Classification of Revenues

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

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

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

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

Deferred outflows of resources - Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2020, the College's deferred outflows of resources were comprised of contributions to pensions applicable to a future reporting period.

Deferred inflows of resources - Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2020, the College's deferred inflows of resources were comprised of credits realized on lease restructures and deferred inflows related to net pension obligation.

Pensions

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits (OPEB)

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

Subsequent Events

The College has evaluated subsequent events through October 7, 2020, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the June 30, 2020 and 2019 financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2020 and 2019, the bank balances of all College deposits with the OST and other financial institutions were \$7,208,541 and \$5,798,613, respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* totaled \$876,905 in 2020 and \$1,118,505 in 2019. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

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

June 30, 2020		
OK INVEST Portfolio	Cost	Market Value
U.S. agency bonds	\$ 203,271	\$ 205,914
Money market mutual funds	45,746	45,746
Certificates of deposits	12,942	12,942
Mortgage backed securities	325,828	340,321
Municipal bonds	1,124	1,162
Foreign bonds	9,113	9,105
U.S. Treasury obligations	278,881	285,864
Total	\$ 876,905	\$ 901,054

June 30, 2019		
OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 346,553	\$ 348,702
Money market mutual funds	111,317	111,317
Certificates of deposits	24,730	24,730
Mortgage backed agency securities	449,429	458,789
Municipal bonds	1,988	2,075
Foreign bonds	4,633	4,562
U.S. Treasury obligations	179,855	182,212
Total	\$ 1,118,505	\$ 1,132,387

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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

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

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provided by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2020, and 2019, additional assessments did not occur.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Student tuition and fees	\$ 1,621,919	\$ 1,482,658
Auxiliary enterprises	35,987	26,882
Contributions, gifts and other operating activities	221,768	167,294
Federal, state, and private grants and contracts	491,617	224,599
	<u>2,371,291</u>	<u>1,901,433</u>
Less allowance for doubtful accounts	<u>(1,378,631)</u>	<u>(1,260,259)</u>
Accounts receivable, net of allowance for doubtful accounts	<u>\$ 992,660</u>	<u>\$ 641,174</u>

Note 4: Capital Assets

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	<u>Year Ended June 30, 2020</u>				
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers</u>	<u>Retirements</u>	
Capital Assets not being depreciated:					
Land	\$ 230,453	\$ -	\$ -	\$ -	\$ 230,453
Construction in Progress	-	201,220	-	-	201,220
Livestock	6,200	1,150	-	-	7,350
Total Capital Assets not being depreciated	<u>\$ 236,653</u>	<u>\$ 202,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,023</u>
Capital Assets being depreciated:					
Land Improvements	\$ 2,176,142	\$ 1,900	\$ -	\$ -	\$ 2,178,042
Infrastructure	4,816,621	64,872	-	-	4,881,493
Buildings and Building Improvements	19,357,496	142,952	-	(4,385)	19,496,063
Furniture, Fixtures & Equipment	7,132,390	257,947	-	(173,142)	7,217,195
Library materials	1,695,296	8,679	-	(7,190)	1,696,785
Total Capital Assets being depreciated:	<u>35,177,945</u>	<u>476,350</u>	<u>-</u>	<u>(184,717)</u>	<u>35,469,578</u>
Less Accumulated Depreciation for:					
Land Improvements	(1,358,424)	(60,744)	-	-	(1,419,168)
Infrastructure	(1,229,317)	(97,629)	-	-	(1,326,946)
Buildings and Building Improvements	(9,305,323)	(402,620)	-	878	(9,707,065)
Furniture, Fixtures & Equipment	(6,351,804)	(197,474)	-	172,769	(6,376,509)
Library materials	(441,215)	(28,701)	-	1,661	(468,255)
Total Accumulated Depreciation, net	<u>(18,686,083)</u>	<u>(787,168)</u>	<u>-</u>	<u>175,308</u>	<u>(19,297,943)</u>
Total Capital Assets being depreciated, net	<u>16,491,862</u>	<u>(310,818)</u>	<u>-</u>	<u>(9,409)</u>	<u>16,171,635</u>
Capital Assets, net	<u>\$ 16,728,515</u>	<u>\$ (108,448)</u>	<u>\$ -</u>	<u>\$ (9,409)</u>	<u>\$ 16,610,658</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 4: Capital Assets (Continued)

