

**WESTERN OKLAHOMA
STATE COLLEGE**

June 30, 2009

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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Independent Auditors' Report

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited the accompanying statements of net assets of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the College's discretely presented component unit, the Western Oklahoma State College Foundation, Inc. Those financial statements were audited by another auditor, whose report thereon has been furnished to us, and in our opinion, insofar as they relate to the amounts included for the Foundation, are based on the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Western Oklahoma State College and its discretely presented component unit, Western Oklahoma State College Foundation, Inc. as of June 30, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of the 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 results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

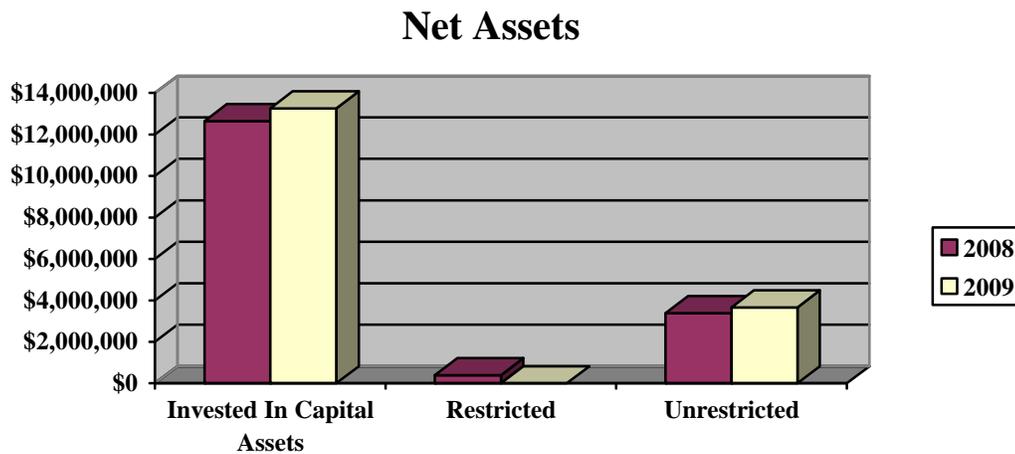
Cole & Reed P.C.

Oklahoma City, Oklahoma
September 30, 2009

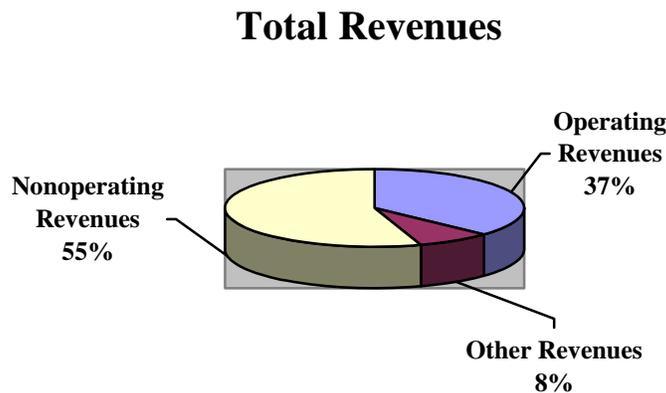
WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

The discussion and analysis of Western Oklahoma State College's (the College) financial statements provides an overview the College's financial activities for the year ended June 30, 2009. 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, 2009.



In fiscal year ended June 30, 2009, the College's revenues exceeded expenses, creating an increase in total net assets of \$488,494, which represents a 2.98% increase from that reported in 2008.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

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

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

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

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

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

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

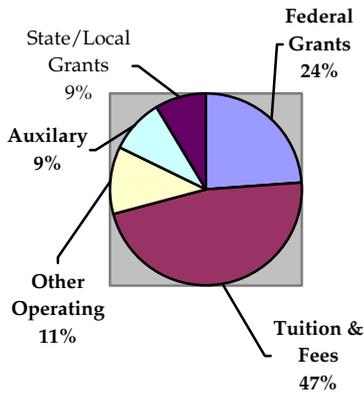
	Net Assets		Increase (Decrease)	Percent Change
	June 30 2009	2008		
Current assets	\$ 4,317,379	\$ 3,987,083	\$ 330,296	8.28%
Noncurrent assets:				
Restricted Cash and Cash Equivalents	447,231	645,668	(198,437)	-30.73%
Receivable From State Agency	775,359	4,242,733	(3,467,374)	-81.73%
Capital assets, net	17,603,963	14,014,921	3,589,042	25.61%
Other	1,380	5,093	(3,713)	-72.90%
Total assets	<u>23,145,312</u>	<u>22,895,498</u>	<u>249,814</u>	1.09%
Current liabilities	1,686,469	1,490,295	196,174	13.16%
Noncurrent liabilities:	<u>4,550,892</u>	<u>4,985,746</u>	<u>(434,854)</u>	-8.72%
Total liabilities	<u>6,237,361</u>	<u>6,476,041</u>	<u>(238,680)</u>	-3.69%
Net assets:				
Investment in capital assets	13,253,389	12,641,713	611,676	4.84%
Restricted	-	394,626	(394,626)	-100.00%
Unrestricted	<u>3,654,562</u>	<u>3,383,118</u>	<u>271,444</u>	8.02%
Total net assets	<u>\$ 16,907,951</u>	<u>\$ 16,419,457</u>	<u>\$ 488,494</u>	2.98%

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

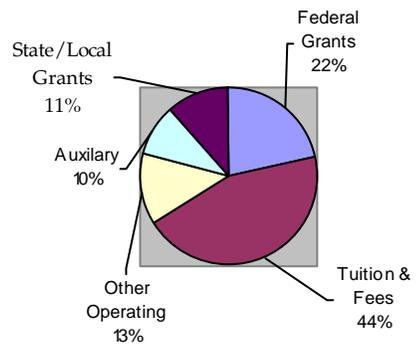
FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

The breakdown of operating revenues and expenses for fiscal years ended June 30, 2009 and 2008 are as follows:

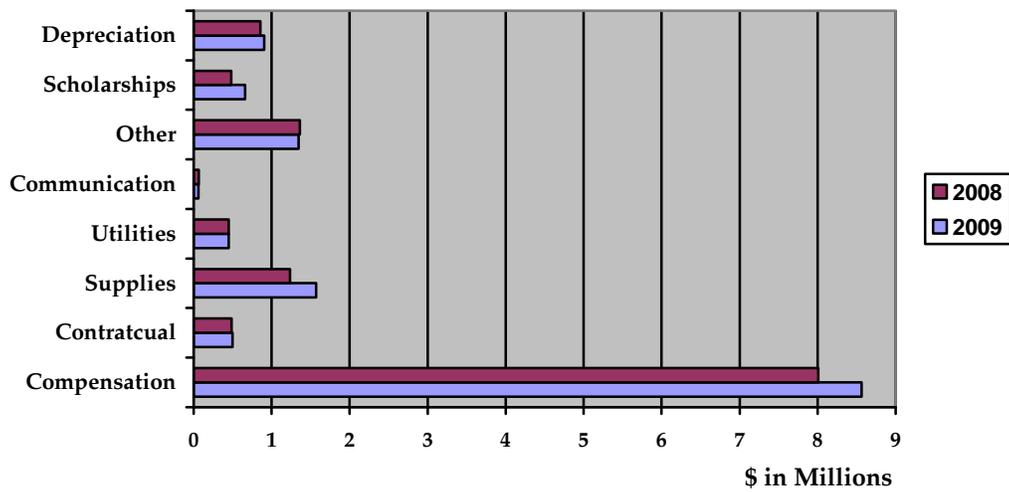
Operating Revenues 2009



Operating Revenues 2008



Operating Expenses



WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Revenues, Expenses and Changes in Net Assets

	Years Ended June 30		Increase	Percent
	2009	2008	(Decrease)	Change
Operating revenues:				
Tuition & Fees	\$ 2,516,450	\$ 1,896,498	\$ 619,952	32.69%
Federal and state grants	1,751,226	1,415,913	335,313	23.68%
Auxillary enterprise charges	489,531	418,082	71,449	17.09%
Other	616,041	554,475	61,566	11.10%
Total Operating Revenues	<u>5,373,248</u>	<u>4,284,968</u>	<u>1,088,280</u>	25.40%
Less operating expenses	<u>14,049,072</u>	<u>12,943,204</u>	<u>1,105,868</u>	8.54%
Net loss from operations	<u>(8,675,824)</u>	<u>(8,658,236)</u>	<u>(17,588)</u>	0.20%
Nonoperating revenues (expenses):				
State appropriations	5,819,608	5,797,441	22,167	0.38%
Federal grants and contracts	1,902,214	1,733,779	168,435	9.71%
On-behalf appropriations for OTRS	390,956	397,720	(6,764)	-1.70%
State Regents				
Endowment Contributions	59,237	57,767	1,470	2.54%
Interest Revenue	76,419	297,099	(220,680)	-74.28%
Interest Expense	(252,057)	(265,535)	13,478	-5.08%
Net Nonoperating revenues	<u>7,996,377</u>	<u>8,018,271</u>	<u>(21,894)</u>	-0.27%
Other revenues, expenses, and gains and losses				
Capital grants and gifts	10,475	6,475	4,000	61.78%
State appropriations restricted for capital purposes	467,266	663,695	(196,429)	-29.60%
On-behalf OCIA capital leases	690,200	690,771	(571)	-0.08%
Total Other	<u>1,167,941</u>	<u>1,360,941</u>	<u>(193,000)</u>	-14.18%
Increase in net assets	488,494	720,976		
Net assets, beginning	<u>16,419,457</u>	<u>15,698,481</u>		
Net assets, ending	<u>\$ 16,907,951</u>	<u>\$ 16,419,457</u>		

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

In fiscal year 2009, revenue changes were the result of the following:

- Tuition & fees revenues increased by 32.69%. This increase is due to a combination of several factors. Collections of prior year receivables exceeded management's estimates by approximately 10%, out-of-state waivers increased by \$703,000 (due to a 58.97% increase in out-of-state enrollment), tuition and fee rates increased by 8.6% over the FY 08 fiscal year and total enrollment increased 12.39%. Auxiliary revenues increased by 17.09%, which represents an increase of \$16,196 in Residence Hall and an increase in student store of \$55,253. Federal Grants & Contracts experienced an increase of 24%, due to an increase in U.S. Department of Agriculture Distance Learning and Telemedicine Grant in the amount of \$358,000.
- Interest revenue and expense both declined this year. The interest revenue decreased by 74.28%, primarily caused by the interest earnings received on the unexpended 2005 OCIA bond funds is decreasing as the funds are being spent on the bond projects. The interest earnings on these funds are restricted to the projects that these funds support. The small decrease in the interest expense is attributed to the OCIA bond payments made by OCIA on behalf of the College in the amount of \$254,131, a decrease of \$11,404 from the prior year.
- The 61% increase in capital grants and gifts is from new gifts to the library holdings.
- The on-behalf contributions to Oklahoma Teacher's Retirement System represent the amount of dedicated state revenue from the State's sales, use and income taxes that is used as contributions to the Oklahoma Teacher's Retirement Program (OTRS). For 2009, the State of Oklahoma contributed 5% of the State's General Revenue Fund to the OTRS on behalf of participating employers. The College has estimated the amounts contributions to the OTRS by the State on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. This amount was \$390,956 for FY 2009 and \$397,720 for FY 2008, which is a 1.70% decrease.
- On-behalf capital lease payments maintained at the previous year's numbers, which is the On-Behalf Payment for the interest and principal for the 1999 and 2005 OCIA bond issues.

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.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Cash Flows

	Year Ended June 30		Increase
	2009	2008	(Decrease)
Cash provided (used) by:			
Operating activities	\$ (7,351,374)	\$ (6,654,468)	\$ (696,906)
Noncapital financing activities	7,780,736	7,589,092	191,644
Capital and related financing activities	(684,350)	(972,426)	288,076
Investing activities	<u>76,419</u>	<u>297,099</u>	<u>(220,680)</u>
Net increase in cash and cash equivalents	(178,569)	259,297	(437,866)
Cash and cash equivalents, beginning	<u>3,924,825</u>	<u>3,665,528</u>	<u>259,297</u>
Cash and cash equivalents, ending	<u>\$ 3,746,256</u>	<u>\$ 3,924,825</u>	<u>\$ (178,569)</u>

The College's liquidity decreased during the year. Cash used by operating activities increased by approximately \$697,000 while non-capital financing activities increased due to a state appropriations increase of approximately \$192,000. Cash provided by investing activities decreased by approximately \$221,000, which is represented by a decrease in interest income as a result of the interest earnings on the unexpended portion of the 2005 OCIA bond proceeds. The net result of these items is a decrease in cash by approximately \$438,000.

