

**NORTHERN
OKLAHOMA COLLEGE**

June 30, 2009

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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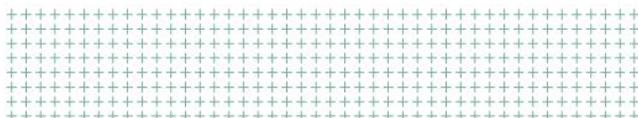
Independent Auditors' Report

To the Board of Regents
Northern Oklahoma College

We have audited the accompanying statements 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, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have also audited the financial statements of the separately presented component unit, the Northern Oklahoma College Foundation, Inc. (the "Foundation"). The financial statements of the College referred to above do not include the financial information of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately.

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 audits provide 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 the separately presented component unit as of June 30, 2009 and 2008, and the respective changes in its net assets and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 7, 2009

Northern Oklahoma College
Management's Discussion and Analysis
June 30, 2009 and 2008

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, 2009 and 2008. 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 that begin on page 3.

Discussion of the Basic Financial Statements

The 2009 and 2008 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, 2009 and 2008.

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

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

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2009 and 2008

Statements of Net Assets

	June 30		Increase (Decrease)	Percent Change
	2009	2008		
Current assets	\$ 8,798,865	\$ 6,763,372	\$ 2,035,493	30%
Noncurrent assets	28,782,124	30,146,922	(1,364,798)	-5%
Total Assets	37,580,989	36,910,294	670,695	2%
Liabilities				
Current liabilities	2,219,372	2,258,366	(38,994)	-2%
Noncurrent liabilities	15,185,071	15,725,995	(540,924)	-3%
Total liabilities	17,404,443	17,984,361	(579,918)	-3%
Net assets:				
Investment in capital assets, net of related debt	11,920,688	12,757,621	(836,933)	-7%
Restricted for expendable	2,904,481	2,105,694	798,787	38%
Unrestricted	5,351,377	4,062,618	1,288,759	32%
Total net assets	\$ 20,176,546	\$ 18,925,933	\$ 1,250,613	7%

During the period July 1, 2008 to June 30, 2009, the College's net assets increased by \$1,250,613. A significant increase in current assets of \$2,035,493 and decrease of \$1,364,798 in noncurrent assets resulted in a total increase of \$670,695 in total assets. The decrease in the noncurrent assets resulted from acquisitions of capital assets of \$2,081,836, offset by depreciation expense of \$3,018,035, and a decrease in construction in progress of \$3,916,643. These transactions resulted primarily from projects in conjunction with the OCIA Bond Issue 2005F and 2005G capital improvement projects. The increase in current assets resulted primarily from cash and cash equivalents.

Statements of Cash Flows

	2009	2008
Cash provided (used) by:		
Operating activities	\$ (15,394,779)	\$ (16,554,644)
Noncapital financing activities	17,477,559	17,183,196
Capital and related financing activities	(61,331)	(2,286,024)
Investing activities	208,088	444,003
Net change in cash	2,229,537	(1,213,469)
Cash, beginning of the year	5,867,709	7,081,178
Cash, end of year	\$ 8,097,246	\$ 5,867,709

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2009 and 2008

Operating Results

	June 30		Increase (Decrease)	Percent Change
	2009	2008		
Operating revenues:				
Tuition and fees, net	\$ 7,232,492	\$ 6,530,330	\$ 702,162	11%
Grants and contracts	1,906,207	770,767	1,135,440	147%
Auxiliary	5,026,653	3,800,531	1,226,122	32%
Other	161,904	31,390	130,514	416%
Total operating revenues	14,327,256	11,133,018	3,194,238	29%
Less operating expenses	33,861,288	31,739,758	2,121,530	7%
Net operating income (loss)	\$ (19,534,032)	\$ (20,606,740)	\$ 1,072,708	5%

During the period July 1, 2008 to June 30, 2009, the College's operating expenses increased by \$2,121,530, while the total operating revenues increased \$3,194,238. The increase in operating revenues is attributable to an increase in tuition and fees, grants and contracts, and auxiliary services. The increase in operating expenses is primarily attributable to an increase in compensation expenses of \$1,625,404 and financial aid of \$430,421.

	June 30		Increase (Decrease)	Percent Change
	2009	2008		
Nonoperating revenues (expenses):				
State appropriations	\$ 11,159,900	\$ 11,337,493	\$ (177,593)	-2%
On-behalf payments (teachers' retirements)	850,669	923,519	(72,850)	-8%
Grants and contracts	6,376,344	6,007,506	368,838	6%
Investment income	219,074	490,773	(271,699)	-55%
Interest expense	(751,411)	(778,837)	27,426	4%
Total nonoperating revenues	\$ 17,854,576	\$ 17,980,454	\$ (125,878)	-1%

During the period July 1, 2008 to June 30, 2009, the College's nonoperating revenues and expenses decreased by \$125,878. The change is attributable primarily to a decrease of \$177,593 in the Oklahoma State Finance appropriations the College received during 2009, a increase in grants and contracts of \$368,838, and a decrease in on-behalf payments of \$72,850. Investment income decreased by \$271,699 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 2009. Interest expense decreased \$27,426 primarily from the interest payments for the OCIA Series 2005F & 2005G Bond Issue and ODFA Revenue Bonds.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2009 and 2008

Operating Results--Continued

	June 30		(Decrease)	Percent Change
	2009	2008		
Net increase in net assets	\$ 1,250,613	\$ 104,759	\$ 1,145,854	1094%
Net assets, beginning of year	18,925,933	18,821,174	104,759	1%
	<u>\$ 20,176,546</u>	<u>\$ 18,925,933</u>	<u>\$ 1,250,613</u>	7%

Current assets consist primarily of cash and cash equivalents totaling \$7,678,977. 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 \$208,423 of accounts receivable and \$466,160 due from federal grants. Inventories of approximately \$352,000, which consists primarily of the bookstore, are also included current assets. Noncurrent assets consist primarily of capital assets (land, buildings, structures, etc.) net of depreciation totaling \$25,490,037, along with endowment funds of \$749,744, capital lease proceeds held by OCIA of \$2,174,250 and restricted cash and cash equivalents of approximately \$325,000. The restricted cash is cash that cannot be used by the College for operating activities and consists primarily of cash being held by a trustee from outstanding bonds. Current liabilities include \$1,118,217 of accounts payable, \$97,988 of accrued payroll, \$228,475 of accrued compensated absences, and approximately \$559,000 of amounts due on principal of bonds and capitalized lease obligations in the next 12 months. Noncurrent liabilities consist entirely of capital lease obligations and revenue bonds less the current portion.