	Year Ended June 30, 2019				
	Beginning Balances	Increases	Transfers	Retirements	Ending Balance
Capital Assets not being depreciated:					
Land	\$ 230,453	\$ -	\$ -	\$ -	\$ 230,453
Construction in Progress	214,820	375,365	(590,185)	-	-
Livestock	4,790	1,410	-	-	6,200
Total Capital Assets not being depreciated	<u>\$ 450,063</u>	<u>\$ 376,775</u>	<u>\$ (590,185)</u>	<u>\$ -</u>	<u>\$ 236,653</u>
Capital Assets being depreciated:					
Land Improvements	\$ 1,946,145	\$ 28,159	\$ 212,298	\$ (10,460)	\$ 2,176,142
Infrastructure	4,753,890	62,731	-	-	4,816,621
Buildings and Building Improvements	18,879,761	99,848	377,887	-	19,357,496
Furniture, Fixtures & Equipment	7,213,571	237,494	-	(318,675)	7,132,390
Library materials	1,703,785	12,745	-	(21,234)	1,695,296
Total Capital Assets being depreciated:	<u>\$ 34,497,152</u>	<u>\$ 440,977</u>	<u>\$ 590,185</u>	<u>\$ (350,369)</u>	<u>\$ 35,177,945</u>
Less Accumulated Depreciation for:					
Land Improvements	(1,299,849)	(60,667)	-	2,092	(1,358,424)
Infrastructure	(1,132,985)	(96,332)	-	-	(1,229,317)
Buildings and Building Improvements	(8,905,473)	(399,850)	-	-	(9,305,323)
Furniture, Fixtures & Equipment	(6,468,538)	(198,381)	-	315,115	(6,351,804)
Library materials	(415,238)	(30,539)	-	4,562	(441,215)
Total Accumulated Depreciation, net	<u>(18,222,083)</u>	<u>(785,769)</u>	<u>-</u>	<u>321,769</u>	<u>(18,686,083)</u>
Total Capital Assets being depreciated, net	<u>16,275,069</u>	<u>(344,792)</u>	<u>590,185</u>	<u>(28,600)</u>	<u>16,491,862</u>
Capital Assets, net	<u>\$ 16,725,132</u>	<u>\$ 31,983</u>	<u>\$ -</u>	<u>\$ (28,600)</u>	<u>\$ 16,728,515</u>

The cost and related accumulated depreciation of assets held under lease obligations for the years ended June 30, 2020 and 2019, was as follows:

	2020				
	Buildings	Equipment	Infrastructure	Land Improvements	Total
Capital Leases:					
Cost	\$ 3,342,654	\$ 635,641	\$ 1,692,189	\$ 761,047	\$ 6,431,531
Less Accumulated Depreciation	(735,384)	(635,641)	(372,282)	(403,507)	(2,146,814)
	<u>\$ 2,607,270</u>	<u>\$ -</u>	<u>\$ 1,319,907</u>	<u>\$ 357,540</u>	<u>\$ 4,284,717</u>
	2019				
	Buildings	Equipment	Infrastructure	Land Improvements	Total
Capital Leases:					
Cost	\$ 3,524,754	\$ 1,167,520	\$ 1,692,189	\$ 761,047	\$ 7,145,510
Less Accumulated Depreciation	(731,822)	(1,167,520)	(338,438)	(373,065)	(2,610,845)
	<u>\$ 2,792,932</u>	<u>\$ -</u>	<u>\$ 1,353,751</u>	<u>\$ 387,982</u>	<u>\$ 4,534,665</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019, were as follows:

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts Due Within One Year
Capital Leases:					
2014A OCIA capital lease	2,334,347	-	(2,831)	2,331,516	-
Total Capital Leases	2,334,347	-	(2,831)	2,331,516	-
Other Liabilities					
Accrued compensated absences	54,821	104,434	(86,291)	72,964	72,964
WOSC Foundation, promissory note	136,293	-	(67,139)	69,154	69,154
Total Other Liabilities	191,114	104,434	(153,430)	142,118	142,118
Total Long Term Liabilities	\$ 2,525,461	\$ 104,434	\$ (156,261)	\$ 2,473,634	\$ 142,118
	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts Due Within One Year
Capital Leases:					
2010A & 2010 B OCIA capital lease	\$ 455,213	\$ -	\$ (455,213)	\$ -	\$ -
2014A OCIA capital lease	2,339,588	-	(5,241)	2,334,347	2,833
Total Capital Leases	2,794,801	-	(460,454)	2,334,347	2,833
Other Liabilities					
Accrued compensated absences	50,504	100,279	(95,962)	54,821	54,821
WOSC Foundation, promissory note	201,477	-	(65,184)	136,293	67,139
Total Other Liabilities	251,981	100,279	(161,146)	191,114	121,960
Total Long Term Liabilities	\$ 3,046,782	\$ 100,279	\$ (621,600)	\$ 2,525,461	\$ 124,793

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

Lease Commitments

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

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

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of \$139,156, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized gain totaled \$85,907 and \$94,427 as of June 30, 2020 and 2019 respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$343,469, which approximates the economic savings of the transaction.

During the years ended June 30, 2020 and 2019, OCIA made principal and interest payments totaling \$113,935 and \$593,041, respectively, on behalf of the College. These on-behalf payments have been recorded as restricted state appropriations in the College's statements of revenues, expenses and changes in net position.

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

Year ending June 30,	Principal	Interest	Total Lease Payments
2021	-	111,046	111,046
2022	-	111,046	111,046
2023	217,338	111,046	328,384
2024 - 2028	1,230,803	392,947	1,623,750
2029 - 2031	883,374	87,734	971,108
Total	<u>\$ 2,331,515</u>	<u>\$ 813,819</u>	<u>\$ 3,145,334</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

During 2013, the College entered into an agreement to borrow an amount not to exceed \$500,000 from the WOSC Foundation. The proceeds were used to finance certain campus energy efficient campus infrastructure improvements. The promissory note accrues interest at an interest rate of not more than three percent per annum. Interest and principal are payable in eight successive annual installments of \$71,228 with the final installment being due on August 1, 2020. Future minimum lease payments related to the College's obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2021	69,154	-	69,154
Total	<u>\$ 69,154</u>	<u>\$ -</u>	<u>\$ 69,154</u>

Note 6: Retirement Plans

Oklahoma Teachers' Retirement System (OTRS)

Plan description

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

Benefits provided

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

- Members who joined the System prior to November 1, 2017 become vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System after November 1, 2017 become vested in retirement benefits earned to date after seven years of credited service. A member is eligible for an unreduced benefit when one of the following requirements is met:

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

- Age 62 or Combination 80. Those who joined the System prior to July 1, 1992 may retire at age 62 or when the client's age and years of creditable service total 80 points (i.e., age 60 + 20 service years = 80 points). Those who joined in the 1991-92 school year were required to remit contributions on the full 1991-92 salary prior to end of school year to qualify for the Combination 80. The highest three salaries are used in the calculation of the benefit.
- Age 62 or Combination 90. Those who joined the System after July 1, 1992 and before November 1, 2011 may retire at age 62 or when the client's age and years of creditable service total 90 points (i.e., age 55 + 35 service years = 90 points). Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula.
- Age 65 or Combination 90 at Age 60. Those who joined the System on or after November 1, 2011 may retire at age 65 or when the client's age is at least 60 and years of creditable service total at least 90 points (i.e., age 60 + 30 service years = 90 points). Those who qualify under this rule use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefits the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note (8). Contributions to the pension plan from the College were \$455,874. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$356,390 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2020, the College reported a liability of \$6,862,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the College's proportion was 0.1037% percent.