Although the Statement of Revenues, Expenses, and Changes in Net Assets shows an increase in total net assets of approximately \$488,000, this is representative of all funds combined. Management feels that it is important to point out the net change in fund balances for each individual fund. This is displayed below.

Summary of Changes in Net Assets by Fund

	2009	2008
Educational and General Fund	\$ 196,381	\$ (170,544)
Auxiliary Fund	347,758	(12,672)
Restricted Fund	(270,963)	(296,087)
Unexpended Plant Fund	(388,450)	82,162
Capital Assets	<u>603,768</u>	<u>1,118,117</u>
Combined Total	<u>\$ 488,494</u>	<u>\$ 720,976</u>

Because of deficits in restricted funds, the Unrestricted Education and General Fund was reduced by \$272,695 in the College's Statement of Net Assets.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the College has approximately \$17.6 million invested in capital assets, net of accumulated depreciation of \$11 million. Depreciation charges totaled approximately \$906,000 for the current fiscal year, compared to approximately \$857,000 for the previous fiscal year. Details of these assets for the two years are shown below.

	Year Ended June 30	
	2009	2008
Land	\$ 212,345	\$ 212,345
Infrastructure	756,108	728,715
Land Improvements	877,035	837,707
Buildings	6,433,666	6,263,108
Furniture, Fixtures, and Equipment	2,400,057	2,301,642
Library Materials	1,807,186	1,871,621
Construction in Progress	5,117,566	1,799,783
	\$ 17,603,963	\$ 14,014,921

Planned capital expenditures for fiscal year ending June 2010 will be budgeted and paid primarily from Section 13 for the college academic programs. Throughout the year there will be expenditures from other grant programs like USDA, Title IV, State Economic Development, TANF, and institutional reserve funds.

Section 13 for fiscal year 2010 will expend approximately \$467,000 in new funds to include items such as dorm debt retirement payment - \$102,000; campus-wide computer technology equipment and software - \$150,000; new computer academic department requests - \$20,000; physical plant upgrades for HVAC, carpet & vehicles - \$50,000; and \$45,000 is undesignated at this time.

November 2005 was the beginning of a 4-year period during which the College would invest \$6,000,000 in three (3) capital projects funded by a State bond issue. Two of the three projects were completed during fiscal year 2007; parking lots - \$500,000, and IT upgrades - \$400,000. The remaining \$5,100,000 will be a new Cooperative Higher Education Training Center with IT equipment and fully modern student learning and computer lab spaces. Construction began in February 2008 and should be complete for occupancy by October 2009. It is a 31,000 square foot building which was about 90% completed as of June 30, 2009.

In October 2008, Western Oklahoma State College began construction of a 4,000 square foot new Student Center at an overall cost of \$700,000. This facility will be fully designated for Student Activities and read for occupancy in October 2009. This will be a daily gathering place with games, TV's, wireless internet, and comfortable seating.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

DEBT

At year-end, the College had \$4,985,746 in debt outstanding, compared to \$5,455,982 reported the previous year-end. The table below summarizes these amounts by type.

	Year Ended June 30	
	2009	2008
OCIA 1999 Capital Lease Obligations	\$ 10,705	\$ 73,934
OCIA 2005 Capital Lease Obligations	4,847,458	5,220,298
ODFA 2007 Master Lease Obligations	127,583	161,750
	\$ 4,985,746	\$ 5,455,982

The Oklahoma Capital Bond Authority (OCIA) 1999 capital lease obligations provide that the College is to make specified monthly payments to OCIA over 10 years. During the years ended June 30, 2009 and 2008, OCIA made lease principal and interest payments on behalf of the College totaling \$67,452 and \$67,660, respectively. These on-behalf payments have been recorded as restricted state appropriations in the College's Statement of Revenues, Expenses, and Changes in Net Assets.

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. During the years ended June 30, 2009 and 2008, OCIA made lease principal and interest payments on behalf of the College totaling \$622,748 and \$623,111, respectively.

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

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

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:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ 656,978	\$ 649,367
Temporarily Restricted	292,367	311,691
Restricted	3,498,996	3,380,196

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic declines in the markets, bank failures, foreclosures, unemployment, auto industry bailouts, etc., have all made for an uncertain future for Western, our state and nation. The infusion of Federal Stimulus Funds has helped avoid an immediate emergency situation for colleges and universities in Oklahoma, however, the long term economic future and stabilization is still very uncertain once the stimulus dollars are no longer available.

Currently monthly targets in regard to receipt of state revenues are below the expectations of the Office of State Finance. Western and other higher education institutions have taken a percentage cut from our monthly allocations. The declining state revenues have also made it very difficult politically to raise tuition to make up some of the loss. This political reality of holding down tuition is almost certain, at least to a major degree, since the receipt of the stimulus dollars is contingent upon mitigating the need for tuition increases. This pressure to keep tuition increases to a minimum will remain for at least one additional year until the stimulus dollars are no longer available.

WESTERN OKLAHOMA STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (Continued)

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

On-line course offerings – Western has seen significant growth in providing on-line course offerings throughout the year and especially during intersession when the demand appears greatest. Western will expand these offerings and services in a methodical method to meet the demands at a pace that will not outpace the need. The intent of these expansions will be to “fill the gap” with tuition and fee dollars from these on-line courses when the stimulus dollars are no longer available and the likelihood of new additional state dollars are questionable.

Expanding the number of students participating in our athletic programs – Western has challenged our athletic coaches to enhance the quality and at the same time expand the number of participants in our athletic programs. Additional scholarship dollars have been provided to help Western coaches recruit quality athletes, increase the number participating, and compete with other state institutions in number and size of scholarships. The increased number of participants has been significant and the revenue generated through tuition and fees by those additional students who participate in athletics is and will be significant in stabilizing the income side of our budget.

Expanding targeted academic programs that are in high demand areas, i.e. nursing - Western will continue to seek revenue to help expand and, at least, maintain our current expansion of our Registered Nursing program. The potential loss of the Program of Excellence Grant will have a significant impact on Western's ability to continue and/or expand this important program. Additional grant dollars will be sought to solidify our current program and to seek new methods of providing instruction and clinical training at different times and in different formats.

