



**NORTHERN
OKLAHOMA COLLEGE**

June 30, 2012

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

AUDITED FINANCIAL STATEMENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements.....	15

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 <i>Government Auditing Standards</i>	45
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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 on the Schedule of Expenditures of Federal Awards.....	47
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards	51
Schedule of State Awards.....	52
Schedule of Findings and Questioned Costs	53
Summary Schedule of Prior Audit Findings.....	55

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, 2012, 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 discretely presented component unit, Northern Oklahoma College Foundation, Inc. (the "Foundation"). The financial statements of the College and the Foundation collectively comprise the College's basic financial statements. 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 audit.

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, 2012, and the respective changes in its net assets and, where applicable, cash flows 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, 2012, 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.

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

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 supplemental schedule of state awards, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2012

**Northern Oklahoma College
Management's Discussion and Analysis
June 30, 2012 and 2011**

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, 2012 and 2011. 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 2012 and 2011 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, 2012 and 2011.

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 similar to a business income statement, i.e., the results of operations for the current year. The statement of cash flows is 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, 2012 and 2011**

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
	2012	2011	(Decrease)	Change
Current assets	\$ 19,140,606	\$ 16,468,421	\$ 2,672,185	16%
Noncurrent assets	28,423,914	26,305,232	2,118,682	8%
Total Assets	47,564,520	42,773,653	4,790,867	11%
 Liabilities				
Current liabilities	5,380,499	2,739,135	2,641,364	96%
Noncurrent liabilities	15,263,654	15,516,794	(253,140)	-2%
Total liabilities	20,644,153	18,255,929	2,388,224	13%
 Net assets:				
Investment in capital assets, net of related debt	12,070,396	9,717,026	2,353,370	24%
Restricted for purposes	3,461,788	5,592,204	(2,130,416)	-38%
Unrestricted	11,388,183	9,208,494	2,179,689	24%
Total net assets	\$ 26,920,367	\$ 24,517,724	\$ 2,402,643	10%

During the period July 1, 2011 to June 30, 2012, the College's net assets increased by \$2,402,643. A significant increase in current assets of \$2,672,185 and an increase of \$2,118,682 in noncurrent assets resulted in a total increase of \$4,790,867 in total assets. The increase in the current assets resulted primarily from an increase in cash and cash equivalents of \$2,950,904. The increase in the noncurrent assets resulted from acquisitions of capital assets of \$5,249,785, offset by depreciation expense of \$2,881,849, and a decrease in deferred cost on OCIA lease restructure of \$256,384. These transactions resulted primarily from projects in conjunction with the OCIA Bond Issue 2005/2010 capital improvement projects and the performance contract for energy management improvements at the College.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011**

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 sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects cash flows from capital and related financing activities. This section 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 and proceeds of sales of investments, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities 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 flows for the year ending June 30:

Condensed Statements of Cash Flows

	2012	2011
Cash provided (used) by:		
Operating activities	\$ (20,389,393)	\$ (19,859,513)
Noncapital financing activities	22,506,713	22,556,100
Capital and related financing activities	148,147	(294,165)
Investing activities	570,962	(79,168)
Net change in cash	2,836,429	2,323,254
Cash, beginning of the year	13,869,502	11,546,248
Cash, end of year	\$ 16,705,931	\$ 13,869,502

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 restricted for capital purposes are considered neither operating nor non-operating revenues and are reported under "Other Revenues, Expenses, Gains, and Losses."

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011

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
	2012	2011		
Operating revenues:				
Tuition and fees, net	\$ 9,379,668	\$ 9,316,308	\$ 63,360	1%
Grants and contracts	2,536,014	2,726,393	(190,379)	-7%
Auxiliary	5,433,857	5,356,057	77,800	1%
Other	93,400	89,896	3,504	4%
Total operating revenues	17,442,939	17,488,654	(45,715)	0%
Less operating expenses	40,083,974	42,379,804	(2,295,830)	-5%
Net operating income (loss)	\$ (22,641,035)	\$ (24,891,150)	\$ 2,250,115	-9%

During the period July 1, 2011 to June 30, 2012, the College's operating expenses decreased by \$2,295,830, while the total operating revenues decreased \$45,715. The decrease in operating revenues is attributable to an increase in tuition and fees rates and resulting revenue of \$63,360, an increase in auxiliary services of \$77,800 and a decrease in federal and state contracts of \$190,379. The decrease in operating expenses is primarily attributable to a decrease in financial aid of \$1,538,249, compensation of \$253,851, depreciation and amortization of \$835,905 and an increase supplies and materials of \$306,238.

