

# NORTHERN OKLAHOMA COLLEGE

JUNE 30, 2010

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Regents  
Northern Oklahoma College

We have audited the accompanying statement of net assets of Northern Oklahoma College (the "College"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. We have also audited the financial statements of the Northern Oklahoma College Foundation, Inc. (the "Foundation"), a discrete component unit of the College. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its component unit as of June 30, 2010, and the respective changes in its net assets and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 results of our audit.

Management's Discussion and Analysis 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of state awards is presented for purposes of additional analysis 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 29, 2010

**Northern Oklahoma College  
Management's Discussion and Analysis  
June 30, 2010 and 2009**

The following discussion and analysis of the financial performance of Northern Oklahoma College (the College) provides an overview of the College's financial activities for the fiscal years ended June 30, 2010 and 2009. The analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements.

**DISCUSSION OF THE BASIC FINANCIAL STATEMENTS**

The 2010 and 2009 financial statements were prepared in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). GASB 34 provides not only for the presentation of management's discussion and analysis but also provides for the following statements.

Statement of net assets: This is a financial statement of the College as a whole. It is prepared on the accrual basis of accounting and presents all assets, liabilities and net assets of the College.

Statement of revenues, expenses and changes in net assets: This statement is also prepared on the accrual basis of accounting and presents the overall operations of the College for the years ended June 30, 2010 and 2009.

Statement of cash flows: This statement is presented to provide a summary of how the College generated cash during the current year. This is basically done by taking the statement of revenues, expenses and changes in net assets and presenting it on a cash basis. In accordance with GASB 34, the direct method of presentation is used to prepare this statement.

The College is presenting all of its financial statements as a business-type activity and has no "Fund" financial statements, as defined by GASB 34. The statement of net assets is similar to a business balance sheet, which presents assets, liabilities and equity. In the College's case, equity is considered net assets. The statement of revenues, expenses, and change in net assets is equivalent to a business income statement, i.e., the results of operations for the current year. The statement of cash flows is very similar to that being used by businesses, in that it presents the cash activity of the College for the current year.

**Statements of Net Assets**

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year. From the data presented, readers of the statement are able to determine the assets available to continue the operations of the College. They also are able to determine how much the College owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability to pay expenses of the College or as one way to measure the College's financial health or financial position.

**Northern Oklahoma College  
Management's Discussion and Analysis (Continued)  
June 30, 2010 and 2009**

**Statements of Net Assets (Continued)**

Over time, increases and decreases in the College's net assets are one indicator of whether its financial health is improving or worsening. You will also need to consider non-financial factors, however such as changes in the College's programs and degrees offered and accreditations status, enrollment levels, in addition to the condition of its physical facilities, to fully assess the overall health of the College.

**Condensed Statements of Net Assets**

	June 30		Increase	Percent
	2010	2009	(Decrease)	Change
Current assets	\$ 13,427,666	\$ 8,798,865	\$ 4,628,801	53%
Noncurrent assets	26,677,368	28,782,124	(2,104,756)	-7%
Total Assets	40,105,034	37,580,989	2,524,045	7%
 Liabilities				
Current liabilities	3,202,061	2,219,372	982,689	44%
Noncurrent liabilities	14,523,213	15,185,071	(661,858)	-4%
Total liabilities	17,725,274	17,404,443	320,831	2%
 Net assets:				
Investment in capital assets, net of related debt	10,952,595	11,964,214	(1,011,619)	-8%
Restricted for expendable	4,032,792	3,818,468	214,324	6%
Unrestricted	7,394,373	4,393,864	3,000,509	68%
Total net assets	\$ 22,379,760	\$ 20,176,546	\$ 2,203,214	11%

During the period July 1, 2009 to June 30, 2010, the College's net assets increased by \$2,203,214. A significant increase in current assets of \$4,628,801 and decrease of \$2,104,756 in noncurrent assets resulted in a total increase of \$2,524,045 in total assets. The increase in the current assets resulted primarily from an increase in cash and cash equivalents of \$3,449,135. The transfer and reclassification of investments to cash and cash equivalents in the amount of \$501,886 affected both current and noncurrent assets. The decrease in the noncurrent assets resulted from the reduction of capital lease proceeds held by OCIA of \$1,829,792, acquisitions of capital assets of \$2,000,090, offset by depreciation expense of \$2,879,453, and an increase in construction in progress of \$1,107,730. These transactions resulted primarily from projects in conjunction with the OCIA Bond Issue 2005F and 2005G capital improvement projects.

**Northern Oklahoma College  
Management's Discussion and Analysis (Continued)  
June 30, 2010 and 2009**

**Statements of Cash Flows**

The Statement of Cash Flows provides additional information about the College's financial results by reporting the major sources and uses of cash. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The statement is divided into five parts. The first part deals with operating cash flows and show the net cash used by the operating activities of the College. The second reflects cash flows from non-capital financing activities. This part reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third deals with cash flows from capital and related financing activities. This part also deals with the cash used for the acquisition and construction of capital and related assets. The fourth reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

The following summarizes the College's cash flow for the year ending June 30:

**Condensed Statements of Cash Flows**

	2010	2009
Cash provided (used) by:		
Operating activities	\$ (18,862,818)	\$ (15,257,035)
Noncapital financing activities	20,081,760	17,339,815
Capital and related financing activities	1,521,202	(61,331)
Investing activities	708,858	208,088
Net change in cash	3,449,002	2,229,537
Cash, beginning of the year	8,097,246	5,867,709
Cash, end of year	\$ 11,546,248	\$ 8,097,246

**Northern Oklahoma College  
Management's Discussion and Analysis (Continued)  
June 30, 2010 and 2009**

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expense incurred during the year. A public college's dependency on state appropriations and gifts will result in operating deficits (losses). The *Governmental Accounting Standards Board (GASB)* requires state appropriations and gifts to be classified as non-operating revenues.

The purpose of this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent. Operating revenues are generally received for providing goods and services to various customers of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are considered neither operating nor non-operating revenues and are reported under "Other Revenues, Expenses, Gains, and Losses."