In conclusion, the overall economic outlook remains questionable especially in regard to state allocations. Western is preparing itself to explore every opportunity to stabilize enrollments and to acquire the necessary funding to move the institution forward.

STATEMENTS OF NET ASSETS
WESTERN OKLAHOMA STATE COLLEGE

	June 30, 2009		June 30, 2008	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,299,025	\$ 249,932	\$ 3,279,157	\$ 324,574
Interest receivable	-	26,447	-	60,453
Accounts receivable, net of allowance for doubtful accounts	800,439	-	497,747	-
Inventories	217,915	-	210,179	-
Total Current Assets	<u>4,317,379</u>	<u>276,379</u>	<u>3,987,083</u>	<u>385,027</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	447,231	-	645,668	-
Investments	-	4,026,649	-	3,867,239
Receivable from state agency	775,359	-	4,242,733	-
Debt service reserve funds	1,380	-	5,093	-
Other assets	-	85,000	-	85,000
Capital assets, net of accumulated depreciation	17,603,963	1,318,792	14,014,921	1,367,636
Total noncurrent assets	<u>18,827,933</u>	<u>5,430,441</u>	<u>18,908,415</u>	<u>5,319,875</u>
TOTAL ASSETS	<u>23,145,312</u>	<u>5,706,820</u>	<u>22,895,498</u>	<u>5,704,902</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	955,115	-	718,671	-
Accrued interest payable	-	3,479	-	3,648
Deposits held in custody for others	22,316	-	13,690	-
Accrued payroll	51,982	-	60,566	-
Accrued compensated absences	80,637	-	73,309	-
Current portion of noncurrent liabilities	434,854	105,000	470,236	105,000
Lease premium, net	141,565	-	153,823	-
Total current liabilities	<u>1,686,469</u>	<u>108,479</u>	<u>1,490,295</u>	<u>108,648</u>
NONCURRENT LIABILITIES, net of current portion				
Obligations under capital leases	4,550,892	-	4,985,746	-
Obligations under revenue bonds	-	1,150,000	-	1,255,000
Total noncurrent liabilities	<u>4,550,892</u>	<u>1,150,000</u>	<u>4,985,746</u>	<u>1,255,000</u>
TOTAL LIABILITIES	<u>6,237,361</u>	<u>1,258,479</u>	<u>6,476,041</u>	<u>1,363,648</u>
NET ASSETS				
Invested in capital assets, net of related deb	13,253,389	-	12,641,713	-
Restricted:	-	-	-	-
Expendable				
Instruction, scholarships and other	-	292,367	57,092	311,691
Capital projects	-	-	337,534	-
Nonexpendable	-	3,498,996	-	3,380,196
Unrestricted	3,654,562	656,978	3,383,118	649,367
TOTAL NET ASSETS	<u>\$ 16,907,951</u>	<u>\$ 4,448,341</u>	<u>\$ 16,419,457</u>	<u>\$ 4,341,254</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30, 2009		Year Ended June 30, 2008	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
OPERATING REVENUES				
Tuition and fees, net of scholarship discounts and allowances of \$2,282,000 and \$1,727,000 at June 30, 2009 and 2008, respectively	\$ 2,516,450	\$ -	\$ 1,896,498	\$ -
Federal grants and contracts	1,289,830	-	923,658	-
State and local grants and contracts	461,396	-	492,255	-
Student store, net of scholarship discounts and allowances of \$373,000 and \$416,000 at June 30, 2009 and 2008, respectively	388,491	-	333,238	-
Residence hall, net of scholarship discounts and allowances of \$91,000 and \$98,000 at June 30, 2009 and 2008, respectively	101,040	-	84,844	-
Other operating revenues	616,041	205,000	554,475	232,900
TOTAL OPERATING REVENUES	5,373,248	205,000	4,284,968	232,900
OPERATING EXPENSES				
Compensation and employee benefits	8,562,750	-	8,008,454	-
Contractual services	496,245	37,749	486,425	37,136
Supplies and materials	1,569,175	-	1,235,044	-
Utilities	448,880	1,087	450,304	668
Communication	59,475	-	65,261	-
Bond interest expense	-	52,371	-	82,043
Other operating expenses	1,344,674	1,000	1,360,189	79,922
Scholarships and fellowships	662,358	458,560	481,014	385,173
Depreciation expense	905,515	48,844	856,513	48,844
TOTAL OPERATING EXPENSES	14,049,072	599,611	12,943,204	633,786
Net loss from Operations	(8,675,824)	(394,611)	(8,658,236)	(400,886)
Nonoperating revenues (expenses)				
State appropriations	5,819,608	-	5,797,441	-
Federal grants and contracts	1,902,214	-	1,733,779	-
Contributions and donations	-	378,808	-	373,417
On-behalf contributions to Oklahoma Teachers' Retirement System	390,956	-	397,720	-
Endowment contributions	59,237	-	57,767	-
Return on investments	76,419	(41,132)	297,099	(52,492)
Interest and dividend income	-	164,022	-	208,003
Interest expense	(252,057)	-	(265,535)	-
Other nonoperating expenses	-	-	-	(63,438)
NET NONOPERATING REVENUES	7,996,377	501,698	8,018,271	465,490
Income (loss) before other revenues, expenses, gains, or losses	(679,447)	107,087	(639,965)	64,604
Capital grants and gifts	10,475	-	6,475	-
State appropriations restricted for capital purposes	467,266	-	663,695	-
On-behalf payments for OCIA capital leases	690,200	-	690,771	-
Increase in net assets	488,494	107,087	720,976	64,604
NET ASSETS, BEGINNING OF YEAR	16,419,457	4,341,254	15,698,481	4,276,650
NET ASSETS, END OF YEAR	\$ 16,907,951	\$ 4,448,341	\$ 16,419,457	\$ 4,341,254

See notes financial statements.