Net assets totaled \$20,176,546, with \$11,920,688 as investment in capital assets, i.e., this is property and equipment less bonded indebtedness. There is \$715,086 restricted for scholarships and \$1,222,234 restricted for capital projects, along with \$418,269 restricted for debt service and \$548,892 restricted for loans. Approximately \$5,351,000 of the net assets in unrestricted.

Operating revenues consist primarily of tuition and fees and federal grants and contracts. There is also \$5,026,653 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. Nonoperating revenues and expenses consist primarily of state appropriations of approximately \$11,159,900, and on-behalf contributions for OTRS of \$850,669, along with investment income of \$219,074 and interest expense of \$751,411. Nonoperating revenues also include federal grants and contracts such as Pell and SEOG totaling \$6,376,344. For the year ended June 30, 2009, the College had an increase in net assets of \$1,250,613. Included in the increase in net assets are \$702,162 increase in tuition and fees, \$1,226,122 increase in auxiliary services, and increase of \$1,135,440 in federal grants and contracts, and a \$2,121,530 increase in operating expenses.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2009 and 2008

Capital Assets

As of June 30, 2009, the College had a net book value of fixed assets of \$25,490,037 compared to \$26,426,024 at June 30, 2008. In the current year, additions to construction in progress, land, improvements, infrastructure and buildings were approximately \$915,220, while purchases of machinery and equipment were \$1,166,616. Depreciation recorded for 2009 and 2008, was \$3,017,823 and \$2,909,582 respectively.

Capital Financing

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

In fiscal year 2006, the Oklahoma Capital Improvement Authority issued State Facilities Revenue Bonds (Higher Education Projects) Series 2005F and 2005G for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds totaling \$14,293,235. The revenue bond projects for Northern Oklahoma College include Wilkin Hall – Phase II Renovation, Nursing and Communications Building, Enid Campus Renovations, Vineyard Library/Administration Renovation and Expansion, and New Classroom Building-Stillwater. The Series 2005 Bonds bear interest payable on July 1 and January 1 of each year, beginning July 1, 2006 and the initial principal payment is July 1, 2007. The Series 2005F provides for monthly payments to OCIA for 24 years through July 1, 2030, or until the OCIA bonds and related interest are paid. The Series 2005G provide for monthly payments to OCIA for one year through July 1, 2007, or until the OCIA bonds and related interest are paid. Interest rates on these bonds range from 3.75 percent to 5.00 percent. A bond issuance premium of approximately \$410,000 is being amortized utilizing the effective interest method. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments. During 2009, \$304,233 principal payment was paid on the lease and \$624,790 in related interest was paid. Interest income in the amount of \$41,232 was earned on invested bond funds.

During fiscal 2004, the Oklahoma Development Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. The bonds were issued to refinance the outstanding series 1999 Revenue Bonds. The revenue bonds (Oklahoma Development Finance Authority Revenue Bond, Series 1999) were issued by the College to purchase the Phillips College Campus in Enid. Unamortized bond issuance costs and the discounts on the old bonds were written-off and are included in the other nonoperating revenues and expenses in 2004. The bonds are due in annual installments ranging from \$180,000 to \$300,000 through July 1, 2019. Interest rates on these bonds range from 3.00 percent to 5.40 percent. Funds used to repay these bonds come from the College's beneficial interest in the "Section Thirteen Fund State Education Institutions" and the "New College Fund." For the years ended June 30, 2009 and 2008, the net revenue from pledged sources before debt service payments was \$1,988,334 and \$1,771,020. Required principal payments for the years ended June 30, 2009 and 2008, amounted to \$195,000 and \$190,000 respectively.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2009 and 2008

Capital Financing--Continued

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

Proceeds from the OCIA lease were used to construct the Wellness Center. The Oklahoma State legislature appropriates revenues each year to fund the amount of principal interest due for that year. The College is required to pay any principal and interest due and not appropriated by the legislature because of lack of funding. For the years ended June 30, 2009 and 2008, the legislature appropriated \$39,215 and \$39,797 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

Proceeds from the ODFA lease were used to purchase two busses. Required principal payments for the years ended June 30, 2009 and 2008, amounted to \$30,000 and \$25,000 respectively.

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

The operating budget for the year July 1, 2009 to June 30, 2010, has been approved, and the estimated amount of state appropriations to be received is approximately \$10,994,639 of which \$10,294,639 is designated for Northern Oklahoma College and \$700,000 designated for University Center in Ponca City. These amounts reflect a 2.16% decrease in the amount that was received for Northern Oklahoma College and a 40% increase for the University Center as compared to the year ended June 30, 2009. The decrease for Northern Oklahoma College, however, was offset with \$799,310 of American Recovery and Reinvestment Act (ARRA) – Fiscal Stabilization Fund Program which resulted in a 5.44% increase in funding for Northern Oklahoma College. As a result, the College did not implement tuition or fee increases for the fiscal year ended June 30, 2010 in order keep costs stable for students in a financially challenging national economy. In August 2009, the College received notification that monthly state appropriations would be cut 5% each month for the remaining months of the fiscal year due to short falls in state revenues. State officials will continue to monitor incoming revenue levels throughout the rest of the fiscal year in order to notify state agencies if further reductions are required. In the event that further reductions are required, appropriate budget adjustments will be made in order to maintain adequate reserve balances as required. Presently, the College does not anticipate any other significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the College.

Request for Information

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

STATEMENTS OF NET ASSETS

NORTHERN OKLAHOMA COLLEGE

	Year ended June 30	
	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,678,977	\$ 5,453,756
Restricted cash and cash equivalents	93,702	86,575
Accounts receivable, net	208,423	418,357
Federal grants receivable	466,160	407,475
Inventories	<u>351,603</u>	<u>397,209</u>
TOTAL CURRENT ASSETS	8,798,865	6,763,372
NONCURRENT ASSETS		
Restricted cash and cash equivalents	324,567	327,378
Investments	749,744	738,758
Capital lease proceeds held by OCIA	2,174,250	2,610,016
Capital assets, net	25,490,037	26,426,024
Other assets	<u>43,526</u>	<u>44,746</u>
TOTAL NONCURRENT ASSETS	<u>28,782,124</u>	<u>30,146,922</u>
TOTAL ASSETS	<u>\$ 37,580,989</u>	<u>\$ 36,910,294</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,118,217	\$ 1,306,313
Accrued payroll	97,988	50,826
Accrued compensated absences	228,475	215,709
Deposits held in custody for others	216,164	133,094
Current portion of capital leases payable to OCIA	328,528	327,424
Current portion of capital leases payable to ODFA	30,000	30,000
Current portion of revenue bonds	<u>200,000</u>	<u>195,000</u>
TOTAL CURRENT LIABILITIES	2,219,372	2,258,366
NONCURRENT LIABILITIES		
Capital leases payable to OCIA, net	12,907,154	13,218,078
Capital leases payable to ODFA, net	27,917	57,917
Revenue bonds, net	<u>2,250,000</u>	<u>2,450,000</u>
TOTAL NONCURRENT LIABILITIES	<u>15,185,071</u>	<u>15,725,995</u>
TOTAL LIABILITIES	<u>\$ 17,404,443</u>	<u>\$ 17,984,361</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 11,920,688	\$ 12,757,621
Restricted for:		
Expendable		
Debt service	418,269	413,953
Capital projects	1,222,234	685,608
Scholarships	715,086	561,049
Loans	548,892	445,084
Unrestricted	<u>5,351,377</u>	<u>4,062,618</u>
TOTAL NET ASSETS	<u>\$ 20,176,546</u>	<u>\$ 18,925,933</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NORTHERN OKLAHOMA COLLEGE