Non-Operating Results

	2012	2011	(Decrease)	Change
Non-operating revenues (expenses):				
State appropriations	\$ 10,681,778	\$ 10,863,472	\$ (181,694)	-2%
State appropriations - ARRA	-	1,394,762	(1,394,762)	-100%
On-behalf payments (teachers' retirements)	915,000	807,000	108,000	13%
Grants and contracts	10,701,314	11,196,668	(495,354)	-4%
Investment income	155,277	178,228	(22,951)	-13%
Interest expense	(519,307)	(988,504)	469,197	-47%
Total non-operating revenues	\$ 21,934,062	\$ 23,451,626	\$ (1,517,564)	-6%

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011**

Statements of Revenues, Expenses and Changes in Net Assets (Continued)

Non-Operating Results (Continued)

During the period July 1, 2011 to June 30, 2012, the College's non-operating revenues and expenses decreased by \$1,517,564. The change is attributable primarily to a decrease in federal and state grants and contracts of \$495,354, a decrease of \$181,694 in the State appropriations the College received during 2012, a decrease in state appropriations – ARRA funds of \$1,394,762, and an increase in on-behalf payments of \$108,000. Investment income decreased by \$22,951 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 2012. Interest expense increased \$469,197 primarily from the interest payments for the OCIA Series 2005F & 2005G Bond Issue and ODFA Revenue Bonds.

Net Assets Summary

	June 30			Percent
	2012	2011	(Decrease)	Change
Net increase in net assets	\$ 2,402,643	\$ 2,137,964	\$ 264,679	12%
Net assets, beginning of year	24,517,724	22,379,760	2,137,964	10%
	\$ 26,920,367	\$ 24,517,724	\$ 2,402,643	10%

Current assets consist primarily of cash and cash equivalents totaling \$16,287,558. 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 \$1,430,796 of accounts receivable, and \$688,265 due from federal grants. Inventories of approximately \$640,000, 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 \$26,561,654, along with endowment funds of \$512,384, and restricted cash and cash equivalents of approximately \$324,340. 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. Noncurrent assets also include \$1,025,536 of deferred cost on OCIA leases restructure of the 2005F lease agreement that occurred in August of 2010. Current liabilities include \$4,569,530 of accounts payable and accrued liabilities, \$55,703 of accrued payroll, \$246,365 of accrued compensated absences, and approximately \$253,000 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.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011**

Statements of Revenues, Expenses and Changes in Net Assets (Continued)

Net Assets Summary (Continued)

Net assets totaled \$26,920,367, with \$12,070,396 as investment in capital assets, i.e., this is property and equipment less bonded indebtedness. There is \$2,776,546 restricted for scholarships, along with \$418,373 restricted for debt service and \$266,869 restricted for loans. Approximately \$11,388,183 of the net assets is unrestricted.

Operating revenues consist primarily of tuition and fees and federal grants and contracts. There is also \$5,433,857 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 \$10,681,778, and on-behalf contributions for OTRS of \$915,000, along with investment income of \$155,277 and interest expense of \$519,307. Non-operating revenues also include federal grants and contracts such as Pell and SEOG totaling \$10,701,314. For the year ended June 30, 2012, the College had an increase in net assets of \$2,402,643. Included in the increase in net assets are \$63,360 increase in tuition and fees, \$77,800 increase in auxiliary services, and decrease of \$190,379 in federal grants and contracts, and a \$2,295,830 decrease in operating expenses.

Capital Assets

As of June 30, 2012, the College had a net book value of capital assets of \$26,561,654 compared to \$24,193,718 at June 30, 2011. In the current year, additions to construction in progress, land, improvements, infrastructure and buildings were approximately \$4,716,865, while purchases of machinery and equipment were \$493,900 and leasehold improvements were \$39,019. Depreciation recorded for 2012 and 2011, was \$2,881,849 and \$3,717,755 respectively.

Additional details concerning the College's Capital Assets can be found in Note E to the financial statements.

Capital Financing

The College has one revenue bond issue 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.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011**

Capital Financing (Continued)

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 University Campus in Enid.

The capital lease obligation to the Oklahoma Capitol Improvement Authority (OCIA) originated during the year ended June 30, 2000.

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 and interest due for that year.

Additional details concerning the College's capital financing activities can be found in Notes G, H and I to the financial statements.

**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, 2012 to June 30, 2013, has been approved, and the estimated amount of state appropriations to be received is \$9,984,778 designated for Northern Oklahoma College. Beginning in FY2013, appropriations designated for the University Center in Ponca City are no longer allocated through Northern Oklahoma College whereas the University Center has legislatively become its own state agency. The change in state appropriations for Northern Oklahoma College reflects a 1.60% increase in funding as compared to the adjusted base for year ended June 30, 2012. As a result, the College did implement tuition and mandatory fee increases of 6.8% for the fiscal year ended June 30, 2013 to manage mandatory cost increases. Budgets will be monitored in order to maintain adequate reserve balances to ensure the College's financial viability. 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 student 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.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2012 and 2011**