STATEMENTS OF CASH FLOWS

WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30, 2009		Year Ended June 30, 2008	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 2,475,203	\$ -	\$ 1,921,973	\$ -
Grants and contracts	1,528,926	-	1,376,850	-
Student store	378,985	-	336,714	-
Residence hall	101,040	205,000	84,844	205,000
Contributions and donations	-	378,808	-	373,417
Interest income	-	168,489	-	174,289
Other operating receipts	586,725	29,539	584,589	59,155
Payments to employees for salaries and benefits	(8,173,050)	-	(7,610,259)	-
Payments to suppliers	(4,249,203)	(498,396)	(3,349,179)	(502,899)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(7,351,374)	283,440	(6,654,468)	308,962
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	5,819,608	-	5,797,441	-
Grants and contracts	1,902,214	-	1,733,779	-
Federal Family Education Loans received	1,934,893	-	1,720,709	-
Federal Family Education Loans disbursed	(1,934,893)	-	(1,720,709)	-
Investment maturities	-	2,011,940	-	713,032
Investment purchases	-	(2,212,482)	-	(1,141,677)
Proceeds from sale of assets	-	-	-	200,000
Gifts for other than capital purposes	58,914	-	57,872	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	7,780,736	(200,542)	7,589,092	(228,645)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for capital assets	(4,578,352)	-	(2,719,240)	-
Capital appropriations received	467,266	-	663,695	-
Interest paid on capital debt and leases	(6,471)	(52,540)	(4,143)	(119,632)
Proceeds from capital leases	3,467,374	-	1,106,512	-
Proceeds from Student Housing Bond 2008 Series	-	-	-	1,360,000
Repayments of capital debt and leases	(34,167)	(105,000)	(19,250)	(1,470,000)
Net cash used by capital and related financing activities	(684,350)	(157,540)	(972,426)	(229,632)
Cash flows from investing activities				
Interest income	76,419	-	297,099	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	76,419	-	297,099	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(178,569)	(74,642)	259,297	(149,315)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,924,825	324,574	3,665,528	473,889
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,746,256	\$ 249,932	\$ 3,924,825	\$ 324,574

See notes to financial statements.

STATEMENTS OF CASH FLOWS--Continued

WESTERN OKLAHOMA STATE COLLEGE

	Year Ended June 30, 2009		Year Ended June 30, 2008	
	Component Unit WOSC		Component Unit WOSC	
	WOSC	Foundation, Inc.	WOSC	Foundation, Inc.
RECONCILIATION OF NET OPERATING LOSS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net loss from operations	\$ (8,675,824)	\$ (394,611)	\$ (8,658,236)	\$ (400,886)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities				
Depreciation expense	905,515	48,844	856,513	48,844
Net loss on disposal of capital assets	94,272	-	96,555	-
On-behalf contributions to Oklahoma Teachers' Retirement System	390,956	-	397,720	-
Bond interest expense	-	52,540	-	82,043
Contributions and donations	-	378,808	-	373,417
Interest income	-	134,483	-	176,748
Other receipts	-	29,539	-	31,255
Changes in assets and liabilities				
Accounts receivable	(302,369)	-	19,995	-
Interest receivable	-	34,006	-	(2,459)
Inventories	(7,736)	-	(33,387)	-
Accounts payable and accrued expenses	236,484	-	675,395	-
Accrued compensated absences	7,328	-	(9,023)	-
Accrued interest payable	-	(169)	-	-
Net cash provided (used) by operating activities	<u>\$ (7,351,374)</u>	<u>\$ 283,440</u>	<u>\$ (6,654,468)</u>	<u>\$ 308,962</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,299,025	\$ 249,932	\$ 3,279,157	\$ 324,574
Noncurrent assets				
Restricted cash and cash equivalents	447,231	-	645,668	-
	<u>\$ 3,746,256</u>	<u>\$ 249,932</u>	<u>\$ 3,924,825</u>	<u>\$ 324,574</u>
NONCASH CAPITAL AND RELATED FINANCING ITEMS				
On-behalf interest paid by OCIA	\$ 254,131	\$ -	\$ 269,903	\$ -
Amortization of bond issuance cost	3,713	-	3,556	-
Amortization of lease premium	(12,258)	-	(12,067)	-
	<u>\$ 245,586</u>	<u>\$ -</u>	<u>\$ 261,392</u>	<u>\$ -</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

During the years ended June 30, 2009 and 2008, respectively, the Foundation distributed \$267,407 and \$211,185 in support to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Western Oklahoma State College Foundation, Inc., 2801 North Main Street, Altus, Oklahoma 73521.

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

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

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

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

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

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

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

Recoveries of student accounts receivable previously written off are credited to the allowance for doubtful accounts when received.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

Accounts Receivable--Continued: A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

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. Other accounts receivable also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

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

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

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

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

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

	2009	2008
Educational and general operations	\$ 1,581,224	\$ 1,657,538
Auxiliary enterprises and other operating activities	2,073,338	1,725,580
Total unrestricted net assets	<u>\$ 3,654,562</u>	<u>\$ 3,383,118</u>

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 toward unrestricted resources, and then toward restricted resources.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

Classification of Revenues--Continued:

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

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

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

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.

Reclassification: Certain amounts in the 2008 financial statements have been reclassified to conform to the current year presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. Generally, the College deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the states' name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the College deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the College's name. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participants in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of OST.

At June 30, 2009 and 2008, the carrying amount of all College deposits with the OST were \$3,746,256 and \$3,924,825 respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$757,401 in 2009 and \$975,887 in 2008.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

At June 30, 2009		
<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. agency securities	\$ 333,338	\$ 343,327
Money market mutual fund	59,717	59,717
Certificates of Deposit	48,272	48,272
Tri-party repurchase agreements	59,161	59,161
Mortgage Backed Agency Securities	171,743	173,824
Municipal Bonds	12,180	12,280
Foreign Bonds	1,443	1,443
U.S. treasury obligations	<u>71,547</u>	<u>74,047</u>
Totals	<u>\$ 757,401</u>	<u>\$ 772,071</u>