The following summarizes the College's revenues, expense and changes in net assets, for the years ended June 30:

**Operating Results**

	June 30		Increase (Decrease)	Percent Change
	2010	2009		
Operating revenues:				
Tuition and fees, net	\$ 8,402,078	\$ 9,909,439	\$ (1,507,361)	-15%
Grants and contracts	2,445,199	2,004,683	440,516	22%
Auxiliary	4,998,333	5,507,706	(509,373)	-9%
Other	74,711	161,904	(87,193)	-54%
Total operating revenues	15,920,321	17,583,732	(1,663,411)	-9%
Less operating expenses	38,056,158	36,980,020	1,076,138	3%
Net operating income (loss)	<u>\$ (22,135,837)</u>	<u>\$ (19,396,288)</u>	<u>\$ (2,739,549)</u>	<u>14%</u>

During the period July 1, 2009 to June 30, 2010, the College's operating expenses increased by \$1,076,138, while the total operating revenues decreased \$1,663,411. The decrease in operating revenues is attributable to a decrease in tuition and fees resulting from the scholarship allowance due to the large increase in Pell disbursements. The increase in operating expenses is primarily attributable to an increase in financial aid of \$995,712.

**Northern Oklahoma College**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2010 and 2009**

**Non-Operating Results**

	June 30			
	2010	2009	Increase (Decrease)	Percent Change
Non-operating revenues				
(expenses):				
State appropriations	\$ 10,756,563	\$ 11,159,900	\$ (403,337)	-4%
State appropriations - ARRA	799,310	-	799,310	
On-behalf payments (teachers' retirements)	709,000	850,669	(141,669)	-17%
Grants and contracts	8,972,811	6,238,600	2,734,211	44%
Investment income	206,972	219,074	(12,102)	-6%
Interest expense	<u>(729,942)</u>	<u>(751,411)</u>	<u>21,469</u>	<u>-3%</u>
Total non-operating revenues	<u>\$ 20,714,714</u>	<u>\$ 17,716,832</u>	<u>\$ 2,997,882</u>	<u>17%</u>

During the period July 1, 2009 to June 30, 2010, the College's non-operating revenues and expenses increased by \$2,997,882. The change is attributable primarily to an increase in federal and state grants and contracts of \$2,734,211, a decrease of \$403,337 in the Oklahoma State Finance appropriations the College received during 2010, an increase in state appropriations – ARRA funds of \$799,310, and a decrease in on-behalf payments of \$141,669. Investment income decreased by \$12,102 due primarily to a decrease in the available balance to invest on the OCIA Series 2005F & 2005G Bond Issue funds because of the substantial drawdown totals utilized for capital projects in 2010. Interest expense decreased \$21,470 primarily from the interest payments for the OCIA Series 2005F & 2005G Bond Issue and ODFA Revenue Bonds.

**Net Assets Summary**

	June 30			
	2010	2009	(Decrease)	Percent Change
Net increase in net assets	\$ 2,203,214	\$ 1,250,613	\$ 952,601	76%
Net assets, beginning of year	<u>20,176,546</u>	<u>18,925,933</u>	<u>1,250,613</u>	<u>7%</u>
	<u>\$ 22,379,760</u>	<u>\$ 20,176,546</u>	<u>\$ 2,203,214</u>	<u>11%</u>

**Northern Oklahoma College**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2010 and 2009**

**Net Assets Summary (Continued)**

Current assets consist primarily of cash and cash equivalents totaling \$11,128,112. Included in cash equivalents are short-term investments that the College makes with the state treasurer. These dollars are invested in short-term repurchase agreements, and the College can use the monies on a daily basis. As such, these are considered cash equivalents. Also included in current assets is \$682,641 of accounts receivable, \$913,084 due from federal grants and \$160,000 due from the state. Inventories of approximately \$450,000, which consists primarily of the bookstore, are also included current assets. Noncurrent assets consist primarily of capital assets (land, buildings, structures, etc.) net of depreciation totaling \$25,718,404, along with endowment funds of \$247,858, capital lease proceeds held by OCIA of \$344,458 and restricted cash and cash equivalents of approximately \$324,000. The restricted cash is cash that cannot be used by the College for operating activities and consists primarily of cash being held by a trustee from outstanding bonds. Current liabilities include \$2,008,002 of accounts payable and accrued liabilities, \$120,109 of accrued payroll \$237,054 of accrued compensated absences, and approximately \$630,000 of amounts due on principal of bonds and capitalized lease obligations in the next 12 months. Noncurrent liabilities consist entirely of capital lease obligations and revenue bonds less the current portion.

Net assets totaled \$22,379,760, with \$10,952,595 as investment in capital assets, i.e., this is property and equipment less bonded indebtedness. There is \$1,255,715 restricted for scholarships and \$2,237,215 restricted for capital projects, along with \$418,136 restricted for debt service and \$121,726 restricted for loans. Approximately \$7,394,000 of the net assets in unrestricted.

Operating revenues consist primarily of tuition and fees and federal grants and contracts. There is also \$4,998,333 included in operating revenues from sales and services of the auxiliary enterprises (i.e., bookstore, dormitories, etc.). Operating expenses are presented in their natural classification, with the largest expense being compensation. Non-operating revenues and expenses consist primarily of state appropriations of approximately \$10,756,563, and on-behalf contributions for OTRS of \$709,000, along with investment income of \$206,972 and interest expense of \$729,941. For the year ended June 30, 2010, the college also received \$ 799,310 in state appropriations – ARRA Stimulus funds. Non-operating revenues also include federal grants and contracts such as Pell and SEOG totaling \$8,972,811. For the year ended June 30, 2010, the College had an increase in net assets of \$2,203,214. Included in the increase in net assets are \$1,507,361 decrease in tuition and fees, \$509,373 decrease in auxiliary services, and increase of \$440,516 in federal grants and contracts, and a \$1,076,137 increase in operating expenses.