	Years ended June 30	
	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Tuition and student fees	\$ 7,232,492	\$ 6,530,330
(net of scholarship allowance of \$3,669,000 and \$3,758,000, respectively)		
Auxiliary services	5,026,653	3,800,531
(net of scholarship allowance of \$2,683,000 and \$2,188,000, respectively)		
Federal and state grants and contracts	1,906,207	770,767
Other sources	<u>161,904</u>	<u>31,390</u>
TOTAL OPERATING REVENUE	14,327,256	11,133,018
OPERATING EXPENSES		
Compensation	18,595,258	16,969,771
Contractual services	327,750	280,760
Supplies and materials	6,891,341	7,310,253
Depreciation and amortization	3,018,035	2,909,582
Utilities	1,477,056	1,277,792
Communications	269,139	323,186
Financial Aid	1,674,963	1,244,542
Other	<u>1,607,746</u>	<u>1,423,872</u>
TOTAL OPERATING EXPENSES	<u>33,861,288</u>	<u>31,739,758</u>
OPERATING LOSS	(19,534,032)	(20,606,740)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	11,159,900	11,337,493
On-behalf contributions for OTRS	850,669	923,519
Federal and state grants and contracts	6,376,344	6,007,506
Investment income	219,074	490,773
Interest expense	<u>(751,411)</u>	<u>(778,837)</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>17,854,576</u>	<u>17,980,454</u>
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,679,456)	(2,626,286)
State appropriations restricted for capital purposes	1,988,334	1,771,020
OCIA on-behalf appropriations	<u>941,735</u>	<u>960,025</u>
CHANGE IN NET ASSETS	1,250,613	104,759
NET ASSETS AT BEGINNING OF YEAR	<u>18,925,933</u>	<u>18,821,174</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,176,546</u>	<u>\$ 18,925,933</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

NORTHERN OKLAHOMA COLLEGE

	Years ended June 30	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 7,442,426	\$ 6,619,174
Federal and state grants and contracts	1,053,616	770,767
Payments to suppliers	(11,394,717)	(11,751,279)
Payments to employees	(17,684,661)	(16,025,227)
Auxiliary enterprises sales and services	5,026,653	3,800,531
Other operating receipts (payments)	<u>161,904</u>	<u>31,390</u>
NET CASH USED IN OPERATING ACTIVITIES	(15,394,779)	(16,554,644)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,159,900	11,337,493
Non-operating grants	<u>6,317,659</u>	<u>5,845,703</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	17,477,559	17,183,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,142,155)	(10,408,979)
Principal paid on capital leases and bonds	(225,000)	(215,000)
Interest paid on capital leases and bonds	(99,986)	(124,917)
Capital appropriations received	1,970,044	1,771,020
Proceeds from OCIA capital lease	<u>435,766</u>	<u>6,691,852</u>
NET CASH USED IN FINANCING ACTIVITIES	(61,331)	(2,286,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	208,088	490,773
Proceeds from sales and maturities of investments	-	513,703
Purchase of investments	<u>-</u>	<u>(560,473)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>208,088</u>	<u>444,003</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,229,537	(1,213,469)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,867,709</u>	<u>7,081,178</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,097,246</u>	<u>\$ 5,867,709</u>

STATEMENTS OF CASH FLOWS--Continued

NORTHERN OKLAHOMA COLLEGE

	Years ended June 30	
	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (19,534,032)	\$ (20,606,740)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization expense	3,018,035	2,909,582
Loss of disposal of fixed assets	60,107	-
On-behalf payments	850,669	923,519
Changes in assets and liabilities:		
Receivables, net	209,934	88,844
Inventories	45,606	(59,510)
Accounts payable and accrued liabilities	(140,934)	111,970
Compensated absences and employee accruals	12,766	21,025
Deposits held in custody for others and other liabilities	<u>83,070</u>	<u>56,666</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (15,394,779)</u>	<u>\$ (16,554,644)</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES		
State appropriations for on-behalf capital lease payments	<u>\$ 939,315</u>	<u>\$ 960,025</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,678,977	\$ 5,453,756
Restricted cash and cash equivalents	93,702	86,575
Noncurrent assets		
Restricted cash and cash equivalents	<u>324,567</u>	<u>327,378</u>
	<u>\$ 8,097,246</u>	<u>\$ 5,867,709</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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.

Measurement Focus and Basis of Accounting: 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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

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

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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

Net Assets--Continued: 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.

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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

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

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; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: At June 30, 2009 and 2008, the carrying amounts of all College deposits with OST were \$8,097,246 and \$5,867,709, respectively. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$4,275,362 in 2009 and \$2,161,627 in 2008.

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

<u>OK Invest Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency Securities	\$ 1,881,622	\$ 1,938,006
Money Market Mutual Fund	337,090	337,090
Certificates of Deposit	272,485	272,485
Tri-party Repurchase Agreements	333,950	333,950
Mortgage Backed Agency Securities	969,451	981,201
Municipal Bonds	68,752	69,316
Foreign Bonds	8,145	8,145
U.S. Treasury Obligations	403,867	417,980
Totals	<u>\$ 4,275,362</u>	<u>\$ 4,358,173</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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Restricted Cash and Cash Equivalents: Restricted cash includes cash held by a bank trust department in compliance with the College's outstanding bond issue. In addition, there are other cash balances restricted as to their use. A summary of the restricted cash as of June 30 is as follows:

	2009	2008
Accounts held by Trustee		
Debt Service:		
Debt service account	\$ 324,567	\$ 327,378
Interest account	-	-
Revenue account	27,803	27,654
Earnings account	65,899	58,921
Total restricted cash	\$ 418,269	\$ 413,953
Restricted cash and cash equivalents per the statement of net assets:		
Current	\$ 93,702	\$ 86,575
Noncurrent	324,567	327,378
	\$ 418,269	\$ 413,953

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

Neither the College nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the College's investment in a single issuer. Neither the College's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2009 and 2008, none of the College's investments were subject to custodial credit risk.