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 Year ended <u>June 30, 2012</u>	Component Unit Year ended <u>June 30, 2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,287,558	\$ 139,634
Restricted cash and cash equivalents	94,033	-
Accounts receivable, net	1,430,796	16,754
Federal grants receivable	688,265	-
Investment Income receivable	-	13,135
Inventories	<u>639,954</u>	<u>-</u>
TOTAL CURRENT ASSETS	19,140,606	169,523
NONCURRENT ASSETS		
Restricted cash and cash equivalents	324,340	-
Investments	512,384	5,918,017
Capital lease proceeds held by OCIA	-	-
Capital assets, net	26,561,654	41,214
Deferred cost on OCIA lease restructure	1,025,536	-
Other assets	<u>-</u>	<u>112</u>
TOTAL NONCURRENT ASSETS	<u>28,423,914</u>	<u>5,959,343</u>
TOTAL ASSETS	<u>\$ 47,564,520</u>	<u>\$ 6,128,866</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,569,530	\$ -
Payable to NOC Foundation	13,135	-
Accrued payroll	55,703	-
Accrued compensated absences	246,365	-
Deposits held in custody for others	242,626	-
Current portion of capital leases payable to OCIA	28,140	-
Current portion of revenue bonds	<u>225,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	5,380,499	-
NONCURRENT LIABILITIES		
Capital leases payable to OCIA, net	13,663,654	-
Revenue bonds, net	<u>1,600,000</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>15,263,654</u>	<u>-</u>
TOTAL LIABILITIES	<u>20,644,153</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	12,070,396	-
Restricted for:		
Nonexpendable		
Scholarships and fellowships	-	3,334,102
Expendable		
Debt service	418,373	-
Capital projects	-	-
Scholarships	2,776,546	1,708,167
Loans	266,869	-
Unrestricted	<u>11,388,183</u>	<u>1,086,597</u>
TOTAL NET ASSETS	<u>\$ 26,920,367</u>	<u>\$ 6,128,866</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NORTHERN OKLAHOMA COLLEGE

	College Year ended June 30, 2012	Component Unit Year ended June 30, 2012
OPERATING REVENUES		
Tuition and student fees (net of scholarship allowance of \$4,187,000)	\$ 9,379,668	\$ -
Auxiliary services (net of scholarship allowance of \$2,336,000)	5,433,857	-
Federal and state grants and contracts	2,536,014	-
Other sources	93,400	75,204
TOTAL OPERATING REVENUE	<u>17,442,939</u>	<u>75,204</u>
OPERATING EXPENSES		
Compensation	18,483,851	-
Contractual services	860,692	-
Supplies and materials	8,812,796	-
Depreciation and amortization	2,881,849	-
Utilities	1,408,697	-
Communications	248,073	-
Financial Aid	6,552,337	99,800
Other	835,679	212,643
TOTAL OPERATING EXPENSES	<u>40,083,974</u>	<u>312,443</u>
OPERATING LOSS	(22,641,035)	(237,239)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	10,681,778	-
On-behalf contributions for OTRS	915,000	-
Federal and state grants and contracts	10,701,314	-
Private gifts and contributions	-	753,013
Investment income	155,277	130,906
Interest expense	(519,307)	-
NET NONOPERATING REVENUES (EXPENSES)	<u>21,934,062</u>	<u>883,919</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
	(706,973)	646,680
State appropriations restricted for capital purposes	2,890,872	-
Contributed capital	25,000	-
OCIA on-behalf appropriations	193,744	-
CHANGE IN NET ASSETS	<u>2,402,643</u>	<u>646,680</u>
NET ASSETS AT BEGINNING OF YEAR	<u>24,517,724</u>	<u>5,482,186</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,920,367</u>	<u>\$ 6,128,866</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

NORTHERN OKLAHOMA COLLEGE

	College Year ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 8,553,551
Federal and state grants and contracts	2,536,014
Payments to suppliers	(19,380,675)
Payments to employees	(17,625,540)
Auxiliary enterprises sales and services	5,433,857
Other operating receipts	93,400
NET CASH USED IN OPERATING ACTIVITIES	<u>(20,389,393)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	10,681,778
Federal direct loan program receipts	10,450,008
Federal direct loan program disbursements	(10,450,008)
Non-operating grants	11,824,935
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>22,506,713</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,008,913)
Principal paid on capital leases and bonds	(215,000)
Interest paid on capital leases and bonds	(95,997)
Capital appropriations received	2,890,872
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>570,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	155,277
Purchase of investments	(7,130)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>148,147</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,836,429
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>13,869,502</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,705,931</u>