At June 30, 2008		
<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. agency securities	\$ 457,842	\$ 467,842
Money market mutual fund	65,933	65,933
Certificates of Deposit	79,764	79,764
Tri-party repurchase agreements	66,161	66,161
Mortgage Backed Agency Securities	167,812	166,541
Foreign Bonds	1,999	1,980
U.S. treasury obligations	<u>136,376</u>	<u>140,770</u>
Totals	<u>\$ 975,887</u>	<u>\$ 988,991</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Interest Rate Risk: At June 30, 2009, the College does not have any investments. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Student tuition and fees	\$ 528,531	\$ 487,286
Auxillary enterprises and other operating activities	31,759	22,252
Contributions and gifts	55,096	54,773
Federal, state, and private grants and contracts	<u>551,640</u>	<u>329,340</u>
	1,167,026	893,651
Less allowance for doubtful accounts	<u>(366,587)</u>	<u>(395,904)</u>
Accounts receivable, net of allowance for doubtful accounts	<u>\$ 800,439</u>	<u>\$ 497,747</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	Year Ended June 30, 2009				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	\$ 212,345	\$ -	\$ -	\$ -	\$ 212,345
Construction-in-progress	1,799,783	3,692,287	(374,504)	-	5,117,566
Total capital assets not being depreciated	<u>\$ 2,012,128</u>	<u>\$ 3,692,287</u>	<u>\$ (374,504)</u>	<u>\$ -</u>	<u>\$ 5,329,911</u>
Other capital assets					
Non-major infrastructure networks	\$ 1,119,390	\$ 37,106	\$ 13,691	\$ -	\$ 1,170,187
Land improvements	1,637,895	54,651	28,250	-	1,720,796
Buildings	11,134,980	68,720	332,563	-	11,536,263
Furniture, fixtures, and equipment	6,336,697	683,248	-	(212,304)	6,807,641
Library materials	2,049,195	52,817	-	(87,177)	2,014,835
Total other capital assets	<u>22,278,157</u>	<u>896,542</u>	<u>374,504</u>	<u>(299,481)</u>	<u>23,249,722</u>
Less accumulated depreciation					
Non-major infrastructure networks	390,675	23,404	-	-	414,079
Land improvements	800,188	43,573	-	-	843,761
Buildings	4,871,872	230,725	-	-	5,102,597
Furniture, fixtures and equipment	4,035,055	577,738	-	(205,209)	4,407,584
Library materials	177,574	30,075	-	-	207,649
Total accumulated depreciation	<u>10,275,364</u>	<u>905,515</u>	<u>-</u>	<u>(205,209)</u>	<u>10,975,670</u>
Other capital assets, net	<u>\$ 12,002,793</u>	<u>\$ (8,973)</u>	<u>\$ 374,504</u>	<u>\$ (94,272)</u>	<u>\$ 12,274,052</u>
Capital asset summary					
Capital assets not being depreciated	\$ 2,012,128	\$ 3,692,287	\$ (374,504)	\$ -	\$ 5,329,911
Other capital assets	22,278,157	896,542	374,504	(299,481)	23,249,722
Total capital assets	24,290,285	4,588,829	-	(299,481)	28,579,633
Less accumulated depreciation	10,275,364	905,515	-	(205,209)	10,975,670
Capital assets, net	<u>\$ 14,014,921</u>	<u>\$ 3,683,314</u>	<u>\$ -</u>	<u>\$ (94,272)</u>	<u>\$ 17,603,963</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE D--CAPITAL ASSETS--Continued

	Year Ended June 30, 2008			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 170,665	\$ 41,680	\$ -	\$ 212,345
Construction-in-progress	135,200	1,664,583	-	1,799,783
Total capital assets not being depreciated	<u>\$ 305,865</u>	<u>\$ 1,706,263</u>	<u>\$ -</u>	<u>\$ 2,012,128</u>
Other capital assets				-
Non-major infrastructure networks	\$ 1,077,093	\$ 42,297	\$ -	\$ 1,119,390
Land improvements	1,637,895	-	-	1,637,895
Buildings	10,918,522	216,458	-	11,134,980
Furniture, fixtures, and equipment	5,891,624	708,706	(263,633)	6,336,697
Library materials	2,078,845	51,991	(81,641)	2,049,195
Total other capital assets	<u>21,603,979</u>	<u>1,019,452</u>	<u>(345,274)</u>	<u>22,278,157</u>
Less accumulated depreciation				
Non-major infrastructure networks	368,287	22,388	-	390,675
Land improvements	759,931	40,257	-	800,188
Buildings	4,649,172	222,700	-	4,871,872
Furniture, fixtures and equipment	3,740,061	543,713	(248,719)	4,035,055
Library materials	150,119	27,455	-	177,574
Total accumulated depreciation	<u>9,667,570</u>	<u>856,513</u>	<u>(248,719)</u>	<u>10,275,364</u>
Other capital assets, net	<u>\$ 11,936,409</u>	<u>\$ 162,939</u>	<u>\$ (96,555)</u>	<u>\$ 12,002,793</u>
Capital asset summary				-
Capital assets not being depreciated	\$ 305,865	\$ 1,706,263	\$ -	\$ 2,012,128
Other capital assets	21,603,979	1,019,452	(345,274)	22,278,157
Total capital assets	21,909,844	2,725,715	(345,274)	24,290,285
Less accumulated depreciation	9,667,570	856,513	(248,719)	10,275,364
Capital assets, net	<u>\$ 12,242,274</u>	<u>\$ 1,869,202</u>	<u>\$ (96,555)</u>	<u>\$ 14,014,921</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE D--CAPITAL ASSETS--Continued

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

	2009				
	Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost	\$ 182,100	\$ 1,167,520	\$ 647,650	\$ 4,521,161	\$ 6,518,431
Less accumulated depreciation	29,136	565,298	77,718	-	672,152
	<u>\$ 152,964</u>	<u>\$ 602,222</u>	<u>\$ 569,932</u>	<u>\$ 4,521,161</u>	<u>\$ 5,846,279</u>

	2008				
	Buildings	Equipment	Land Improvements	Construction in Progress	Total
Cost	\$ 182,100	\$ 954,523	\$ 647,650	\$ 1,243,265	\$ 3,027,538
Less accumulated depreciation	25,494	459,707	51,812	-	537,013
	<u>\$ 156,606</u>	<u>\$ 494,816</u>	<u>\$ 595,838</u>	<u>\$ 1,243,265</u>	<u>\$ 2,490,525</u>