**Capital Assets**

As of June 30, 2010, the College had a net book value of fixed assets of \$25,718,404 compared to \$25,490,037 at June 30, 2009. In the current year, additions to construction in progress, land, improvements, infrastructure and buildings were approximately \$2,465,108, while purchases of machinery and equipment were \$642,712. Depreciation recorded for 2010 and 2009, was \$2,879,453 and \$3,018,035 respectively.

**Northern Oklahoma College**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2010 and 2009**

**Capital Financing**

The College has two revenue bond issues outstanding, along with two capital leases.

In fiscal year 2006, the Oklahoma Capital Improvement Authority issued State Facilities Revenue Bonds (Higher Education Projects) Series 2005F and 2005G for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds totaling \$14,293,235. The revenue bond projects for Northern Oklahoma College include Wilkin Hall – Phase II Renovation, Nursing and Communications Building, Enid Campus Renovations, Vineyard Library/Administration Renovation and Expansion, and New Classroom Building-Stillwater. The Series 2005 Bonds bear interest payable on July 1 and January 1 of each year, beginning July 1, 2006 and the initial principal payment is July 1, 2007. The Series 2005F provides for monthly payments to OCIA for 24 years through July 1, 2030, or until the OCIA bonds and related interest are paid. The Series 2005G provide for monthly payments to OCIA for one year through July 1, 2007, or until the OCIA bonds and related interest are paid. Interest rates on these bonds range from 3.75 percent to 5.00 percent. A bond issuance premium of approximately \$410,000 is being amortized utilizing the effective interest method. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments. During 2010, \$317,168 principal payment was paid on the lease and \$612,266 in related interest was paid. Interest income in the amount of \$34,419 was earned on invested bond funds.

During fiscal 2004, the Oklahoma Development Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. The bonds were issued to refinance the outstanding series 1999 Revenue Bonds. The revenue bonds (Oklahoma Development Finance Authority Revenue Bond, Series 1999) were issued by the College to purchase the Phillips College Campus in Enid. Unamortized bond issuance costs and the discounts on the old bonds were written-off and are included in the other non-operating revenues and expenses in 2004. The bonds are due in annual installments ranging from \$180,000 to \$300,000 through July 1, 2019. Interest rates on these bonds range from 3.00 percent to 5.40 percent. Funds used to repay these bonds come from the College's beneficial interest in the "Section Thirteen Fund State Education Institutions" and the "New College Fund." For the years ended June 30, 2010 and 2009, the net revenue from pledged sources before debt service payments was \$2,644,875 and \$1,988,334. Required principal payments for the years ended June 30, 2010 and 2009, amounted to \$200,000 and \$195,000 respectively.

The capital lease obligation to the Oklahoma Capitol Improvement Authority (OCIA) originated during the year ended June 30, 2000. The second lease is to the Oklahoma Development Finance Authority (ODFA) which originated during the year ended June 30, 2002.

**Northern Oklahoma College  
Management's Discussion and Analysis (Continued)  
June 30, 2010 and 2009**

**Capital Financing (Continued)**

Proceeds from the OCIA lease were used to construct the Wellness Center. The Oklahoma State legislature appropriates revenues each year to fund the amount of principal interest due for that year. The College is required to pay any principal and interest due and not appropriated by the legislature because of lack of funding. For the years ended June 30, 2010 and 2009, the legislature appropriated \$35,739 and \$39,215 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

Proceeds from the ODFA lease were used to purchase two busses. Required principal payments for the years ended June 30, 2010 and 2009, amounted to \$30,000 and \$30,000 respectively.

**DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR  
CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT  
ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS**

The operating budget for the year July 1, 2010 to June 30, 2011, has been approved, and the estimated amount of state appropriations to be received is approximately \$10,426,298 of which \$9,738,699 is designated for Northern Oklahoma College and \$687,599 designated for University Center in Ponca City. For the second fiscal year, decreases in state appropriations have been offset with \$694,766 of American Recovery and Reinvestment Act (ARRA) – Fiscal Stabilization Fund Program for Northern Oklahoma College. The combined increases and decreases reflect a 1.77% decrease in funding for Northern Oklahoma College and University Center as compared to the adjusted base for year ended June 30, 2010. As a result, the College did implement a tuition and mandatory fee increase of 5.5% for the fiscal year ended June 30, 2011 to manage mandatory cost increases. In the event that further reductions are required, appropriate budget adjustments will be made in order to maintain adequate reserve balances to ensure the College's financial viability. The College will continue a conservative budgeting approach to prepare for the elimination of ARRA Funds and possible reductions in state appropriations in FY2012. In addition, the College will continue to monitor the state and national economic conditions as part of our financial decision making process and will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our students needs. Presently, the College does not anticipate any other significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the College.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial Affairs c/o Northern Oklahoma College, 1220 East Grand, P.O. Box 310, Tonkawa, Oklahoma 74653-0310.

## STATEMENT OF NET ASSETS

## NORTHERN OKLAHOMA COLLEGE

	College June 30, 2010	Component Unit June 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,128,112	\$ 98,934
Restricted cash and cash equivalents	93,795	-
Accounts receivable, net	682,641	14,537
Federal grants receivable	913,084	-
Due from state	160,000	-
Inventories	450,034	-
TOTAL CURRENT ASSETS	<u>13,427,666</u>	<u>113,471</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	324,341	-
Investments	247,858	2,874,634
Capital lease proceeds held by OCIA	344,458	-
Capital assets, net	25,718,404	92,454
Other assets	42,307	-
TOTAL NONCURRENT ASSETS	<u>26,677,368</u>	<u>2,967,088</u>
TOTAL ASSETS	<u>\$ 40,105,034</u>	<u>\$ 3,080,559</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,008,002	\$ -
Accrued payroll	120,109	-
Accrued compensated absences	237,054	-
Deposits held in custody for others	207,535	-
Current portion of capital leases payable to OCIA	391,444	-
Current portion of capital leases payable to ODFA	27,917	-
Current portion of revenue bonds	210,000	-
TOTAL CURRENT LIABILITIES	<u>3,202,061</u>	<u>-</u>
NONCURRENT LIABILITIES		
Capital leases payable to OCIA, net	12,483,213	-
Revenue bonds, net	2,040,000	-
TOTAL NONCURRENT LIABILITIES	<u>14,523,213</u>	<u>-</u>
TOTAL LIABILITIES	<u>17,725,274</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,952,595	-
Restricted for:		
Nonexpendable		
Scholarships and fellowships	-	1,401,737
Expendable		
Debt service	418,136	-
Capital projects	2,237,215	-
Scholarships	1,255,715	1,021,888
Loans	121,726	38,553
Unrestricted	7,394,373	618,381
TOTAL NET ASSETS	<u>\$ 22,379,760</u>	<u>\$ 3,080,559</u>