At June 30, 2009 and 2008, the College had investments in funds totaling \$749,744 and \$738,758, respectively. At June 30 the market value of such securities was:

	2009	2008
Certificates of deposit	\$ 155,000	\$ 174,000
Money market fund	594,744	399,193
Federal Home Loan Bank bonds, rated AAA by Standard & Poor's, 3.7%-5.0%	-	165,565
	<u>\$ 749,744</u>	<u>\$ 738,758</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

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

NOTE C--ACCOUNTS RECEIVABLE

The College's accounts receivable primarily relate to tuition and fee charges to students and to auxiliary enterprise services to students, faculty and staff. Total accounts receivable is shown on the accompanying statement of net assets net of related allowances for doubtful accounts of approximately \$1,457,000 and \$2,081,000 at June 30, 2009 and 2008, respectively.

NOTE D--LOANS RECEIVABLE

Student loans made through Federal Perkins Loans Program (the Program) comprise all of the loans receivable at June 30, 2009 and 2008. There were no federal or institutional contributions to the Program during 2009 and 2008.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The College has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans, which will ultimately be written off. The allowance for uncollectible loans was approximately \$233,000 at June 30, 2009 and 2008, respectively. The net carrying amount of loans receivable was approximately \$5,000 at June 30, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE E--CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	2009			
	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,314,041	\$ 63,500	\$ -	\$ 1,377,541
Construction in progress	3,505,596	607,745	(3,916,643)	196,698
Total capital assets not being depreciated	<u>4,819,637</u>	<u>671,245</u>	<u>(3,916,643)</u>	<u>1,574,239</u>
Capital assets being depreciated:				
Land improvements	821,238	13,689	-	834,927
Infrastructure	1,752,994	12,771	16,102	1,781,867
Buildings and building improvements	39,568,302	277,834	3,840,434	43,686,570
Machinery and equipment	18,167,768	1,166,616	-	19,334,384
Total capital assets being depreciated	<u>60,310,302</u>	<u>1,470,910</u>	<u>3,856,536</u>	<u>65,637,748</u>
Less accumulated depreciation for:				
Land improvements	658,793	28,825	-	687,618
Infrastructure	725,630	124,343	-	849,973
Buildings and building improvements	22,573,898	1,367,011	-	23,940,909
Machinery and equipment	14,745,594	1,497,856	-	16,243,450
Total accumulated depreciation, net	<u>38,703,915</u>	<u>3,018,035</u>	<u>-</u>	<u>41,721,950</u>
Total capital assets being depreciated, net	<u>21,606,387</u>	<u>(1,547,125)</u>	<u>3,856,536</u>	<u>23,915,798</u>
Capital assets, net	<u>\$ 26,426,024</u>	<u>\$ (875,880)</u>	<u>\$ (60,107)</u>	<u>\$ 25,490,037</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE E--CAPITAL ASSETS--Continued

Capital asset activity for the year ended June 30, 2008 was as follows:

	2008			
	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,275,041	\$ 39,000	\$ -	\$ 1,314,041
Construction in progress	3,735,341	7,483,857	(7,713,602)	3,505,596
Total capital assets not being depreciated	<u>5,010,382</u>	<u>7,522,857</u>	<u>(7,713,602)</u>	<u>4,819,637</u>
Capital assets being depreciated:				
Land improvements	790,200	31,038	-	821,238
Infrastructure	1,270,297	191,590	291,107	1,752,994
Buildings and building improvements	31,387,070	780,037	7,401,195	39,568,302
Machinery and equipment	16,263,011	1,883,457	21,300	18,167,768
Total capital assets being depreciated	<u>49,710,578</u>	<u>2,886,122</u>	<u>7,713,602</u>	<u>60,310,302</u>
Less accumulated depreciation for:				
Land improvements	626,633	32,160	-	658,793
Infrastructure	603,827	121,803	-	725,630
Buildings and building improvements	21,101,795	1,472,103	-	22,573,898
Machinery and equipment	13,462,078	1,283,516	-	14,745,594
Total accumulated depreciation, net	<u>35,794,333</u>	<u>2,909,582</u>	<u>-</u>	<u>38,703,915</u>
Total capital assets being depreciated, net	<u>13,916,245</u>	<u>(23,460)</u>	<u>7,713,602</u>	<u>21,606,387</u>
Capital assets, net	<u>\$ 18,926,627</u>	<u>\$ 7,499,397</u>	<u>\$ -</u>	<u>\$ 26,426,024</u>

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

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."

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE F--FUNDS HELD IN TRUST BY OTHERS—Continued

The College received \$1,988,334 and \$1,771,020, during the years ended June 30, 2009 and 2008, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the College held in the trust by the Commissioners of the Land Office was \$27,704,300 and \$31,122,620, at June 30, 2009 and 2008, respectively.

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 years ended June 30, 2009 and 2008, is as follows:

	Year ended June 30, 2009				
	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Revenue bonds	\$ 2,645,000	\$ -	\$ (195,000)	\$ 2,450,000	\$ 200,000
1999 OCIA capital lease	336,624	-	(5,586)	331,038	20,481
2005 OCIA capital lease	13,208,878	-	(304,233)	12,904,645	308,047
ODFA capital lease	87,917	-	(30,000)	57,917	30,000
Accrued compensated absences	215,709	225,319	(212,553)	228,475	212,553
Total long-term liabilities	<u>\$ 16,494,128</u>	<u>\$ 225,319</u>	<u>\$ (747,372)</u>	<u>\$ 15,972,075</u>	<u>\$ 771,081</u>
	Year ended June 30, 2008				
	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Revenue bonds	\$ 2,835,000	\$ -	\$ (190,000)	\$ 2,645,000	\$ 195,000
1999 OCIA capital lease	358,724	-	(22,100)	336,624	23,191
2005 OCIA capital lease	13,494,101	-	(285,223)	13,208,878	304,233
ODFA capital lease	112,917	-	(25,000)	87,917	30,000
Accrued compensated absences	198,171	189,863	(172,325)	215,709	215,709
Total long-term liabilities	<u>\$ 16,998,913</u>	<u>\$ 189,863</u>	<u>\$ (694,648)</u>	<u>\$ 16,494,128</u>	<u>\$ 768,133</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, 2009

NOTE H--REVENUE BONDS

During fiscal 2004, the Oklahoma Development Finance Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. These bonds were issued to refinance the outstanding Series 1999 Revenue Bonds. The bonds were issued to provide funds to the Board of Regents on behalf of the College to refinance the acquisition of Phillips University campus in Enid and to pay certain costs of issuance of the bonds. Unamortized bond issuance costs and the discount on the old bonds were written-off in 2004 and were included in other nonoperating revenues and expenses in the accompanying statement of changes in net assets. The bonds are due in annual installments ranging from \$180,000 to \$300,000 through July 1, 2019. Interest is payable semiannually at rates from 3% 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 2006. Bonds maturing on or after June 1, 2014, are callable at the Authority's option at specified premiums, depending on the redemption date. The bonds are shown on the statement of net assets, net of discount of \$0 at June 30, 2009 and 2008, respectively. The College was in compliance with all significant debt covenants at June 30, 2009.