NOTE E--NONCURRENT LIABILITIES

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

	2009				
	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Amounts Due Within One Year
Capital lease obligations					
OCIA 1999 capital lease obligations	\$ 73,934	\$ -	\$ (63,229)	10,705	\$ 10,705
OCIA 2005F capital lease obligations	5,220,298	-	(372,840)	4,847,458	388,566
ODFA 2007 master lease obligations	161,750	-	(34,167)	127,583	35,583
Total capital lease obligations	5,455,982	-	(470,236)	4,985,746	434,854
Other noncurrent obligations					
Compensated absences	73,309	122,914	(115,586)	80,637	80,637
Total noncurrent liabilities	<u>\$ 5,529,291</u>	<u>\$ 122,914</u>	<u>\$ (585,822)</u>	<u>\$ 5,066,383</u>	<u>\$ 515,491</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE E--NONCURRENT LIABILITIES--Continued

	2008				
	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amounts Due Within One Year
Capital lease obligations					
OCIA 1999 capital lease obligations	\$ 134,917	\$ -	\$ (60,983)	73,934	\$ 63,229
OCIA 2005F capital lease obligations	5,580,184		(359,886)	5,220,298	372,840
ODFA 2007 master lease obligations	-	181,000	(19,250)	161,750	34,167
Total capital lease obligations	5,715,101	181,000	(440,119)	5,455,982	470,236
Other noncurrent obligations					
Compensated absences	82,332	116,478	(125,501)	73,309	73,309
Total noncurrent liabilities	\$ 5,797,433	\$ 297,478	\$ (565,620)	\$ 5,529,291	\$ 543,545

Oklahoma Capital Improvement Authority Lease Obligations: In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$500,000 to the College. Concurrently with the allocation, the College entered into three individual lease agreements with OCIA, representing the three projects being funded through the OCIA bonds. Each of the agreements provides for the College to make specified monthly payments to OCIA over 10 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

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.

During the years ended June 30, 2009 and 2008, OCIA made principal and interest payments totaling \$690,200 and \$690,771, respectively, on behalf of the College. These on-behalf payments have been recorded as restricted state appropriations in the College's statements of revenues, expenses, and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE E--NONCURRENT LIABILITIES--Continued

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

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

Year Ending June 30:	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2010	434,854	239,737	674,591
2011	195,636	221,637	417,273
2012	203,837	213,397	417,234
2013	188,151	204,438	392,589
2014	180,065	195,986	376,051
2015-2019	907,460	852,424	1,759,884
2020-2024	1,118,770	610,627	1,729,397
2025-2029	1,427,462	301,937	1,729,399
2030-2032	329,511	16,364	345,875
Total	<u>\$ 4,985,746</u>	<u>\$ 2,856,547</u>	<u>\$ 7,842,293</u>

NOTE F--RETIREMENT PLAN

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE F--RETIREMENT PLAN--Continued

Oklahoma Teachers' Retirement System

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

Funding Policy: The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9%, which increased from 8.5% in January 2009, is applied to annual compensation, and is determined by state statute. The contribution rate was 8.35% in fiscal year 2008 and 7.6% in fiscal year 2007.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2009, 2008 and 2007, respectively. These contributions were made directly by the College for 2009, 2008 and 2007.

The College's contributions to the OTRS for the years ended June 30, 2009, 2008 and 2007 were approximately \$934,000, \$843,000 and \$793,000, respectively. These contributions included the College's statutory contribution and the share of the employees' contributions paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2009, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE F--RETIREMENT PLAN--Continued

Funding Policy--Continued: The College has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2009 and 2008, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately \$391,000 and \$398,000, respectively. These on-behalf payments have been recorded as both revenues and expenditures in the statements of revenues, expenses, and changes in net assets.

NOTE G--FUNDS HELD IN TRUST BY OTHERS

Oklahoma State Regents' Endowment Trust Funds

In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), funds are invested by the Oklahoma State Regents on behalf of the College. These funds are not recognized in the College's statement of net assets. At June 30, 2009 and 2008, the funds totaled approximately \$497,000 and \$685,000, respectively. The College is entitled to receive an annual distribution of earnings on these funds. Distributions to be received totaled approximately \$28,000 and \$29,000 at June 30, 2009 and 2008, respectively.

NOTE H--RELATED PARTY TRANSACTIONS

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE H--RELATED PARTY TRANSACTIONS--Continued

The Operation Agreement provided that the College would be responsible for the management and operations of the Housing Facility, and in exchange for the services provided by the College to the Foundation, the Foundation would pay the College the sum of \$925 per semester for each student residing in the Housing Facility. The Operations Agreement automatically renewed each fiscal year but could be terminated by the College or the Foundation. In connection with the Operations Agreement, the College's Board of Regents had verbally agreed to incur the expenses and debt service in excess of revenues collected. The agreement was reviewed annually by the College, and was subject to Board approval for future years. Effective July 1, 2002, the Operations Agreement was terminated, as described below.

Effective July 1, 2002, the College entered into a Student Housing Facility Lease Agreement (the "Student Housing Lease Agreement") with the Foundation. The Operations Agreement was terminated as a result of this agreement. Under the Student Housing Lease Agreement, the Foundation and the College agreed that the College would lease all of the Foundation's rights and interests in the Housing Facility for \$205,000 per year. The initial lease term of the Student Housing Lease Agreement was from July 1, 2002 through June 30, 2003. The College and the Foundation must agree to future lease terms.

NOTE I--COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

The following are significant disclosures of the Foundation:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary describes the significant accounting policies followed by Western Oklahoma State College Foundation, Inc. in the presentation of its financial statements.

Basis of Accounting: The financial statements of Western Oklahoma State College Foundation are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to not for profit institutions.

Basis of Presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*.

Under SFAS No. 116 and No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

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

Property and Equipment: Purchases fixed assets are recorded at cost. The cost of property and equipment is depreciated over the useful lives of the related assets. Depreciation is computed on the straight-line method for the applicable assets for financial reporting.