For the year ended June 30, 2020, the College recognized pension expense of \$456,927. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 352,269	\$ 294,071
Changes of assumptions	360,286	231,589
Net difference between projected and actual earnings on pension plan investments	46,540	-
Changes in College's proportionate share of contributions	87,181	1,516,515
Differences between College Contributions and proportionate share of contributions	-	88,128
College contributions subsequent to the measurement date	455,874	-
Total	\$ 1,302,150	\$ 2,130,303

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans (Continued)

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

The \$455,874 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2021	\$	(248,327)
2022		(595,359)
2023		(301,808)
2024		(84,078)
2025		(54,456)
Total	\$	(1,284,028)

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of June 30, 2019 using the following actuarial assumptions:

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans (Continued)

Actuarial Assumptions (Continued)

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

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

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2019. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 9,669,758	\$ 6,862,320	\$ 4,513,758

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans (Continued)

Pension plan fiduciary net position

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

Note 7 Other Post-Employment Benefits (OPEB)

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2020 the following employees were covered by the benefit terms:

Active Employees	70
In-actives or beneficiaries currently receiving benefit payments	11
Total	<u>81</u>

Total OPEB Liability

The College's total OPEB liability of \$190,728 was measured as of June 30, 2020, and was determined by updated roll-forward procedures based on actuarial valuation as of June 30, 2019.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

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

Total OPEB Liability (Continued)

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2019 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation – 3.00%
- Salary Scale – 3.25%
- Discount Rate – 2.21%, based on June 30, 2020 published Bond Pay Go-20 bond index
- Retirement Age - Retirement rates are as shown below and they are based on the rates applied in the Oklahoma Teachers Retirement System actuarial valuation.

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

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

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

- Healthcare cost trend rates - Level 4.50%
- Average per capita claim cost – Range from age 50 of \$10,109 to age 64 of \$15,291
- Mortality Rates - RPH-2014 Total Table with Projection MP-2019
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives who currently have individual coverage will continue with individual coverage upon retirement.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

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

Changes in Total OPEB Liability

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

	Total OPEB Liability (a)
Balances Beginning of Year	\$ 299,155
Changes for the Year:	
Service cost	3,785
Interest expense	11,060
Changes of assumptions	(87,480)
Benefits paid	(35,792)
Net Changes	(108,427)
Balances End of Year	\$ 190,728

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

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 2.21%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employers' net OPEB liability (asset)	\$ 182,332	\$ 190,728	\$ 199,764

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

	1% Decrease (3.5%)	Healthcare Cost Trend Rates (4.5%)	1% Increase (5.5%)
Employers' net OPEB liability (asset)	\$ 182,268	\$ 190,728	\$ 200,132

OPEB Expense

For the year ended June 30, 2020, the College recognized OPEB expense of \$2,312.

Note 8: Supplemental Health Insurance Program

Plan description

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

Benefits Provided

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: Supplemental Health Insurance Program (Continued)

Contributions (Continued)

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6 from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$859.

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

At June 30, 2020, the College reported an asset of \$64,104 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2019. Based upon this information, the College's proportion was .1037% percent.

For the year ended June 30, 2020, the College recognized OPEB expense of (\$8,466). At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
	-	23,431
Differences between expected and actual experience		
Net difference between projected and actual earnings on OPEB plan investments	-	9,198
College contributions during measurement date	7,880	285
College contributions subsequent to the measurement date	859	-
Total	<u>\$ 8,739</u>	<u>\$ 32,914</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: Supplemental Health Insurance Program (Continued)

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

The \$859 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2021	(10,038)
2022	(10,038)
2023	(3,698)
2024	(88)
2025	(969)
Thereafter	(203)
Total	\$ (25,034)

Actuarial Assumptions

The total OPEB liability (asset) as of June 30, 2020, was determined based on an actuarial valuation prepared as if June 30, 2019 using the following actuarial assumptions:

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: Supplemental Health Insurance Program (Continued)

Actuarial Assumptions (Continued)

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

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

Discount Rate

A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2019. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net OPEB liability (asset)	\$ (21,481)	\$ (64,104)	\$ (100,522)

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: Supplemental Health Insurance Program (Continued)

OPEB Plan Fiduciary Net Position

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

Note 9: Funds Held in Trust by Others

Oklahoma State Regents' Endowment Trust Funds

In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), funds are invested by the Oklahoma State Regents on behalf of the College. These funds are not recognized in the College's statements of net position. At June 30, 2019, the funds totaled approximately \$757,256. The College is entitled to receive an annual distribution of earnings on these funds. Distributions to be received totaled approximately \$30,000 at June 30, 2019. The approximate funds total and distributions at June 30, 2020 were not available as of October 7, 2020, the date of the issued audit report. The anticipated change in funds and distributions is not considered to be material for 2020.