STATEMENT OF CASH FLOWS--Continued

NORTHERN OKLAHOMA COLLEGE

	College Year ended June 30, 2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (22,641,035)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization expense	2,881,849
On-behalf payments	915,000
Changes in assets and liabilities:	
Receivables, net	(826,117)
Inventories	(133,260)
Accounts payable and accrued liabilities	(583,635)
Compensated absences and employee accruals	(26,745)
Deposits held in custody for others and other liabilities	24,550
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (20,389,393)</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES	
State appropriations for on-behalf capital lease payments	<u>\$ 193,744</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS	
Current assets	
Cash and cash equivalents	\$ 16,287,558
Restricted cash and cash equivalents	94,033
Noncurrent assets	
Restricted cash and cash equivalents	324,340
	<u>\$ 16,705,931</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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

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

Although the College is the exclusive beneficiary of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary or affiliate of the College and is not directly or indirectly controlled by the College. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or 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 College. Third parties dealing with the College should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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, 2012

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

Land improvements	5-20 years
Buildings and improvements	up to 40 years
Furniture, fixtures and equipment	5-10 years
Infrastructure	5-20 years

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

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).

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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

Net Assets--Continued:

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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

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 of these financial statements include the depreciation of capital assets and the allowance for doubtful accounts for accounts receivable.

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, 2012 the bank balances of all College deposits with OST were \$16,556,499. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$7,021,061, in 2012. The difference between the bank balance of deposits and the related carrying amount are due to outstanding checks and deposits-in-transit.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

<u>OK Invest Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency Securities	\$ 2,482,301	\$ 2,489,597
Money Market Mutual Fund	961,045	961,045
Certificates of Deposit	226,776	226,776
Mortgage Backed Agency Securities	3,098,988	3,292,545
Municipal Bonds	125,936	143,678
Foreign Bonds	35,332	35,332
U.S. Treasury Obligations	90,683	113,133
Totals	<u>\$ 7,021,061</u>	<u>\$ 7,262,106</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, 2012

NOTE B--DEPOSITS AND INVESTMENTS--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>2012</u>
Accounts held by Trustee	
Debt Service:	
Debt service account	\$ 324,340
Revenue account	27,497
Earnings account	<u>66,536</u>
Total restricted cash	<u>\$ 418,373</u>
Restricted cash and cash equivalents per the statement of net assets:	
Current	\$ 94,033
Noncurrent	<u>324,340</u>
	<u>\$ 418,373</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, 2012

NOTE B--DEPOSITS AND 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, 2012 none of the College's investments were subject to custodial credit risk.

At June 30, 2012 the College had investments totaling \$512,384. At June 30 the market value of such investments was:

	2012
Certificates of deposit	<u>\$ 512,384</u>
	<u>\$ 512,384</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 fair 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, 2012

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 of approximately \$5,376,000, is shown on the accompanying statement of net assets net of related allowances for doubtful accounts of approximately \$3,945,000, resulting in a net carrying amount of approximately \$1,431,000, at June 30, 2012.

NOTE D--LOANS RECEIVABLE

Student loans made through Federal Perkins Loans Program (the Program) comprise substantially all of the loans receivable at June 30, 2012. There were no federal or institutional contributions to the Program during 2012.

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 \$238,000, at June 30, 2012, which represents 100% of the loan receivable balance, resulting in a net carrying amount of \$0 at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE E--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	2012			
	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,377,541	\$ -	\$ -	\$ 1,377,541
Construction in progress	11,000	235,834	(183,648)	63,186
Total capital assets not being depreciated	<u>1,388,541</u>	<u>235,834</u>	<u>(183,648)</u>	<u>1,440,727</u>
Capital assets being depreciated:				
Land improvements	925,739	-	-	925,739
Infrastructure	1,781,867	14,446	-	1,796,313
Buildings and building improvements	46,579,021	4,466,586	183,648	51,229,255
Machinery and equipment	20,867,614	493,900	(85,082)	21,276,432
Leasehold Improvements	970,094	39,019	-	1,009,113
Total capital assets being depreciated	<u>71,124,335</u>	<u>5,013,951</u>	<u>98,566</u>	<u>76,236,852</u>
Less accumulated depreciation for:				
Land improvements	728,963	16,762	-	745,725
Infrastructure	1,061,170	103,143	-	1,164,313
Buildings and building improvements	26,911,583	1,677,153	-	28,588,736
Machinery and equipment	18,776,424	981,234	(85,082)	19,672,576
Leasehold Improvement	841,018	103,557	-	944,575
Total accumulated depreciation, net	<u>48,319,158</u>	<u>2,881,849</u>	<u>(85,082)</u>	<u>51,115,925</u>
Total capital assets being depreciated, net	<u>22,805,177</u>	<u>2,132,102</u>	<u>183,648</u>	<u>25,120,927</u>
Capital assets, net	<u>\$ 24,193,718</u>	<u>\$ 2,367,936</u>	<u>\$ -</u>	<u>\$ 26,561,654</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) as well as other capital and auxiliary funds.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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 \$2,890,872, during the year ended June 30, 2012, 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 (market value) for the College held in the trust by the Commissioners of the Land Office was \$46,822,935, at June 30, 2012.