See notes to financial statements.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

## NORTHERN OKLAHOMA COLLEGE

	College Year ended June 30, 2010	Component Unit Year ended June 30, 2010
<b>OPERATING REVENUES</b>		
Tuition and student fees (net of scholarship allowance of \$3,144,000)	\$ 8,402,078	\$ -
Auxiliary services (net of scholarship allowance of \$1,790,000)	4,998,333	-
Federal and state grants and contracts	2,445,199	-
Other sources	74,711	80,099
<b>TOTAL OPERATING REVENUE</b>	<u>15,920,321</u>	<u>80,099</u>
<b>OPERATING EXPENSES</b>		
Compensation	18,282,427	-
Contractual services	264,825	-
Supplies and materials	7,583,288	-
Depreciation and amortization	2,879,453	-
Utilities	1,423,877	-
Communications	161,074	-
Financial Aid	5,826,237	78,967
Other	1,634,976	127,411
<b>TOTAL OPERATING EXPENSES</b>	<u>38,056,157</u>	<u>206,378</u>
<b>OPERATING LOSS</b>	(22,135,836)	(126,279)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	10,756,563	-
State appropriations - ARRA	799,310	-
On-behalf contributions for OTRS	709,000	-
Federal and state grants and contracts	8,972,811	-
Private gifts and contributions	-	579,812
Investment income	206,972	268,636
Interest expense	(729,942)	-
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>20,714,714</u>	<u>848,448</u>
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	(1,421,122)	722,169
State appropriations restricted for capital purposes	2,644,875	-
OCIA on-behalf appropriations	979,461	-
<b>CHANGE IN NET ASSETS</b>	2,203,214	722,169
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>20,176,546</u>	<u>2,358,390</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 22,379,760</u>	<u>\$ 3,080,559</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

NORTHERN OKLAHOMA COLLEGE

	College Year ended June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 7,767,860
Federal and state grants and contracts	2,445,199
Payments to suppliers	(16,606,194)
Payments to employees	(17,542,727)
Auxiliary enterprises sales and services	4,998,333
Other operating receipts	<u>74,711</u>
NET CASH USED IN OPERATING ACTIVITIES	(18,862,818)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	10,756,563
State payments from federal ARRA revenues	799,310
Non-operating grants	<u>8,525,887</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	20,081,760
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(2,613,178)
Principal paid on capital leases and bonds	(230,000)
Interest paid on capital leases and bonds	(110,287)
Capital appropriations received	2,644,875
Proceeds from OCIA capital lease	<u>1,829,792</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,521,202
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	206,972
Proceeds from sales and maturities of investments	508,377
Purchase of investments	<u>(6,491)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>708,858</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,449,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,097,246</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 11,546,248</u></u>

STATEMENTS OF CASH FLOWS--Continued

NORTHERN OKLAHOMA COLLEGE

	College Year ended <u>June 30, 2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (22,135,836)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization expense	2,879,453
On-behalf payments	709,000
Changes in assets and liabilities:	
Receivables, net	(634,218)
Inventories	(98,431)
Accounts payable and accrued liabilities	417,264
Compensated absences and employee accruals	8,579
Deposits held in custody for others and other liabilities	(8,629)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (18,862,818)</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES	
State appropriations for on-behalf capital lease payments	<u>\$ 979,461</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Current assets	
Cash and cash equivalents	\$ 11,128,112
Restricted cash and cash equivalents	93,795
Noncurrent assets	
Restricted cash and cash equivalents	<u>324,341</u>
	<u>\$ 11,546,248</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NORTHERN OKLAHOMA COLLEGE

June 30, 2010

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

Nature of Operations: Northern Oklahoma College (the "College") is a two-year, state supported college operating under the jurisdiction of the Board of Regents of Northern Oklahoma College (the Board of Regents) and the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma. The College has three campuses located in Tonkawa, Enid and Stillwater.

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 Northern Oklahoma 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, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

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

Measurement Focus and Basis of Accounting: The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*. Under GASB Statements No. 34 and 35, the College is required to present a statement of net 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.

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

Deposits and 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 statement of revenues, expenses, and changes in net assets.

Accounts Receivable: The College's accounts receivable primarily relate to 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. Other receivables relate to reimbursements of expenditures from various federal, state and private sources. Receivables are carried at original amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written-off for financial reporting purposes when deemed uncollectible. Recoveries of receivables previously written-off are recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

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

Inventories: Inventories, mainly bookstore inventories, are stated at the lower of the cost or market. Cost is determined using the first-in, first-out method.

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 on the date of the acquisition or fair value if acquired by gift. Effective July 1, 2009, the College's capitalization policy for equipment was changed to include all items with a unit cost of \$5,000 or more and a useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the College:

Land improvements	5-20 years
Buildings	40 years
Furniture, fixtures and equipment	5 years
Infrastructure	5-20 years

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

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).