Note 10: Related Party Transactions

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

During 2013, the College entered into an agreement to borrow an amount not to exceed \$500,000 from the Foundation. The proceeds were used to finance certain campus energy efficient campus infrastructure improvements. The promissory note accrues interest at an interest rate of not more than three percent per annum. Interest and principal are payable in eight successive annual installments of \$71,228 with the final installment being due on August 1, 2020.

Note 11: Commitments and Contingencies

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 11: Commitments and Contingencies (Continued)

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

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". College employees have health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating College and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges & Universities. As of June 30, 2020, and 2019 respectively, additional assessments were not probable.

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

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the years ended June 30, 2020 and 2019 respectively, approximately \$1,077,616 and \$1,239,510, of Direct Lending Program loans were provided to College students.

Note 12: Economic Conditions

During the year ended June 30, 2020, the United States of America and State of Oklahoma declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The College has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the College could be negatively impacted.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc.

Note A: Summary of Significant Accounting Policies

Background

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

Financial Statement Presentation

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

Net Asset Classifications

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

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

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Net Asset Classifications (Continued)

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

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

Contribution Revenue

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

Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectable contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Contributions receivable previously deemed uncollectable are recognized if subsequently received. No discount has been recognized at June 30, 2020 nor 2019 as there were no contributions receivable.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as net assets without donor restrictions unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received no significant contributed services meeting the specified criteria in 2020 or 2019.

Investment Income

Income and gains on investments are reported as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require such amounts be added to the endowment. Income and gains are reported as increases net assets with donor restrictions if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in net assets without donor restrictions in all other cases, except in the case of income earned on donor-restricted endowment funds which is classified as net assets with donor restrictions dependent upon the donor's restriction(s).

Generally, losses on investments of endowments reduce restricted net assets to the extent donor-imposed restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce net assets without donor restrictions. Subsequent investment gains are applied first to net assets without donor restrictions to the extent that losses have previously been recognized and then to net assets with donor restrictions.

Cash and Cash Equivalents

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

The Foundation maintains several bank accounts. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum. For the years ended June 30, 2020 and 2019, all of the Foundation's accounts were fully insured by the FDIC.

Investments

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. At June 30, 2020 and 2019, the Foundation had no property and equipment.

Funds Held for Others

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

Office Facility and Staff Support

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

Concentration of Credit Risk

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

Income Taxes

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Accounting for Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or before June 30, 2013.

Fair Value Measurements

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

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

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

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

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

Financial assets and liabilities carried at fair value on a recurring basis include investments and funds held for others (see Note 2). There are no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2020 and 2019.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Use of Estimates

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

Significant Estimates

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

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

Reclassification of Prior Year Presentation

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

Subsequent Events

The Foundation has evaluated subsequent events through October 7, 2020, the date on which the College's financial statements were issued. There are no subsequent events requiring recognition or disclosure in the College's June 30, 2020 and 2019 financial statements.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note B: Investments

Investments consist of the following at June 30, 2020:

	Cost	Fair Value
Investments		
Certificates of Deposit	\$ 4,502,166	\$ 4,507,156
Money Market Funds	447,419	447,419
Mutual Funds	836,511	784,630
Annuities	251,000	251,197
Corporate Bonds	349,642	345,736
Real Estate Investment Trusts (REIT)	169,846	133,134
	\$ 6,556,584	\$ 6,469,272

Investments consist of the following at June 30, 2019:

	Cost	Fair Value
Investments		
Certificates of Deposit	\$ 5,102,070	\$ 5,130,547
Money Market Funds	40,309	40,309
Mutual Funds	775,410	719,627
Annuities	251,000	252,068
Real Estate Investment Trusts (REIT)	169,846	148,261
	\$ 6,338,635	\$ 6,290,812

Note C: Fair Value Measurement

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

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

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note C: Fair Value Measurement (Continued)