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, 2012 is as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Revenue bonds	\$ 2,040,000	\$ -	\$ (215,000)	\$ 1,825,000	\$ 225,000
1999/2004 OCIA capital lease	261,616	-	(26,818)	234,798	28,140
2005/2010 OCIA capital leases	13,456,996	-	-	13,456,996	-
Accrued compensated absences	273,110	246,365	(273,110)	246,365	246,365
Total long-term liabilities	<u>\$ 16,031,722</u>	<u>\$ 246,365</u>	<u>\$ (514,928)</u>	<u>\$ 15,763,159</u>	<u>\$ 499,505</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, 2012

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 College 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 2012. 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, 2012.

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>
2013	\$ 225,000	\$ 87,918	\$ 312,918
2014	235,000	78,355	313,355
2015	250,000	68,133	318,133
2016	255,000	54,633	309,633
2017	275,000	40,862	315,862
2018-2020	585,000	42,338	627,338
	<u>\$ 1,825,000</u>	<u>\$ 372,239</u>	<u>\$ 2,197,239</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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.

Oklahoma Capital Improvement Authority – Series 1999A / 2004A

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, 2012, amounted to \$39,775. During 2012 there were \$26,818 in principal payments and \$12,957 in related interest payments.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. The lease agreement no longer secures the 1999A bond issue but now acts as security for the 2004A bond issue over the term of the lease through the year 2020.

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

	<u>Buildings</u>
Cost	\$ 719,514
Less: Accumulated depreciation	<u>(486,580)</u>
	<u>\$ 232,934</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>
2013	\$ 28,140	\$ 11,616	\$ 39,756
2014	29,552	10,209	39,761
2015	30,980	8,731	39,711
2016	32,469	7,244	39,713
2017	34,063	5,632	39,695
2018-2020	79,594	6,377	85,971
	<u>\$ 234,798</u>	<u>\$ 49,809</u>	<u>\$ 284,607</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE I--LEASE COMMITMENTS--Continued

Oklahoma Capital Improvement Authority – Series 2005F/2010 A and B

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 provided for monthly payments to OCIA for one year through July 1, 2007. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments.

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a cost for restructuring. The College has recorded a deferred charge of \$1,538,304, on restructuring as a deferred cost that is being amortized over a period of six years. Amortization of the deferred cost totaled \$256,384 during fiscal year 2012.

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

Buildings, cost	\$ 14,425,126
Infrastructure, cost	803,516
Equipment, cost	14,500
Less: Accumulated depreciation	<u>(2,837,316)</u>
	<u>\$ 12,405,826</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>
2013	\$ -	\$ 180,719	\$ 180,719
2014	398,049	598,818	996,867
2015	1,096,621	580,254	1,676,875
2016	1,129,330	546,385	1,675,715
2017	1,213,115	525,087	1,738,202
2018-2022	2,617,870	1,931,017	4,548,887
2023-2027	3,509,771	1,411,385	4,921,156
2028-2031	<u>3,492,240</u>	<u>444,623</u>	<u>3,936,863</u>
	<u>\$ 13,456,996</u>	<u>\$ 6,218,288</u>	<u>\$ 19,675,284</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE I--LEASE COMMITMENTS--Continued

Operating Lease

In 2011, the College entered into an agreement to lease office space (Fountain Square in Stillwater) for \$6,006 per month. The related rental expense was approximately \$72,000, for the year ended June 30, 2012. Also in 2011, the College entered into another lease agreement to lease office space (University Center in Ponca City) for \$8,000 per month. The related rental expense was \$96,000, for the year ended June 30, 2012. Effective July 1, 2012, The University Center operations became a separate legal entity and the related lease agreement was terminated at June 30, 2012. Future minimum lease payments related to the Stillwater office space are approximately \$72,000, annually for 2013, 2014, and 2015.

NOTE J--RETIREMENT PLAN

Oklahoma Teachers' 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 Governor of Oklahoma. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE J--RETIREMENT PLAN--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

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 employer contribution rate was 9.50% for 2012, 2011, and 2010, and was applied to annual compensation, and is determined by state statute. The College's contribution to OTRS for the years ended June 30, 2012, 2011 and 2010, was approximately \$2,060,000, \$2,074,000, and \$2,040,000, 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 2012, 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, 2012 was approximately \$915,000, and is recognized in non-operating revenues and compensation and employee benefit expenses.

Deferred Compensation Agreements and IRC Section 403(b) Plan

During 2011, the College terminated the nonqualified deferred compensation agreements for key executives, and made distributions to liquidate those accounts. The College replaced these nonqualified deferred compensation agreements with an employer-paid 403(b) contribution plan (the "403(b) Plan") for those key executives. Under the 403(b) Plan, a specified percentage of each executive's salary is 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 contributions plus interest, or an actuarially determined monthly income based on the lump sum amount payable.