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

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

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the education and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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

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

*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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

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

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

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE B--DEPOSITS AND INVESTMENTS

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

At June 30, 2010 the carrying amounts of all College deposits with OST were \$11,128,112. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$4,118,799 in 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--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:

<u>OK Invest Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency Securities	\$ 1,578,157	\$ 1,604,654
Money Market Mutual Fund	360,522	360,522
Certificates of Deposit	234,271	234,271
Tri-party Repurchase Agreements	264,144	264,144
Mortgage Backed Agency Securities	1,457,143	1,520,455
Municipal Bonds	88,744	95,154
Foreign Bonds	16,509	16,324
U.S. Treasury Obligations	119,309	126,288
Totals	<u>\$ 4,118,799</u>	<u>\$ 4,221,812</u>

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 two years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. *Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: *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.

Restricted Cash and Cash Equivalents: Restricted cash includes cash held by a bank trust department in compliance with the College's outstanding bond issue. A summary of the restricted cash as of June 30 is as follows:

	<u>2010</u>
Accounts held by Trustee	
Debt Service:	
Debt service account	\$ 324,341
Revenue account	27,395
Earnings account	<u>66,400</u>
Total restricted cash	<u>\$ 418,136</u>
Restricted cash and cash equivalents per the statement of net assets:	
Current	\$ 93,795
Noncurrent	<u>324,341</u>
	<u>\$ 418,136</u>

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments--Continued: Neither the College nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the College's investment in a single issuer. Neither the College's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2010 none of the College's investments were subject to custodial credit risk.

At June 30, 2010 the College had investments totaling \$247,858. At June 30 the market value of such investments was:

	2010
Certificates of deposit	\$ 170,000
Money market fund	77,858
	<u>\$ 247,858</u>

All the securities are held in the College's name by a custodial bank. The investments are designated by the Board of Regents to use for scholarships. The investments are carried at market value in compliance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*.

Bond Fund Cash and Investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of College bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations and maintenance, etc.) *Concentration of credit risk* is not addressed.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

*Northern Oklahoma College Foundation*

The fair value of investments held by the Foundation by type at June 30, 2010, are as follows:

Certificates of deposit	\$	318,076
Common stock - domestic		69,927
Mutual funds		21,505
Pooled funds - equities		1,322,321
Pooled funds - fixed income		1,051,419
Private pool investments		91,386
	\$	<u>2,874,634</u>

NOTE C--ACCOUNTS RECEIVABLE

The College's accounts receivable primarily relate to tuition and fee charges to students and to auxiliary enterprise services to students, faculty and staff. Total accounts receivable is shown on the accompanying statement of net assets net of related allowances for doubtful accounts of approximately \$715,000 at June 30, 2010.

NOTE D--LOANS RECEIVABLE

Student loans made through Federal Perkins Loans Program (the Program) comprise substantially all of the loans receivable at June 30, 2010. There were no federal or institutional contributions to the Program during 2010.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The College has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans, which will ultimately be written off. The allowance for uncollectible loans was approximately \$233,000 at June 30, 2010. The net carrying amount of loans receivable was approximately \$6,000 at June 30, 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE E--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	2010			
	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,377,541	\$ -	\$ -	\$ 1,377,541
Construction in progress	196,698	1,645,485	(537,755)	1,304,428
Total capital assets not being depreciated	<u>1,574,239</u>	<u>1,645,485</u>	<u>(537,755)</u>	<u>2,681,969</u>
Capital assets being depreciated:				
Land improvements	834,927	67,260	-	902,187
Infrastructure	1,781,867	-	-	1,781,867
Buildings and building improvements	43,686,570	752,363	537,755	44,976,688
Machinery and equipment	19,334,384	642,712	-	19,977,096
Total capital assets being depreciated	<u>65,637,748</u>	<u>1,462,335</u>	<u>537,755</u>	<u>67,637,838</u>
Less accumulated depreciation for:				
Land improvements	687,618	24,230	-	711,848
Infrastructure	849,973	105,739	-	955,712
Buildings and building improvements	23,940,909	1,524,076	-	25,464,985
Machinery and equipment	16,243,450	1,225,408	-	17,468,858
Total accumulated depreciation, net	<u>41,721,950</u>	<u>2,879,453</u>	<u>-</u>	<u>44,601,403</u>
Total capital assets being depreciated, net	<u>23,915,798</u>	<u>(1,417,118)</u>	<u>537,755</u>	<u>23,036,435</u>
Capital assets, net	<u>\$ 25,490,037</u>	<u>\$ 228,367</u>	<u>\$ -</u>	<u>\$ 25,718,404</u>

Construction in progress relates to renovation projects on the Enid and Stillwater campuses from funding received from the Oklahoma Capital Improvement Authority with the issuance of the Series 2005F and 2005G bonds (Note I).

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE F--FUNDS HELD IN TRUST BY OTHERS

The College has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund," administered by the Commissioners of the Land Office, as trustees for the various educational institutions entitled thereto.

The College has the right to receive annually approximately 3.33% of the distributions of income produced by "Section Thirteen Fund State Education Institutions" assets and 100% of the distributions of income produced by the Northern Oklahoma College "New College Fund."

The College received \$2,644,875 during the year ended June 30, 2010, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the College held in the trust by the Commissioners of the Land Office was \$38,549,425 at June 30, 2010.

The College has pledged future revenues from the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" as repayment on the revenue bonds.

NOTE G--LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Revenue bonds	\$ 2,450,000	\$ -	\$ (200,000)	\$ 2,250,000	\$ 210,000
1999 OCIA capital lease	331,038	-	(43,858)	287,180	25,564
2005 OCIA capital lease	12,904,645	-	(317,168)	12,587,477	365,880
ODFA capital lease	57,917	-	(30,000)	27,917	27,917
Accrued compensated absences	228,475	209,165	(200,586)	237,054	237,054
Total long-term liabilities	<u>\$ 15,972,075</u>	<u>\$ 209,165</u>	<u>\$ (791,612)</u>	<u>\$ 15,389,628</u>	<u>\$ 866,415</u>

Additional information regarding revenue bonds is included at Note H. Additional information regarding capital lease obligations is included in Note I.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE H--REVENUE BONDS

During fiscal 2004, the Oklahoma Development Finance Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. These bonds were issued to refinance the outstanding Series 1999 Revenue Bonds. The bonds were issued to provide funds to the Board of Regents on behalf of the College to refinance the acquisition of Phillips University campus in Enid and to pay certain costs of issuance of the bonds. Unamortized bond issuance costs and the discount on the old bonds were written-off in 2004 and were included in other nonoperating revenues and expenses in the accompanying statement of changes in net assets. The bonds are due in annual installments ranging from \$210,000 to \$300,000 through July 1, 2019. Interest is payable semiannually at rates from 3.7% to 5.4%. The College's beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office is pledged to the repayment of this bond series. Certain minimum amounts at specified dates are required to be maintained in a trust account for the payment of principal and interest. No transfer was required in 2010. Bonds maturing on or after June 1, 2014, are callable at the Authority's option at specified premiums, depending on the redemption date. The College was in compliance with all significant debt covenants at June 30, 2010.