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

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

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

	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$4,507,156	\$ -	\$4,507,156
Money Market Funds	447,419	-	-	447,419
Mutual Funds	784,630	-	-	784,630
Annuities	-	251,197	-	251,197
Corporate Bonds	-	345,736	-	345,736
Real Estate Investment Trusts (REIT)	44,484	88,650	-	133,134
	<u>\$ 1,276,533</u>	<u>\$ 5,192,739</u>	<u>\$ -</u>	<u>\$ 6,469,272</u>

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$5,130,547	\$ -	\$5,130,547
Money Market Funds	40,309	-	-	40,309
Mutual Funds	719,627	-	-	719,627
Annuities	-	252,068	-	252,068
Real Estate Investment Trusts (REIT)	59,611	88,650	-	148,261
	<u>\$ 819,547</u>	<u>\$ 5,471,265</u>	<u>\$ -</u>	<u>\$ 6,290,812</u>

Note D: Other Assets

The Foundation maintains various silver statues. The statues are maintained for public exhibition rather than financial gain. On June 30, 2020 and 2019, these statues had a value of approximately \$85,000. The statues are protected, kept unencumbered, cared for and preserved.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note E: Net Assets

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

	<u>2020</u>	<u>2019</u>
Board designated		
Sustaining membership	\$ 627,371	\$ 601,993
Endowments	235,402	214,916
Undesignated	118,407	75,338
	<u>\$ 981,180</u>	<u>\$ 892,247</u>

Net assets with donor restrictions subject to expenditures consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Scholarships	<u>\$ 2,620</u>	<u>\$ 98,696</u>

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

	<u>2020</u>	<u>2019</u>
Scholarships	\$4,266,672	\$4,227,440
Endowed chairs	1,388,599	1,306,989
	<u>\$5,655,271</u>	<u>\$5,534,429</u>

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

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 107,732	\$ 99,225
Grant expenses	11,369	116,487
Professorships, Lectureships, and Endowed Chairs	22,009	13,158
	<u>\$ 141,110</u>	<u>\$ 228,870</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note F: Contributions and Donations

The following is a breakdown of the contributions and donations received in 2020 and 2019 and their respective categories by restriction:

Contributions and Donations	As of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowments	\$ 52,481	\$ 116,513	\$ 168,994
Sustaining membership account	7,945	-	7,945
President's partners	31,756	-	31,756
Total contributions and donations	\$ 92,182	\$ 116,513	\$ 208,695

Contributions and Donations	As of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowments	\$ 3,874	\$ 344,493	\$ 348,367
Sustaining membership account	10,915	-	10,915
President's partners	32,970	-	32,970
Total contributions and donations	\$ 47,759	\$ 344,493	\$ 392,252

Note G: Endowment Disclosures

The Foundation's endowment consists of 218 restricted funds which are managed and controlled by the Foundation and were established for scholarships and program support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies:

Interpretation of Relevant Law

The Board of Trustees of the Foundation have interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring preservation of the original gift's fair value as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note G: Endowment Disclosures (Continued)

The remaining portion of the donor restricted endowment fund that is not classified as net assets with donor restrictions is classified as restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with the SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

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 the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, an allowance to adjust invested funds to their fair market value was recorded. At June 30, 2020, the allowance reported represented an incline in the fair market value of invested endowment funds totaling \$92,303 which is also the endowment funding deficiency for the year then ended. For the year ended June 30, 2019 the deficiency was \$76,300.

Return Objectives and Risk Parameters

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

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note G: Endowment Disclosures (Continued)

Strategies for Achieving Objectives

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

Spending Policy

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

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets of June 30, 2018	\$ 766,019	\$ 5,430,020	\$ 6,196,039
Investment return			
Investment income	76,890	67,718	144,608
Other income	-	-	-
Net unrealized investment gain (loss)	-	19,764	19,764
Total investment returns	76,890	87,482	164,372
Contributions	22,719	344,493	367,212
Appropriation of endowment assets for expenditure	(48,719)	(228,870)	(277,589)
Endowment net assets of June 30, 2019	\$ 816,909	\$ 5,633,125	\$ 6,450,034
Investment return			
Investment income	73,870	65,366	139,236
Other income	-	-	-
Net unrealized investment gain (loss)	-	(16,003)	(16,003)
Total investment returns	73,870	49,363	123,233
Contributions	46,092	116,513	162,605
Appropriation of endowment assets for expenditure	(74,098)	(141,110)	(215,208)
Endowment net assets of June 30, 2020	\$ 862,773	\$ 5,657,891	\$ 6,520,664