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>
2010	200,000	112,533	312,533
2011	210,000	105,133	315,133
2012	215,000	96,733	311,733
2013	225,000	87,918	312,918
2014	235,000	78,355	313,355
2015-2019	1,365,000	205,966	1,570,966
	<u>\$ 2,450,000</u>	<u>\$ 686,638</u>	<u>\$ 3,136,638</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

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

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 years ended June 30, 2009 and 2008, amounted to \$39,215 and \$39,797, respectively. During 2009 and 2008, there was \$23,375 and \$22,100, respectively, in principal paid on the lease and \$15,839 and \$17,697, respectively, in related interest paid.

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

	<u>Buildings</u>
Cost	\$ 719,514
Less: Accumulated depreciation	<u>(389,902)</u>
	<u>\$ 329,612</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>
2010	\$ 20,481	\$ 15,258	\$ 35,739
2011	25,564	14,235	39,799
2012	26,818	12,957	39,775
2013	28,140	11,616	39,756
2014	29,552	10,209	39,761
2015-2019	<u>177,107</u>	<u>29,887</u>	<u>206,994</u>
	307,662	94,162	401,824
Premium	<u>23,376</u>	-	<u>23,376</u>
	<u>\$ 331,038</u>	<u>\$ 94,162</u>	<u>\$ 425,200</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE I--LEASE COMMITMENTS--Continued

Oklahoma Capital Improvement Authority – Series 2005F and 2005G

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

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

Buildings, cost	\$ 12,813,677
Infrastructure, cost	803,516
Equipment, cost	14,500
Less: Accumulated depreciation	(1,020,505)
Construction in progress	196,697
Capital lease proceeds held by OCIA	2,174,250
	<u>\$ 14,982,135</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>
2010	\$ 308,047	\$ 612,266	\$ 920,313
2011	365,880	599,470	965,350
2012	381,554	583,881	965,435
2013	398,049	567,443	965,492
2014	417,041	548,666	965,707
2015-2019	2,481,130	2,421,083	4,902,213
2020-2024	3,183,519	1,737,570	4,921,089
2025-2030	4,999,566	905,742	5,905,308
	12,534,786	7,976,121	20,510,907
Premium	369,859	-	369,859
	<u>\$ 12,904,645</u>	<u>\$ 7,976,121</u>	<u>\$ 20,880,766</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE I--LEASE COMMITMENTS--Continued

Oklahoma Development Finance Authority

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

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

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

	<u>Transportation Equipment</u>
Cost	\$ 226,636
Less: Accumulated depreciation	<u>181,310</u>
	<u>\$ 45,326</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2010	\$ 30,000	\$ 2,445	\$ 32,445
2011	<u>27,917</u>	<u>1,186</u>	<u>29,103</u>
	<u>\$ 57,917</u>	<u>\$ 3,631</u>	<u>\$ 61,548</u>

Operating Lease

During the year ended June 30, 2008, the College entered into a three-year agreement to lease office space for \$9,350 per month. On a monthly basis, the College is reimbursed for \$3,100 of the lease expense by a third party. The related rental expense, net of reimbursements, was \$75,000 for the year ended June 30, 2009. Future minimum lease payments are \$112,200 annually for the years ending June 30, 2009 and June 20, 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE J--RETIREMENT PLAN

Oklahoma Teacher's Retirement System (OTRS)

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

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

Funding Policy: The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active OTRS members. The contribution rate for 2008 was 7.85% in July of 2007 with an increase to 8.35% on January 1, 2008. On January 1, 2009 the contribution rate changed to 8.05%. The College's contribution to OTRS for the years ended June 30, 2009, 2008 and 2007, was approximately \$1,988,000 \$1,775,000 and \$1,139,000, 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 2009, 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 number of covered OTRS members to the number of total covered OTRS members for the year by the applicable percentage of taxes collected during the year. The College's prorated share of these payments for the years ended June 30, 2009 and 2008, was approximately \$850,000 and \$924,000, respectively, and is recognized in non-operating revenues and compensation and employee benefit expenses.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE J--RETIREMENT PLAN--Continued

Deferred Compensation Agreements

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

During the years ended June 30, 2009 and 2008, the College remitted approximately \$30,000 and \$46,000 to the deferred compensation accounts. The College has recorded these payments as compensation expense.

NOTE K--POST EMPLOYMENT BENEFITS

The College is funding on a pay-as-you-go basis health and dental insurance premiums for eight College retirees. In additions, the College pays for term life insurance for seven retirees. Cost of the benefits for 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Health and dental insurance	<u>\$ 13,000</u>	<u>\$ 12,429</u>
Term life insurance	<u>\$ 300</u>	<u>\$ 306</u>

NOTE L--RELATED PARTY TRANSACTIONS

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

For substantially all scholarships awarded by the Foundation, amounts are remitted to the College. Subsequently, the College makes payments directly to the award recipients. Such amounts approximated \$79,000 and \$89,000 in 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE M--RISK MANAGEMENT

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

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

NOTE N--COMMITMENTS AND CONTINGENCIES

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

The College participates in the Federal Family Education Loan Program (the Program), which includes the Federal Stafford Loan Program, Federal Parents Loans for Undergraduate Students, and Federal Supplemental Loans for Students. The Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the years ended June 30, 2009 and 2008, \$8,848,724 and \$8,450,865, respectively, of program loans were provided to students.