Principal and interest payments required to be made in accordance with the bonds are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2011	\$ 210,000	\$ 105,133	\$ 315,133
2012	215,000	96,733	311,733
2013	225,000	87,918	312,918
2014	235,000	78,355	313,355
2015	250,000	68,133	318,133
2016-2019	1,115,000	137,833	1,252,833
	<u>\$ 2,250,000</u>	<u>\$ 574,105</u>	<u>\$ 2,824,105</u>

NOTE I--LEASE COMMITMENTS

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE I--LEASE COMMITMENTS--Continued

*Oklahoma Capital Improvement Authority – Series 1999A*

The College's lease agreement with OCIA provides for monthly payments to OCIA of approximately \$3,412 for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments, which for the year ended June 30, 2010, amounted to \$59,117. During 2010 there was \$43,858, in principal paid on the lease and \$15,259, in related interest paid.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue will end in 2010. The lease agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement.

The College's property under the OCIA capital lease is summarized as follows:

	<u>Buildings</u>
Cost	\$ 719,514
Less: Accumulated depreciation	<u>(428,346)</u>
	<u>\$ 291,168</u>

The scheduled principal and interest payments related to the lease are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2011	\$ 25,564	\$ 14,235	\$ 39,799
2012	26,818	12,957	39,775
2013	28,140	11,616	39,756
2014	29,552	10,209	39,761
2015	30,980	8,731	39,711
2016-2020	146,126	19,253	165,379
	<u>\$ 287,180</u>	<u>\$ 77,001</u>	<u>\$ 364,181</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE I--LEASE COMMITMENTS--Continued

*Oklahoma Capital Improvement Authority – Series 2005F and 2005G*

The 2006 legislative session authorized the issuance of OCIA Bond Issue 2005F and 2005G, for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds with varying terms of repayment. The Series 2005 Bonds bear interest payable on July 1 and January 1 of each year, beginning July 1, 2006 and the initial principal payment is July 1, 2007. The Series 2005F provides monthly payments to OCIA for 24 years through July 1, 2030, or until the OCIA bonds and related interest are paid. The Series 2005G provide for monthly payments to OCIA for one year through July 1, 2007, or until the OCIA bonds and related interest are paid. A bond issuance premium of approximately \$410,000 is being amortized utilizing the effective interest method. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments.

The College's property under the OCIA capital lease is summarized as follows:

Buildings, cost	\$ 13,133,961
Infrastructure, cost	803,516
Equipment, cost	14,500
Less: Accumulated depreciation	(1,572,469)
Construction in progress	1,241,755
Capital lease proceeds held by OCIA	344,458
	<u>\$ 13,965,721</u>

The scheduled principal and interest payments related to the OCIA capital lease are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2011	\$ 365,880	\$ 599,471	\$ 965,351
2012	381,554	583,882	965,436
2013	398,049	567,444	965,493
2014	417,041	548,666	965,707
2015	436,367	528,987	965,354
2016-2020	2,620,892	2,300,153	4,921,045
2021-2025	3,342,716	1,578,458	4,921,174
2026-2030	4,264,240	656,800	4,921,040
	12,226,739	7,363,861	19,590,600
Premium	360,738	-	360,738
	<u>\$ 12,587,477</u>	<u>\$ 7,363,861</u>	<u>\$ 19,951,338</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE I--LEASE COMMITMENTS--Continued

*Oklahoma Development Finance Authority*

The College was a recipient of certain bond proceeds (Oklahoma Development Finance Authority Master Lease Revenue Bonds, Series 2001B, dated March 1, 2001) from the Oklahoma Development Finance Authority (ODFA) during 2002. The College received \$260,000 in proceeds for this lease.

The College entered into a lease agreement with ODFA in which the College will be required to repay ODFA the monies received through May 25, 2011. The transaction has been accounted for as a capital lease.

The College's property under the ODFA capital lease is summarized as follows:

	<u>Transportation Equipment</u>
Cost	\$ 226,636
Less: Accumulated depreciation	<u>(203,972)</u>
	<u>\$ 22,664</u>

Principal and interest payments required to be made in accordance with the ODFA capital lease are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2011	27,917	1,186	29,103
	<u>\$ 27,917</u>	<u>\$ 1,186</u>	<u>\$ 29,103</u>

*Operating Lease*

During the year ended June 30, 2008, the College entered into a three-year agreement to lease office space for \$9,350 per month. On a monthly basis, the College is reimbursed for \$3,100 of the lease expense by a third party. The related rental expense, net of reimbursements, was \$75,000 for the year ended June 30, 2010. During the year ended June 30, 2010, the College entered into another lease agreement for three years at a rate of \$6,006 per month. Future minimum lease payments are approximately \$72,000 annually for 2011, 2012, and 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE J--RETIREMENT PLAN

*Oklahoma Teacher's Retirement System (OTRS)*

Plan Description: The College contributes to the OTRS, a cost-sharing, multiple employer, defined benefit, public employee retirement system administered by a 13-member Board of Trustees appointed by the Oklahoma State Governor. Pension expense is recorded for the amount the College is required to contribute for the year as determined by the OTRS Board of Trustees or Oklahoma State Statute. OTRS issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Oklahoma Teachers' Retirement System at P.O. Box 53524, Oklahoma City, Oklahoma 73152 or calling (405) 521-2387.