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note G: Endowment Disclosures (Continued)

Endowment net asset composition by type of funds as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments as of June 30, 2020			
Donor restricted endowments	\$ -	\$ 5,657,891	\$ 5,657,891
Board designated endowments	862,773	-	862,773
Total funds invested	<u>\$ 862,773</u>	<u>\$ 5,657,891</u>	<u>\$ 6,520,664</u>

Endowment net asset composition by type of funds as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments as of June 30, 2019			
Donor restricted endowments	\$ -	\$ 5,633,125	\$ 5,633,125
Board designated endowments	816,909	-	816,909
Total funds invested	<u>\$ 816,909</u>	<u>\$ 5,633,125</u>	<u>\$ 6,450,034</u>

Note H: Related Party Transactions

Substantially all expenditures are incurred for the benefit of the College. College management and faculty are very much involved in the operations of the Foundation and are considered related parties. During the year ended June 30, 2020 and 2019, the Foundation awarded scholarships totaling \$119,361 and \$120,743 respectively to students of the College.

The College employs two individuals who provide support for the Foundation. The Executive Secretary of the Foundation spends 100% of his time supporting Foundation activities. The Director of Development & Alumni Relations spends 50% of her time supporting Foundation activities. The College pays the total salary and benefits of these individuals.

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note H: Related Party Transactions (Continued)

Effective August 1, 2012, the Foundation loaned Western Oklahoma State College (the College) \$500,000 as part of a performance-based efficiency contract pursuant to Section 312 of Title 62 of the Oklahoma Statutes for certain campus infrastructure improvements. The borrowing was made at an interest rate of 3% and a term of 8 years and is paid back in successive annual installments of \$71,228 made August 1 of each year, with the final installment due in 2020. The note receivable is stated at \$69,154 in the statement of financial position for the year ended June 30, 2020 and \$136,293 for the year ended June 30, 2019. The current portion of the note receivable is recorded as a current asset.

Note I: Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2020 and 2019, expected to be available within one year to meet the cash needs for general expenditures.

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 119,008	\$ 101,031
Investments held for endowment	6,469,272	6,290,812
	<u>6,588,280</u>	<u>6,391,843</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions subject to expenditures		
Donor restriction for scholarships	2,620	98,696
Donor-imposed restrictions not subject to appropriation or expenditures		
Donor restriction for scholarships	4,266,672	4,227,440
Donor restriction for endowed chairs	1,388,599	1,306,989
Board designations		
Sustaining membership	627,371	601,993
Endowments	235,402	214,916
	<u>6,520,664</u>	<u>6,450,034</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 67,616</u>	<u>\$ (58,191)</u>

Western Oklahoma State College
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Western Oklahoma State College Foundation, Inc. (Continued)

Note J: Current Economic Conditions

During the year ended June 30, 2020, the United States of America and State of Oklahoma declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The Foundation has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the Foundation could be negatively impacted.

Required Supplementary Information

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

	2015	2016	2017	2018	2019	2020
College's proportion of the net pension liability	0.1416%	0.1444%	0.1286%	0.1226%	0.1237%	0.1037%
College's proportionate share of the net pension liability	\$7,619,358	\$8,770,623	\$10,733,975	\$8,115,880	\$7,481,414	\$6,862,320
College's covered payroll	\$5,487,910	\$5,788,613	\$5,245,215	\$4,775,626	\$4,856,495	\$4,355,315
College's proportionate share of the net pension liability as a percentage of its covered payroll	139%	152%	205%	170%	154%	158%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%

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

Notes to Schedule:

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

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

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

	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 587,022	\$ 532,250	\$ 484,014	\$ 486,099	\$ 437,555	\$ 455,874
Contributions in relation to the contractually required contribution	587,022	532,250	484,014	486,099	437,555	455,874
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 5,788,613	\$ 5,245,215	\$ 4,775,626	\$ 4,856,495	\$ 4,355,315	\$ 4,488,775
Contributions as a percentage of covered payroll	10.14%	10.15%	10.14%	10.01%	10.05%	10.16%