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

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE O--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

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

In 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

In 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts ("SGIC's") that are fully benefit-responsive, are reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

EXHIBIT I

**NORTHERN OKLAHOMA COLLEGE
FOUNDATION, INC.**

**NORTHERN
OKLAHOMA COLLEGE
FOUNDATION, INC.**

June 30, 2009

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2009

Audited Financial Statements

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Supplementary Information

Combining Statement of Activities	14
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Independent Auditors' Report

Board of Trustees
Northern Oklahoma College Foundation, Inc.
Tonkawa, Oklahoma

We have audited the accompanying statement of financial position of Northern Oklahoma College Foundation, Inc. (the "Foundation") as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Oklahoma College Foundation, Inc. at June 30, 2009, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 3, 2009

STATEMENT OF FINANCIAL POSITION

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

June 30, 2009

ASSETS

Cash	\$	101,387
Investments		2,139,844
Loans receivable		13,736
Other receivables		898
Property and equipment, net		<u>103,075</u>

TOTAL ASSETS 2,358,940

LIABILITIES

Accounts payable		<u>550</u>
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TOTAL LIABILITIES 550

NET ASSETS

Unrestricted		523,561
Temporarily restricted		921,180
Permanently restricted		<u>913,649</u>

TOTAL NET ASSETS 2,358,390

TOTAL LIABILITIES AND NET ASSETS \$ 2,358,940

See notes to financial statements.

STATEMENT OF ACTIVITIES

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Investment income				
Interest and dividend income	\$ 15	\$ 29,972	\$ -	29,987
Unrealized loss	<u>(307,580)</u>	<u>(95,313)</u>	<u>-</u>	<u>(402,893)</u>
Net investment income	(307,565)	(65,341)	-	(372,906)
Contributions	880	151,137	-	152,017
Other income	-	64,680	-	64,680
Net assets released from restriction	<u>196,462</u>	<u>(196,462)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	(110,223)	(45,986)	-	(156,209)
EXPENSES				
Scholarships to Northern Oklahoma College	79,220	-	-	79,220
General and administrative expense	11,355	-	-	11,355
Program expense	101,415	-	-	101,415
Fundraising expense	<u>11,675</u>	<u>-</u>	<u>-</u>	<u>11,675</u>
TOTAL EXPENSES	<u>203,665</u>	<u>-</u>	<u>-</u>	<u>203,665</u>
CHANGE IN NET ASSETS	(313,888)	(45,986)	-	(359,874)
NET ASSETS AT BEGINNING OF YEAR	578,992	1,528,666	610,606	2,718,264
RECLASSIFICATIONS - <i>Note H</i>	<u>258,457</u>	<u>(561,500)</u>	<u>303,043</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 523,561</u>	<u>\$ 921,180</u>	<u>\$ 913,649</u>	<u>\$ 2,358,390</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (359,874)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized loss on investments	402,893
Depreciation	10,620
Changes in operating assets and liabilities:	
Accrued interest receivable	325
Accounts payable	(450)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>53,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	16,208
Purchase of investments	(41,355)
Purchase of equipment	(10,096)
Net change in loans receivable	(328)
NET CASH USED IN INVESTING ACTIVITIES	<u>(35,571)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>83,444</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 101,387</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

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.

Basis of Presentation: The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net Asset Classification: In August 2008, The Financial Accounting Standards Board (FASB) issued Staff Position No. 117-1: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FAS 117-1"). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Net assets 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

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

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

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.

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.

Contributions due in more than one year are recorded at present value, while amounts due in less than one year are recorded at realizable value. Amortization of the discount is recorded as additional contribution revenue.

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: In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to the Foundation's annual financial statements ending on June 30, 2010 and the Foundation has elected to defer application of FIN 48. The Foundation does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

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 \$500 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.

Fair Value Measurements: On July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157") with respect to financial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value under SFAS 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

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

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

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

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

Subsequent Events: The Foundation has evaluated subsequent events through December 3, 2009, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2009 financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE B--INVESTMENTS

The fair value of investments by type are as follows:

	<u>2009</u>
Certificates of deposit	\$ 317,641
Equity securities	159,977
Pooled investment funds	<u>1,662,226</u>
	<u>\$ 2,139,844</u>

At June 30, 2009, the fair value of donor-restricted endowment fund investments was more than the original corpus due to unrealized gains. The aggregate surplus totals \$34,332.

NOTE C--PROPERTY AND EQUIPMENT

	<u>2009</u>
Land	\$ 30,000
Equipment	<u>106,203</u>
	136,203
Less accumulated depreciation	<u>(33,128)</u>
Net property and equipment	<u>\$ 103,075</u>

NOTE D--RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 are restricted for the following purposes:

Scholarships	\$ 891,727
Loans	<u>29,453</u>
	<u>\$ 921,180</u>

Permanently restricted net assets at June 30, 2009 are restricted for the following purposes:

Scholarships	\$ 712,142
Loans	101,507
Lectureship	<u>100,000</u>
	<u>\$ 913,649</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE E--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, 2009, the Foundation awarded scholarships totaling approximately \$79,000 to students of the College.

NOTE F--ENDOWMENT DISCLOSURES

The Foundation's endowment consists of 35 individual donor-restricted funds and 2 other funds which are managed and controlled by the Foundation. As required by FAS 117-1, 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 Directors 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") and the Foundation has adopted FAS 117-1 in its financial statements effective July 1, 2008. The Board of Directors 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (70,663)	\$ 99,345	\$ 913,649	\$ 942,331
Board-designated endowment funds	27,650	-	-	27,650
Total Funds Invested	<u>\$ (43,013)</u>	<u>\$ 99,345</u>	<u>\$ 913,649</u>	<u>\$ 969,981</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 12,063	\$ 218,037	\$ 913,649	\$ 1,143,749
Investment return:				
Investment income	-	1,841	-	1,841
Net depreciation (realized and unrealized)	(55,076)	(114,333)	-	(169,409)
Net investment return	(55,076)	(112,492)	-	(167,568)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(6,200)	-	(6,200)
Endowment Net Assets	<u>\$ (43,013)</u>	<u>\$ 99,345</u>	<u>\$ 913,649</u>	<u>\$ 969,981</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2009:

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	\$ 913,649
Total endowment funds classified as permanently restricted net assets	<u>\$ 913,649</u>

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions	\$ 99,345
Total endowment funds classified as temporarily restricted net assets	<u>\$ 99,345</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were approximately \$70,663 at June 30, 2009. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the 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 constant 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 the 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 the Lehman Brothers Intermediate Government/Corporate Bond Index while maintaining a risk level similar to that of the benchmark.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE F--ENDOWMENT DISCLOSURES--Continued

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.

NOTE G--FAIR VALUE MEASUREMENTS

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: Investments in certificates of deposits and equity securities are stated at market value based on quoted market prices when available and/or as determined by nationally recognized independent third party pricing services and provided to the Foundation by the investment manager. Pooled investment funds are stated at fair value as determined by the fund manager.

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

Accounts Payable and Accrued Liabilities: The carrying amount of the liability approximates fair value due to its short maturity.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

JUNE 30, 2009

NOTE G--FAIR VALUE MEASUREMENTS--Continued

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

	As of June 30, 2009			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments	\$ 159,977	\$ 317,641	\$ 1,662,226	\$ 2,139,844

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

Investments: When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. As such, equity securities are classified as Level 1. The fair values of certificates of deposit are based on yield curves, interest rates, and other relevant factors and are classified as Level 2. Pooled investment funds are classified within Level 3 of the hierarchy and the fair values are determined by the fund manager.