During the year ended June 30, 2012, the College remitted approximately \$17,500, to the 403(b) Plan account. The College has recorded these payments as compensation expense.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE K--POST EMPLOYMENT BENEFITS

The College is funding, on a pay-as-you-go basis, health, dental, and term life insurance premiums for six College retirees as of Jun 30, 2012. Cost of the benefits for 2012 was as follows:

	2012
Health and dental insurance	\$ 22,256
Term life insurance	\$ 461

NOTE L--RELATED PARTY TRANSACTIONS

In the year ended June 30, 2011, the College entered into an Exchange of Services Agreement with Northern Oklahoma College Foundation, Inc. (the Foundation). The Exchange of Service Agreement defines and memorializes the terms agreed upon by the parties for the exchange of services not otherwise covered by separate, specific contractual agreements between the parties.

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 \$100,000, in 2012.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2012, approximately \$10,450,000, of Direct Lending Program loans were provided to College 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.

NOTE O--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The GASB has issued several new accounting pronouncements, which will be effective to the College in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The College will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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

- Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*

GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The College does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The College does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the College to make changes in its financial statement presentation.

Fiscal Year Ended June 30, 2014

- Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The College has not quantified the effects of adoption of GASB No. 65 on its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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

Fiscal Year Ended June 30, 2015

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the College has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION

The following are significant disclosures of the Foundation:

Note A - Summary of Significant Accounting Policies

Nature of Activities: Northern Oklahoma College Foundation, Inc. (the Foundation) was established for the benefit of Northern Oklahoma College (the College). The Foundation awards scholarships and makes loans to students of the College and provides other general support to the College.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Accounting Standards Codification: The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides a single source of authoritative U.S. GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the College as a whole, or for specific departments within the College, are reflected as unrestricted to the extent that the College, or departments have expended sufficient dollars which meet these general use restrictions.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in unrestricted net assets in all other cases.

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note A - Summary of Significant Accounting Policies--Continued

Net Asset Classification: The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the state of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees' (the "Trustees") interpretation of OK UPMIFA and other required endowment disclosures are included in Note E.

Net assets, revenues, and gains and losses of the Foundation are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets for which no donor has imposed any restrictions that the assets be used for a specific purpose or held for a certain period of time. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

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

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

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Support and Expenses: Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.

Loans Receivable: The Foundation grants various students loans as directed by donor-imposed stipulations. The Foundation considers all loans receivable to be fully collectible.

Income Taxes: The Internal Revenue Service has recognized the Foundation as exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501 (c)(3) of the Code.

Accounting for Uncertain Tax Positions: Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal state or local tax authorities before 2008.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note A - Summary of Significant Accounting Policies--Continued

Investments and Investment Return: Investments in marketable equity securities with readily determinable fair values and all debt securities are carried at fair value. Non-marketable securities are stated at fair value or the best estimate of fair value as determined by the investment manager and/or Foundation management. Realized gains and losses are computed on the first-in, first-out basis.

Property and Equipment: Property and equipment are stated at cost or fair value at date of donation. For equipment, the Foundation's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: ten years for equipment.

Contributions Receivable: Contributions receivable, which arise primarily from trusts and estates, are carried at present value at the financial statement date. This valuation assumes collection within one year; however, due to the nature of the receivables, the final settlement dates are uncertain. All amounts are expected to be fully collected.

Fair Value Measurements: The Foundation follows the ASC Topic 820, *Fair Value Measurements and Disclosures*. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

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

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

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

Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note A - Summary of Significant Accounting Policies--Continued

Fair Value Measurements--Continued: The FASB continues to clarify and enhance disclosures related to Topic 820 and as a result, the Foundation implemented *Improving Disclosures about Fair Value Measurements* (ASU 2010-06) which requires additional disclosures about transfers in and out of Levels 1 and 2 and disaggregation within the reconciliation for fair value measurements using significant unobservable inputs in 2010. The update also clarifies existing disclosures regarding disaggregation by class and disclosures about inputs and valuation techniques. Implementation of these new requirements did not have a significant impact on the Foundation's financial statements.

Recent Accounting Pronouncements: The FASB has issued additional clarification related to Topic 820, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04) that are effective for periods beginning after December 15, 2011. Early adoption of this update for the year ended June 30, 2012 is not permitted. The Foundation will apply the provisions of this update prospectively beginning with the year ending June 30, 2013. The Foundation does not anticipate adoption of this new guidance to have a significant impact on the financial statements.

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

Concentration of Credit Risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

In 2012, approximately 45% of total contribution revenue was received from one donor. Contributions receivable are due from one donor at June 30, 2012.