Notes to Schedule:

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

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

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 3,644	\$ 3,785	\$ 3,785
Interest	13,024	11,844	11,060
Change in assumptions	-	-	(87,480)
Benefit payments, including refunds of member contributions	(43,446)	(43,446)	(35,792)
Net change in total OPEB liability	(26,778)	(27,817)	(108,427)
Total OPEB liability - beginning	353,750	326,972	299,155
Total OPEB liability - ending (a)	<u>\$ 326,972</u>	<u>\$ 299,155</u>	<u>\$ 190,728</u>
Covered employee payroll	\$ 2,730,357	\$ 2,730,357	\$ 2,958,170
Net OPEB liability (asset) as a percentage of covered-employee payroll	11.98%	10.96%	6.45%

Notes to Schedule:

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

The discount rate used for 2018 and 2019 is 3.88% and 2.21% for fiscal year 2020.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
College's proportion of the net OPEB liability (asset)	0.1226%	0.1238%	0.1037%
College's proportionate share of the net OPEB liability (asset)	\$ (54,658)	\$ (79,990)	\$ (64,104)
College's covered payroll	\$ 4,775,626	\$ 4,856,945	\$ 4,355,315
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.14%	-1.65%	-1.47%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%

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

Notes to Schedule:

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 7,718	\$ 2,951	\$ 859
Contributions in relation to the contractually required contribution	<u>7,718</u>	<u>2,951</u>	<u>859</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,856,945	\$ 4,355,315	\$ 4,488,775
Contributions as a percentage of covered payroll	0.16%	0.07%	0.02%

Notes to Schedule:

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



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

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Western Oklahoma State College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Western Oklahoma State College's basic financial statements, and have issued our report thereon dated October 7, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hill & Company, PC

Tulsa, Oklahoma
October 7, 2020





**HINKLE &
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Business Advisors

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

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Western Oklahoma State College compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Western Oklahoma State College's major federal programs for the year ended June 30, 2020. The Western Oklahoma State College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Western Oklahoma State College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Western Oklahoma State College as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 7, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hill & Company, PC

Tulsa, Oklahoma
October 7, 2020



Western Oklahoma State College
Schedule of Expenditures of Federal Awards
Period Ended June 30, 2020

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063		\$ 2,246,341
Federal Supplemental Educational Opportunity Grants	84.007		37,900
Federal Work Study Program	84.033		76,691
Federal Direct Student Loans	84.268		1,077,616
Total Student Financial Aid Cluster			<u>\$ 3,438,548</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			
CARES Act Higher Education Emergency Relief Fund - Student Aid	84.425E		\$ 317,896
CARES Act Higher Education Emergency Relief Fund - Institutional	84.425F		316,858
CARES Act Higher Education Emergency Relief Fund - Minority Serving Institution	84.425L		39,914
Upward Bound	84.047		341,656
Student Support Services Grant	84.042A		317,359
Passed Through the Oklahoma State Department of Education			
Carl Perkins	84.048		35,041
Total U. S. Department of Education			<u>\$ 4,807,272</u>
U. S Department of Health and Human Services			
Passed Through the Oklahoma State Regents for Higher Education			
Child Development Associate Initiative	93.596		\$ 73,418
Temporary Assistance for Needy Families	93.558		105,173
Total U. S. Department of Health and Human Services			<u>\$ 178,591</u>
Total Federal Expenditures			<u><u>\$ 4,985,863</u></u>

Western Oklahoma State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Western Oklahoma State College under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Western Oklahoma State College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Western Oklahoma State College.

Note B: Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with how the college presents its basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Under the Federal Direct Student Loan Program (“Direct Loan Program”), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student’s attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.
3. The College has elected not to use the 10 percent *de minimis* cost rate under the Uniform Guidance.
4. During the year ended June 30, 2020 the College did not provide any federal awards to subrecipients.

Western Oklahoma State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditors' Results (Continued)

7. The College's major program was:

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

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

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

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Western Oklahoma State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.