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service for all qualified persons employed by state-supported educational institutions. In addition, OTRS provides for benefits upon disability and to survivors upon death of eligible members. OTRS does not provide for a cost-of-living adjustment. Oklahoma Statute, Title 70 O.S., Section 17-105, defines all retirement benefits under OTRS. The authority to establish or amend benefit provisions rests with the Oklahoma State Legislature.

Funding Policy: The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The contribution rate for 2008 was 7.85% in July of 2007 with an increase to 8.35% on January 1, 2008. On July 1, 2008 the contribution rate changed to 8.5%, and on January 1, 2009 the rate increased to 9.0%. On January 1, 2010, the rate increased again to 9.5%. The College's contribution to OTRS for the years ended June 30, 2010, 2009 and 2008, was approximately \$2,040,000, \$1,988,000, and \$1,775,000, respectively, which equaled the required contributions for the year.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2010, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. The College's prorated share of these payments for the year ended June 30, 2010 was approximately \$709,000 and is recognized in non-operating revenues and compensation and employee benefit expenses.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE J--RETIREMENT PLAN--Continued

*Deferred Compensation Agreements*

The College has entered into various nonqualified deferred compensation agreements with certain key executives. Under the terms of the agreements, a specified percentage of each executive's salary is deferred and remitted by the College to an account at a financial institution. Upon retirement from active service, the executives may receive either a lump sum payment based on the amount of compensation deferred plus interest or an actuarially determined monthly income based on the lump sum amount payable.

During the year ended June 30, 2010 the College remitted approximately \$33,000 to the deferred compensation accounts. The College has recorded these payments as compensation expense.

NOTE K--POST EMPLOYMENT BENEFITS

The College is funding on a pay-as-you-go basis health and dental insurance premiums for three College retirees as of Jun 30, 2010. In additions, the College pays for term life insurance for three College retirees as of June 30, 2010. Cost of the benefits for 2010 was as follows:

	<u>2010</u>
Health and dental insurance	<u>\$ 7,693</u>
Term life insurance	<u>\$ 144</u>

NOTE L--RELATED PARTY TRANSACTIONS

The College provides certain administrative services and office space to Northern Oklahoma College Foundation, Inc. (the Foundation) for \$500 annually.

For substantially all scholarships awarded by the Foundation, amounts are remitted to the College. Subsequently, the College makes payments directly to the award recipients. Such amounts approximated \$79,000 in 2010.

## NOTES TO FINANCIAL STATEMENTS--Continued

### NORTHERN OKLAHOMA COLLEGE

June 30, 2010

#### NOTE M--RISK MANAGEMENT

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

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

#### NOTE N--COMMITMENTS AND CONTINGENCIES

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

The College participates in the Federal Family Education Loan Program (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. For the year ended June 30, 2010, \$10,160,721 of program loans were provided to students.

Grant from Enid Economic Development Authority: In June 1999, the College received assistance from the Enid Economic Development Authority (the "Authority") to accomplish the purchase of the Phillips College Campus in Enid. The assistance from the Authority is conditional. The College is required to utilize the facilities primarily for higher education to benefit the Enid area and is restricted from selling the campus. If the campus is sold, the College must repay the full amount of the assistance received, \$1,906,250, back to the Authority. A portion of the assets may be sold if proceeds are used for maintenance or improvement of facilities or used to fund academic programs or scholarships.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE O--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. GASB No. 59 provides updates and improvements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has determined that this Statement will have no effect on the College's financial condition or results of operations.

REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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*

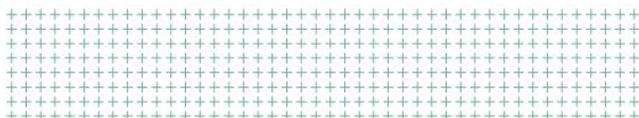
Board of Regents  
Northern Oklahoma College

We have audited the financial statements of Northern Oklahoma College (the “College”), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2010, and the College’s discretely presented component unit, Northern Oklahoma College Foundation, Inc. (the “Foundation”) as of and for the year ended June 30, 2010, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated October 29 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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



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

#### Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 29, 2010

REPORTS REQUIRED BY  
OMB CIRCULAR A-133

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

Board of Regents  
Northern Oklahoma College

Compliance

We have audited the compliance of Northern Oklahoma 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, 2010. 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 College's compliance 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 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 on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2010-01.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

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

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

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. 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 information and use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 29, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>FY0910 Amount Expended</u>
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grant	U.S. Department of Education	84.007	\$ 89,460
Federal Family Education loans	U.S. Department of Education	84.032	10,160,721
National Direct Lending	U.S. Department of Education	84.047	9,542
Federal Work Study	U.S. Department of Education	84.033	50,156
Federal Pell Grant	U.S. Department of Education	84.063	7,848,941
Federal Perkins Loan Program	U.S. Department of Education	84.038	202,810
Academic Competitiveness Grants	U.S. Department of Education	84.375	<u>85,294</u>
Total student financial aid cluster			18,446,924
Workforce Investment Act	Department of Labor	17.259	24,244
Vocational Education National Centers for Career and Technical Education	Department of Education	84.051	71,049
Temporary Assistance to Needy Families	Department of Health and Human Services	93.558	311,365
Child Care and Development Block Grant	Department of Health and Human Services	93.575	209,120
Nursing Student Loans	Department of Health and Human Services	93.364	35,697
AmeriCorps	Corporation for National and Community Service	94.006	9,542
	Corporation for National and Community Service Martin Luther Kind Day of Service	94.007	500
Upward Bound	U.S. Department of Education	84.047	248,867
ARRA - Pass-Through Program From State of Oklahoma, Office of the Governor State Fiscal Stabilization Fund Education Grants, Recovery Funds	ARRA/Office of the Governor	84.394 ARRA	799,310
Pass-Through Program From State of Oklahoma Department of Agriculture for tree planting	U.S. Department of Transportation Highway Enhancement	20.205	22,700
Chapter 33: Post 9/11 GI Bill	U.S. Department of Defense	n/a	<u>70,009</u>
			<u>\$ 20,249,327</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards includes the federal awards activity of Northern Oklahoma College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

NOTE C--LOANS OUTSTANDING

The College had the following loan balances outstanding at June 30, 2010. The loan programs are also included in the Schedule of Expenditures of Federal Awards.