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

Income Taxes: The Western Oklahoma State College Foundation, Inc. is an organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. Federal and State informational tax returns have been filed as required.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 2: WOSC STUDENT FACILITIES REVENUE BONDS SERIES 2008

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

The bonds mature during the fiscal years ending June 30, as follows:

Year Ending June 30:	<u>Prinicipal</u>	<u>Interest</u>	<u>Total</u>
2010	105,000	49,390	154,390
2011	110,000	45,977	155,977
2012	115,000	42,127	157,127
2013	120,000	37,958	157,958
2014	120,000	33,478	153,478
2015-2019	<u>685,000</u>	<u>90,423</u>	<u>775,423</u>
Total	<u>\$ 1,255,000</u>	<u>\$ 299,353</u>	<u>\$ 1,554,353</u>

NOTE 3: PROPERTY AND EQUIPMENT

Capital Assets

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

Capital assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Student housing facility	\$ 1,807,234	\$ 1,807,234
Less accumulated depreciation	<u>(488,442)</u>	<u>(439,598)</u>
	<u>\$ 1,318,792</u>	<u>\$ 1,367,636</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 6: INVESTMENTS AND ALLOWANCE FOR INVESTMENT GAIN (LOSS)

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

Types of investments are as follows at June 30:

	<u>2009</u>	<u>2008</u>
U.S. Government Agencies	\$ 3,866	\$ 5,351
Certificates of Deposit	2,689,870	2,983,182
Money Market Funds	472,078	29,453
Mutual Funds	434,628	381,914
Annuities	251,000	251,000
Commercial Paper	101,894	101,894
REIT	<u>169,846</u>	<u>169,846</u>
	4,123,182	3,922,640
Unrealized gain (loss)	<u>(96,533)</u>	<u>(55,401)</u>
	<u>\$ 4,026,649</u>	<u>\$ 3,867,239</u>

NOTE 7: ENDOWMENT DISCLOSURES

The Organization's endowment consists of 90 individual donor restricted funds which are managed and controlled by the Organization and were established for scholarships. As required by GAAP, 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 Organization are managed and controlled by the Organization in accordance with the following policies.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 7: ENDOWMENT DISCLOSURES--Continued

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

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

Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 201,211	\$ 3,498,996	\$ 3,700,207
Board designated endowments	<u>424,910</u>	<u>-</u>	<u>-</u>	<u>424,910</u>
Total funds invested	<u>\$ 424,910</u>	<u>\$ 201,211</u>	<u>\$ 3,498,996</u>	<u>\$ 4,125,117</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 7: ENDOWMENT DISCLOSURES--Continued

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 429,948	\$ 215,504	\$ 3,380,196	\$ 4,025,648
Investment return				
Investment income	22,124	122,044	15,368	159,536
Net realized and unrealized loss on investments	<u>(41,132)</u>	<u>-</u>	<u>-</u>	<u>(41,132)</u>
Total investment return	(19,008)	122,044	15,368	118,404
Contributions	16,922	63,373	103,432	183,727
Appropriation of endowment assets for expenditure	(2,952)	(199,710)	-	(202,662)
Transfer to remove board designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 424,910</u>	<u>\$ 201,211</u>	<u>\$ 3,498,996</u>	<u>\$ 4,125,117</u>

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$96,533 at June 30, 2009. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Organization.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 7: ENDOWMENT DISCLOSURES--Continued

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

Spending Policy: The Organization has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for that year.

How the Investment Objectives Relate to the Spending Policy: Since the Organization has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowment. In light of the current market fluctuation and the future needs of the Organization, it evaluates the spending policy annually to ensure that it remains in accordance with the long term objectives of the Organization.

NOTE 8: FAIR VALUE MEASUREMENTS

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

	As of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ 3,935,264	\$ 91,385	\$ -	\$ 4,026,649
Beneficial interest in assets held by others	-	-	-	-
Total assets accounted for at fair value	<u>\$ 3,935,264</u>	<u>\$ 91,385</u>	<u>\$ -</u>	<u>\$ 4,026,649</u>

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

NOTE 8: FAIR VALUE MEASUREMENTS--Continued

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

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

Beneficial interest in assets held by others: The fair value of the assets is based on the fair value of the investment asset held by others for the benefit of the Organization. As of June 30, 2009 the Organization has no beneficial interest in assets held by others.

NOTE K--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 establishes standards of accounting and financial reporting for intangible assets and requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also establishes guidance specific to intangible assets related to amortization. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and generally are required to be applied retroactively. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

NOTES TO FINANCIAL STATEMENTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE K--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED--Continued

In 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. Management is evaluating the effect this Statement will have on the College's financial condition or results of operations.

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

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

We have audited the financial statement of Western Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated September 30, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Western Oklahoma State College Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 30, 2009

Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance With OMB Circular A-133
and on the Schedule of Expenditures of Federal Awards

Board of Regents
Western Oklahoma State College
Altus, Oklahoma

Compliance

We have audited the compliance of Western Oklahoma State College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of Western Oklahoma State College based on our audit.

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

In our opinion, Western Oklahoma State College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 30, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN OKLAHOMA STATE COLLEGE

Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant Program	84.063	\$ 1,808,979
Federal Supplemental Educational Opportunity Grants	84.007	25,380
Federal Work Study Program	84.033	81,050
Federal Family Education Loan Program	84.032	1,934,893
Federal Academic Competiveness Grant Program	84.375	74,414
<i>Total Student Financial Aid Cluster</i>		<u>3,924,716</u>
TRIO Program Cluster		
Upward Bound	84.047	316,153
Student Support Services	84.042A	218,547
<i>Total TRIO Program Cluster</i>		<u>534,700</u>
Passed through the Oklahoma State Department of Education: Carl Perkins Program	84.051	32,514
Total U.S. Department of Education		<u>4,491,930</u>
U.S. Department of Health and Human Services		
Temporary Assistance for Needy Families	93.559	136,466
Child Development Associative Initiative	93.575	119,744
Total U.S. Department of Health and Human Services		<u>256,210</u>
U.S. Department of Agriculture		
Distance Learning and Telemedicine Grant Program	10.855	358,271
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,106,411</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL FAMILY EDUCATION LOAN PROGRAM

The College participates in the Federal Family Education Program, Federal CFDA number 84.032 (the "Program"), which includes the Federal Stafford Loan Program, Federal Parents Loans for Undergraduate Students, and Federal Supplemental Loans for Students. The Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies.

NOTE C--SUBRECIPIENTS

During the year ended June 30, 2009, the College did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reported condition(s) identified that are not considered to be material weakness(es)? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Reported condition(s) identified that are not considered to be material weakness(es)? ___ yes X no

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Program	*
Distance Learning and Telemedicine Grant Program	*

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

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

Auditee qualified as low-risk auditee? X yes ___ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

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

None to report for the June 30, 2009 period.

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

None to report for the June 30, 2009 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WESTERN OKLAHOMA STATE COLLEGE

June 30, 2009

No matters are reportable.