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets for the period ending June 30, 2009:

	Investments
Balance at July 1, 2008	\$ 1,984,565
Net unrealized loss	(322,339)
Balance at June 30, 2009	<u>\$ 1,662,226</u>

NOTE H--CLASSIFICATION OF NET ASSETS

In 2009 in conjunction with implementation of FAS 117-1, the Foundation's management performed an evaluation of the Foundation's net asset classifications and reviewed substantially all funds held by the Foundation. The Foundation reviewed donor restrictions, fund agreements, and other relevant information to determine the proper net asset classification of each fund. Performance of this evaluation and review resulted in an increase in unrestricted net assets and permanently restricted net assets of \$258,457 and \$303,043, respectively, and a decrease in temporarily restricted net assets of \$561,500 as of July 1, 2008. Total net assets did not change.

COMBINING STATEMENT OF ACTIVITIES

NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

Year Ended June 30, 2009

	Tonkawa Unrestricted	Tonkawa Temporarily Restricted	Tonkawa Permanently Restricted	Enid Unrestricted	Enid Temporarily Restricted	Enid Permanently Restricted	Total
REVENUES AND SUPPORT							
Investment income							
Interest and dividend income	\$ 7	\$ 22,136	\$ -	\$ 8	\$ 7,836	\$ -	29,987
Unrealized gain	(270,841)	(104,824)	-	(36,739)	9,511	-	(402,893)
Total investment income	(270,834)	(82,688)	-	(36,731)	17,347	-	(372,906)
Contributions	-	136,932	-	880	14,205	-	152,017
Other income	-	53,114	-	-	11,566	-	64,680
Net assets released from restriction	172,314	(172,314)	-	24,148	(24,148)	-	-
TOTAL REVENUES AND SUPPORT	(98,520)	(64,956)	-	(11,703)	18,970	-	(156,209)
EXPENSES							
Scholarships to							
Northern Oklahoma College	66,770	-	-	12,450	-	-	79,220
General and administrative expense	11,355	-	-	-	-	-	11,355
Program expense	91,624	-	-	9,791	-	-	101,415
Fundraising expense	11,675	-	-	-	-	-	11,675
TOTAL EXPENSES	181,424	-	-	22,241	-	-	203,665
CHANGE IN NET ASSETS	(279,944)	(64,956)	-	(33,944)	18,970	-	(359,874)
NET ASSETS AT BEGINNING OF YEAR	581,174	1,409,620	431,729	(2,182)	119,046	178,877	2,718,264
RECLASSIFICATIONS - Note H	226,659	(535,515)	316,789	31,798	(25,985)	(13,746)	-
NET ASSETS AT END OF YEAR	<u>\$ 527,889</u>	<u>\$ 809,149</u>	<u>\$ 748,518</u>	<u>\$ (4,328)</u>	<u>\$ 112,031</u>	<u>\$ 165,131</u>	<u>\$ 2,358,390</u>

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") as of and for the year ended June 30, 2009, and the College's separately presented component unit, Northern Oklahoma College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 7, 2009. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. The financial statements of the College referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation is presented separately. 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.

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 of the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2009-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The College's response to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. We did not audit the College's response, and, accordingly, we express no opinion on it.

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
December 7, 2009

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

Board of Regents
Northern Oklahoma College

Compliance

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

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

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



Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the 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
December 7, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Fy 0809 Amount Expended
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grant	U.S. Department of Education	84.007	\$ 88,375
Federal Family Education loans	U.S. Department of Education	84.032	8,848,724
Federal Work Study	U.S. Department of Education	84.033	57,725
Federal Pell Grant	U.S. Department of Education	84.063	5,075,830
Academic Competitiveness Grants	U.S. Department of Education	84.375	<u>95,900</u>
Total student financial aid cluster			14,166,554
Workforce Investment Act	Department of Labor	17.259	23,641
Vocational Education National Centers for Career and Technical Education	Department of Education	84.051	51,300
Temporary Assistance to Needy Families	Department of Health	93.558	293,905
Child Care and Development Block Grant	Department of Health	93.575	210,478
AmeriCorps	Corporation for National	94.006	12,844
Upward Bound	U.S. Department of Education	84.047	<u>267,663</u>
			<u>\$ 15,026,385</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

NOTE C--LOANS OUTSTANDING

The College had the following loan balances outstanding at June 30, 2009. The loan programs are also included in the Schedule of Expenditures of Federal Awards.

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

NOTE D--SUBRECIPIENTS

The College provided no federal awards to subrecipients.

SCHEDULE OF STATE AWARDS

NORTHERN OKLAHOMA COLLEGE

June 30, 2009

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>State Expenditures</u>
Oklahoma Higher Learning Access Program (OHLAP)	N/A	7/1/08-6/30/09	\$ 594,564
State Regents Academic Scholarships	N/A	7/1/08-6/30/09	11,650
Kaw Nation Avian Project	N/A	7/1/08-6/30/09	-
Kaw Nation Wind Energy Project	N/A	7/1/08-6/30/09	-
Indian Gaming Management Curriculum	N/A	7/1/08-6/30/09	8,492
CSI Grant	N/A	7/1/08-6/30/09	4,649
Language for Life	N/A	7/1/08-6/30/09	-
Nursing Grant Fund	N/A	7/1/08-6/30/09	40,481
Process Technology Fund	N/A	7/1/08-6/30/09	570
Oklahoma Tuition Aid Grant Program (OTAG)	N/A	7/1/08-6/30/09	480,428
Quality Initiative Grant, Institute for Tribal Leadership	N/A	7/1/08-6/30/09	51,851
OCAST - Science	N/A	7/1/08-6/30/09	-
Teacher Education and Compensation Helps	N/A	7/1/08-6/30/09	<u>131,219</u>
Total state expenditures	N/A	7/1/08-6/30/09	<u>\$ 1,323,904</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X 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 X 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: \$450,792

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

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

See Finding 2009-01.

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

None to report for the June 30, 2009 period.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

FINDING 2009-01

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

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

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

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

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

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

Views of Responsible Official and Planned Corrective Action:

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

FINDING 2008-01

Program CDFA No: 84.063

CFDA Program Title: Federal Pell Grant Program

Deficiency: In our file testing we noted that one student was administratively withdrawn from his classes for the Spring semester because he never attended class, causing an institutional refund to the Pell Grant Program. The refund was not returned to the Pell program within the required time frame of 45 days of the date in which the institution became aware of the change in the student's status.