<u>Cluster/Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.038	\$ 202,810
Nursing Student Loans	93.364	35,697

NOTE D--SUBRECIPIENTS

The College provided no federal awards to subrecipients.

SCHEDULE OF STATE AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2010

State Grantor/Program Title	Contract Number	Contract Period	State Expenditures
Oklahoma Higher Learning Access Program (OHLAP)	N/A	7/1/09-6/30/10	\$ 654,632
State Regents Academic Scholarships	N/A	7/1/09-6/30/10	678
Indian Gaming Management Curriculum	N/A	7/1/09-6/30/10	22,181
CSI Grant	N/A	7/1/09-6/30/10	8,045
Oklahoma Tuition Aid Grant Program (OTAG)	N/A	7/1/09-6/30/10	489,948
Quality Initiative Grant, Institute for Tribal Leadership	N/A	7/1/09-6/30/10	11,075
Teacher Education and Compensation Helps	N/A	7/1/09-6/30/10	156,448
Total state expenditures	N/A	7/1/09-6/30/10	\$ 1,343,007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2010

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

*Financial statements*

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

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

*Unqualified*

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

yes  no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Temporary Assistance to Needy Families	93.558
State Fiscal Stabilization Fund	84.394 ARRA

\* See Schedule of Expenditures of Federal awards at for identification of CFDA numbers.

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

Auditee qualified as low-risk auditee?  yes  no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

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

None to report for the June 30, 2010 period.

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

See Finding 2010-01.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

**FINDING 2010-01**

Program CFDA No:  
84.007

CFDA Program Title:  
Federal Family Education Loan Program

Federal Award Year:  
June 30, 2010

Finding:

We noted that the institution certified and disbursed a subsidized Stafford loan to a student in an amount exceeding the financial assistance for which the student was eligible, thus creating an overaward.

Cause:

This student's loan was certified in error as subsidized instead of unsubsidized. This error is usually noticed when the money is disbursed to the student's bursar account and corrected at that time. Loan counselors either failed to report the change to the guarantor or the guarantor failed to make the change on their end. The guarantor is usually notified by email; however, no records exist to confirm whether or not they were notified in this case.

Criteria:

In accordance with 34 CFR 682.604(h), if before the delivery of any Stafford loan disbursement, the institution learns that the borrower will receive or has received financial aid for the period of enrollment for which the loan was made that exceeds the amount of assistance for which the student is eligible, the school shall reduce or eliminate the overaward by either (1) using the student's PLUS or unsubsidized Stafford loan to cover the expected family contribution, if not already done; (2) returning the entire undelivered disbursement to the lender and providing the lender with a written statement describing the reason for the return of the funds, if any setting forth the student's revised financial need, and directing the lender to re-disburse a revised amount and, if necessary, revise subsequent disbursements to eliminate the overaward; or (3) returning to the lender any portion of the disbursement for which the student is ineligible and providing the lender with a written statement explaining the return of the funds. If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, you must return all of the loan proceeds. Note that Stafford Loan overawards must be repaid before adjusting or cancelling campus-based funds.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

### **FINDING 2010-01--Continued**

#### Effect:

As the student was awarded a subsidized loan, this caused the student to be awarded. However, if the student would have been awarded an unsubsidized loan, the unsubsidized loan could have been applied toward their EFC creating no overaward.

#### Context:

When the student's aid package was prepared the student was identified as receiving an unsubsidized loan. However, when the loan was certified with the guarantee agency, the loan was certified as a subsidized loan. At that time, the institution did not realize the loan had been certified as subsidized, creating an overaward.

#### Recommendation:

We recommend the institution implement a review process that would identify overawards.

#### Institution Response:

The Assistant Director spoke to several people at the Department of Education and at the Oklahoma Guaranteed Student Loan Program. None of them could tell us how to convert this loan to Unsubsidized at this point, although they did seem to think we should be able to do so. We have decided that the most expedient way to resolve the situation is for NOC to repay the funds to the lender. Therefore we are returning all of this student's loan funds.

We do not believe that this will occur again since we have converted to the Direct Loan Program. In the future if an error such as this occurs, NOC would be able to cancel the original origination and disbursements and re-originate and disburse under the correct loan program.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2010

#### **FINDING 2009-01**

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: During the course of performing our audit of the College, we determined that it was necessary to propose numerous audit adjustments. In addition, the College needed assistance in preparing its financial statements and related disclosures, in accordance with accounting principles generally accepted in the United States of America. We believe that the combination of these deficiencies, when aggregated, represent a significant deficiency in internal controls over financial reporting.

Context: Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.

Effect: Potential material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.

Cause: Staffing levels may not be sufficient to support timely and accurate financial reporting.

Recommendation: We recommend that the College evaluate the current staffing levels in the accounting department to determine whether additional resources or training is needed. One option is to consider the use of a consultant to assist in the year-end financial statement preparation process.

#### Views of Responsible Official and Planned Corrective Action:

Over the past years, Northern Oklahoma College has grown substantially with additional locations and programs. As a result, several departments in the Office of Financial Affairs have been affected with a considerable increase in workload specifically in the accounting and reporting functions, human resources, purchasing and accounts payable. Management agrees that the staffing levels are not adequate in relation to the abundance of work. In light of economical challenges that our state is facing financially, hiring additional fulltime personnel may not be feasible at the present time. The use of a consultant to assist in the year-end financial statement preparation process would be the most cost effective measure available and would be considered.

Current Status: The planned corrective action has been implemented.