Subsequent Events: The Foundation has evaluated subsequent events through October 24, 2012, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2012 financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note B - Property and Equipment

Property and equipment by category is summarized as follows:

	June 30 2012
Equipment	\$ 106,203
Less: accumulated depreciation	<u>(64,989)</u>
Net property and equipment	<u>\$ 41,214</u>

Note C - Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	June 30 2012
Scholarships	\$ 1,629,921
Loans	<u>78,246</u>
	<u>\$ 1,708,167</u>

Permanently restricted net assets are restricted for the following purposes:

	June 30 2012
Scholarships	\$ 3,095,095
Loans	139,007
Lectureship	<u>100,000</u>
	<u>\$ 3,334,102</u>

Note D - Related-Party Transactions

Based upon an exchange of service agreement, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. Thus, the Foundation has no employees. In exchange, the College receives scholarships, funds for capital improvement, and other services from the Foundation. The value of services provided by the College is not reasonably estimated; therefore the Foundation has not recorded any amounts as contributions or expenses.

During the year ended June 30, 2012, the Foundation awarded scholarships totaling approximately \$100,000 to students of the College.

At June 30, 2012, the Foundation has recorded a receivable from the College of \$13,135 for investment income received by the College for the benefit of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note E - Endowment Disclosures

The Foundation's endowment consists of approximately 40 individual donor-restricted funds and 3 other funds which are managed and controlled by the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were not restricted by the donor for scholarships but have been endowed by the Foundation's Board of Trustees to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

The State of Oklahoma adopted UPMIFA effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees of the Foundation has interpreted OK UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note E - Endowment Disclosures--Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (68,710)	\$ 592,884	\$ 3,334,102	\$ 3,858,276
Board-designated endowment funds	<u>359,241</u>	<u>-</u>	<u>-</u>	<u>359,241</u>
Total Funds Invested	<u>\$ 290,531</u>	<u>\$ 592,884</u>	<u>\$ 3,334,102</u>	<u>\$ 4,217,517</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (17,530)	\$ 540,773	\$ 3,156,784	\$ 3,680,027
Investment return:				
Investment income	4,950	81,414	1,145	87,509
Net investment return (realized and unrealized)	<u>(357)</u>	<u>(3,275)</u>	<u>-</u>	<u>(3,632)</u>
Net investment return	4,593	78,139	1,145	83,877
Contributions	305,640	-	176,173	481,813
Transferred to recover Underwater funds	(1,922)	1,922	-	-
Appropriation of endowment assets for expenditure	<u>(250)</u>	<u>(27,950)</u>	<u>-</u>	<u>(28,200)</u>
Endowment Net Assets	<u>\$ 290,531</u>	<u>\$ 592,884</u>	<u>\$ 3,334,102</u>	<u>\$ 4,217,517</u>

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2012:

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OK UPMIFA	<u>\$ 3,334,102</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 3,334,102</u>

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions	<u>\$ 592,884</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 592,884</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note E - Endowment Disclosures--Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$68,710 for the year ending June 30, 2012. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Foundation's investment objective for the Endowment Fund (the "Fund") is "Growth and Income". The intent of the objective is to provide both current income and future growth of the Fund sufficient to offset reasonable spending plus nominal inflation; thereby, preserving the dollar value and purchasing power of the endowment for future generations. Investment performance will be judged over a five-year horizon or market cycle. The goal for equity investment performance is to exceed the price and yield results of Standard and Poor's 500 Common Stock Index while maintaining a risk level similar to that of the benchmark. The goal for fixed income investment performance is to exceed returns of the broad U.S. bond market, while maintaining a risk level similar to that of the benchmark.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an equal emphasis on equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for that year, as well as prior year accumulations. Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowments as well as the original corpus of the donor-restricted investment. In light of current market fluctuations and the future needs of the Foundation, it will evaluate the spending policy to ensure that it remains in accordance with the long-term objectives of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note E - Endowment Disclosures--Continued

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount of the asset approximates fair value due to the short maturity of such amounts.

Investments: Governmental agency securities, common stock, and mutual funds are stated at fair value, and are based on quoted market prices, when available, or the best estimate of fair value as determined by the fund and/or investment manager. Fair values are based on quoted market prices, when available and are classified as Level 1 in the fair value hierarchy. When documented trade histories are not available, the fair value is determined using a discounted cash flow model and the assets are classified as Level 2 in the fair value hierarchy. The key observable inputs to the discounted cash flow model are the coupon, yield, and expected maturity. Fair values of certificates of deposit are based on yield curves, interest rates, and other relevant factors and are classified as Level 2. Private pool, and pooled equity and fixed income funds for which a quoted market price is not available are carried at net asset value ("NAV") as determined by the fund manager and are classified as Level 2. The pooled investments are classified as Level 2 due to their ability to be redeemed within 30 days of redemption request.