Requirement: In accordance with 34 CFR 668.22, the institution must make the disbursement as soon the institution becomes aware of the student's withdraw, but no later than 45 days after the date of the institution's determination that the student withdrew.

Potential Effects: The institution did not meet the requirement for the timely submission of Pell data; therefore the students may be more likely to become over-awarded.

Cause of the Condition: Student dropped from full-time to $\frac{3}{4}$ time during the semester. At that time the student's Pell award was adjusted from a full-time award to a three-fourths time award. Later in the semester the financial aid department was notified that the student stopped attending class which caused him to be totally withdrawn. The financial aid department failed to make the final Pell adjustment to his account as they saw the previous adjustment on his account and assumed it was the final adjustment.

Recommendation: We recommend the institution assign a financial aid staff member the responsibility of reviewing the Return of Title IV calculations monthly to determine that the College disbursed the refunds within the 45 day required timeframe.

Institution Response: The student in question did attend class, but was administratively withdrawn because he ceased attending. Although the Return to Title IV calculation was completed within the prescribed timeframe, due to an oversight the Pell adjustment was not finalized on the student's account, therefore it was not reported to COD until it was discovered and adjusted. The Financial Aid Director regularly monitors student withdrawals and performs R2T4 calculations. These transactions are listed on a spreadsheet which is updated when the prescribed action has been performed. All student accounts listed on the spreadsheet will be double checked to be sure that the correct adjustments and returns have been completed and reported.

Current Status: The planned corrective action has been implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

FINDING 2008-02

Program CFDA No: Title IV Programs – General

CFDA Program Title: Title IV Programs – General

Deficiency: In our file testing we noted that one student's cost of attendance was over budgeted by \$900. The budget for one semester for a full time, off-campus student at the main location with one child care credit adjustment is \$5,946 (\$5,046 cost of education per semester + \$900 child care credit per semester). The institution had budgeted the student with a whole year of child credit resulting in a yearly budget of \$6,846. (5,046 + 1,800). Thus creating an overstatement of \$900.

Requirement: Per the 2007-2008 SFA Handbook (vol.5 pg.10), an overpayment exists whenever a student receives aid that exceeds his or her eligibility for a Title IV program. Overpayments can be caused by miscalculating cost of attendance. The institution is liable for any amount of a Pell Grant or FSEOG overpayment that occurred because the institution failed to follow the requirements in 34 CFR. If the institution makes a FSEOG overpayment in any amount for which it is liable, you must immediately restore an amount equal to the overpayment plus any administrative cost allowance claimed on the overpayment.

Potential Effects: The institution miscalculated the cost of attendance; therefore, the students may be more likely to become over-awarded.

Cause of the Condition: The miscalculation occurred because the counselor processing the documentation was a new employee who had just started working for NOC and did not have adequate experience.

Recommendation: We recommend the institution implement a review process that would require packaged financial aid files to be subsequently reviewed by a second staff member to verify accuracy and compliance.

Institution Response: Files completed by new counselors are being reviewed during their training periods for as long as the Financial Aid Director feels is necessary to achieve accuracy. In addition, as other counselors have occasion to pull a student file for any reason, they will review the accuracy of the budget calculations.

Current Status: The planned corrective action has been implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

FINDING 2008-03

Program CFDA No: 84.007

CFDA Program Title: Federal Family Education Loan Program

Deficiency: All fall gradate students tested for proper NSLDS status changes were reported to the Student Status Clearing House within a period of 75 days exceeding the requirements period of 60days. Fall semester graduate status become effective December 14, 2007, the status reports were sent to the Student Status Clearing House on February 27, 2008.

Requirement: In accordance with 34 CFR 682.610, the institution must certify information and return the Roster file within 60 days of receiving it. Changes in enrollment to less than half time, graduated, or withdrawn must be reported within 60 days.

Potential Effects: Incorrect reporting of status changes results in unreliable data in the National Student Loan Data System. This system is used to determine repayment dates, deferments, grace periods, and future loans. This could affect the calculation or decisions involving the items listed above.

Cause of the Condition: The College requires all graduate students to be verified by the Director of Student Affairs before the Student Status Report can be sent to the Clearinghouse. The verification process for the Fall 2007 semester was more time consuming and that affected the timing for the filing of the Student Status Reports.

Recommendation: We recommend that the Institution review each roster in a timely manner to verify students who have graduated are reported to the Clearinghouse within the required 60 days.

Institution Response: The Registrar's Office is responsible for checking to see that the students scheduled to graduate have met all the academic requirements. Once this is coded into the POISE system, the graduate report is sent to the Clearinghouse. The Registrar has been advised of the importance of completing this task so that the report can be submitted within the 60 day timeframe. Also, the Clearinghouse has been instructed to send the email reminder that the report is due directly to the Financial Aid Director.

Current Status: The planned corrective action has been implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

NORTHERN OKLAHOMA COLLEGE

Year Ended June 30, 2009

FINDING 2008-04

Program CDFA No: 84.033

CFDA Program Title: Federal Work Study

Deficiency: In our file testing we noted that the institution paid Federal Work Study (FWS) funds in excess of what was awarded, causing an overaward to two students.

Requirement: In accordance with 34 CFR 673.5(d), there is a \$300 overaward tolerance/threshold for all campus-based programs. The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. If a school learns that a student received financial assistance that was not included in calculating the student's eligibility for aid from the campus-based programs and that assistance would result in the student's total financial aid exceeding his or her financial need by more than \$300, the school must take steps to resolve the overpayment. Because the student can't be required to repay wages earned, the school can only adjust FWS by reducing future payments. The school can continue to employ the student, but the student can't be paid from FWS funds. If the school has already adjusted all other federal aid and institutional aid, and there's still an overaward, the school must reimburse the FWS program from the school's institutional funds.

Cause of the Condition: One of these student initially indicated that she would be living off campus and her awards were figured based on the off campus budget. She later decided to move on campus, her budget was changed which lowered her FWS award. The counselor failed to notify the Director of the change so the FWS earnings were monitored based on the first award. The other student earned all of her FWS award for the academic year during the Fall semester, but did not return for the Spring semester.

Recommendation: We recommend the institution implement a review process that would include a monthly review of FWS students and the amount of awarded FWS funding remaining.

Institution Response: The Financial Aid Office is currently reviewing the FWS payroll twice a month as each payroll is completed. If a student has earned all the FWS award, the payroll office is instructed to take the student off of the FWS payroll and move them to the institutional student payroll. All personnel have been instructed to report changes in FWS awards to the Director who keeps a spreadsheet showing each student's amount awarded, amount earned and percentage earned.

Current Status: The planned corrective action has been implemented.