Contributions Receivable: The note is carried at cost and fair value is determined by calculating the present value of the expected future cash flows using a discount rate equal to the rate of return earned on the Foundation's investment portfolio.

Interest and Other Receivables: The carrying amount approximates fair value due to the short maturity of such amounts.

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	As of June 30, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash equivalents	\$ 63,970	\$ -	\$ -	\$ 63,970
Certificates of deposit	-	247,198	-	247,198
Common stock	1,068,188	-	-	1,068,188
Government agency securities	-	110,013	-	110,013
Mutual fund - fixed income	831,993	-	-	831,993
Mutual fund - equity	99,221	-	-	99,221
Pooled fund - fixed income	-	1,970,695	-	1,970,695
Pooled fund - equities	-	1,437,132	-	1,437,132
Private pool	-	89,607	-	89,607
	<u>\$ 2,063,372</u>	<u>\$ 3,854,645</u>	<u>\$ -</u>	<u>\$ 5,918,017</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

NOTE P--NORTHERN OKLAHOMA COLLEGE FOUNDATION--Continued

Note E - Endowment Disclosures--Continued

The Foundation's investments in certain entities that calculate net asset value ("NAV") per share for which there is not a readily determinable fair market value include the following:

Pooled fund - Fixed income: This pooled fund is invested in a multi-strategy bond program, and will generally be invested in investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Investment in the multi-strategy bond fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Pooled fund - Equities: The fund is a multi-strategy equity program, and is primarily invested in investment grade common and preferred stock of domestic companies, and includes diversification through a portion of assets allocated to common stock and equity securities of foreign companies in developed and emerging markets. A portion of the fund is also allocated to marketable alternative investments in domestic and foreign markets. Investment in the multi-strategy equity fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Private pool investment: The fund is primarily invested in domestic and foreign bond fund programs. The private pool includes diversification through a portion of assets allocated to common stock and equity index funds, and a portion is also allocated to marketable alternative investments. Investment in the private pool can be redeemed at net asset value per unit share with 30 days notice.

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, 2012, and the College's discretely presented component unit, Northern Oklahoma College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 29, 2012. 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

Management of the College is responsible for establishing and maintaining effective 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, 2012

REPORTS REQUIRED BY
OMB CIRCULAR A-133

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

Board of Regents
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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	FY1011 Amount Expended
Student Financial Aid Cluster			
Federal Supplemental Education			
Opportunity Grant	U.S. Department of Education	84.007	\$ 133,828
Federal Direct Loan Program	U.S. Department of Education	84.268	10,450,008
Federal Work Study	U.S. Department of Education	84.033	68,107
Federal Pell Grant	U.S. Department of Education	84.063	<u>9,298,684</u>
Total student financial aid cluster			19,950,627
Upward Bound	U.S. Department of Education	84.047	166,336
GEAR-UP			
Pass-Through Program From: Oklahoma State Regents for Higher Education	U.S. Department of Education	84.334	3,377
Vocational Education National Centers for Career and Technical Education	U.S. Department of Education	84.051	68,810
Temporary Assistance to Needy Families	U.S. Department of Health and Human Services	93.558	288,526
Child Care and Development Block Grant	U.S. Department of Health and Human Services	93.575	148,113
AmeriCorps	Corporation for National and Community Service	94.006	5,601
Education and Human Resources	National Science Foundation	47.076	125,708
Pass-Through Program From State of Oklahoma Department of Agriculture for tree planting	U.S. Department of Transportation Highway Enhancement	20.205	<u>5,175</u>
			<u>\$ 20,762,273</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2012

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 DIRECT LOAN PROGRAM

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

NOTE C--LOANS OUTSTANDING

The College had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are not included as federal expenditures 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, 2012

State Grantor/Program Title	Contract Number	Contract Period	State Expenditures
Oklahoma Higher Learning Access Program (OHLAP)	N/A	7/1/11-6/30/12	\$ 700,897
State Regents Academic Scholarships	N/A	7/1/11-6/30/12	22,559
Indian Gaming Management Curriculum	N/A	7/1/11-6/30/12	6,407
CSI Grant	N/A	7/1/11-6/30/12	7,978
Process Technology Fund	N/A	7/1/11-6/30/12	104,848
Oklahoma Tuition Aid Grant Program (OTAG)	N/A	7/1/11-6/30/12	568,954
Quality Initiative Grant, Institute for Tribal Leadership	N/A	7/1/11-6/30/12	23,612
Teacher Education and Compensation Helps	N/A	7/1/11-6/30/12	<u>108,882</u>
Total state expenditures	N/A	7/1/11-6/30/12	<u>\$ 1,544,137</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2012

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	*

* 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, 2012

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

None to report for the June 30, 2012 period.

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

None to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2012

FINDING 2011-01: This finding was fully corrected in the current year.