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NOV 04 2011
REC: DLK/BOS

Seminole State College
Financial Statements
with Independent Auditors' Reports
June 30, 2011



Seminole State College
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June 30, 2011

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**Independent Auditors' Report on Financial Statements
and Supplementary Information**

Board of Regents
Seminole State College
Seminole, Oklahoma

We have audited the accompanying basic financial statements of Seminole State College (the College) and its discretely presented component unit, collectively a component unit of the state of Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

Seminole State College Foundation, Inc. (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We also audited the financial statements of the Foundation, and our opinion as it relates to our audit of those financial statements is included in that separate set of financial statements.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the College's basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the College's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the College's basic financial statements taken as a whole.

Hilde & Company PC

Tulsa, Oklahoma
September 14, 2011



Seminole State College

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

The following discussion and analysis of the financial performance of Seminole State College (the "College") provides an overview of the financial activities based on currently known facts, decisions and conditions for the fiscal years ended June 30, 2011 and 2010. This analysis is intended to provide you, the reader, an understanding of the accompanying financial statements.

Overview

The College presents its financial statements in accordance with the business-type activities format under The *Governmental Accounting Standards Board (GASB)*. Accordingly, the financial statements includes management's discussion and analysis (as required supplementary information); the statements of net assets; the statements of revenues, expenses, and changes in net assets; the statements of cash flows; and explanatory notes to the financial statements.

These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting reports the current year's revenues and expenses regardless of when cash is actually received or disbursed.

Statement of Net Assets

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

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

Assets are what the College owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation.

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Statement of Net Assets (Continued)

The following table shows a condensed statement of net assets at June 30, 2011 and June 30, 2010:

**Condensed Statements of Net Assets
Years Ended June 30**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,023,276	\$ 1,677,923	\$ 345,353
Noncurrent assets:			
Capital assets, net	21,391,193	22,322,947	(931,754)
Other	<u>2,309,227</u>	<u>1,671,988</u>	<u>637,239</u>
Total assets	<u>25,723,696</u>	<u>25,672,858</u>	<u>50,838</u>
Current liabilities	1,740,796	1,881,449	(140,653)
Non-current liabilities	<u>21,334,213</u>	<u>21,070,293</u>	<u>263,920</u>
Total liabilities	<u>23,075,009</u>	<u>22,951,742</u>	<u>123,267</u>
Net assets:			
Invested in capital assets, net of related debt	728,292	1,090,980	(362,688)
Restricted	1,256,736	1,256,736	-
Unrestricted	<u>663,659</u>	<u>373,400</u>	<u>290,259</u>
Total net assets	<u>2,648,687</u>	<u>2,721,116</u>	<u>(72,429)</u>

Assets – increased

- Current Assets increased in the current year \$345,353 as a result of increase in current cash and cash equivalents.
- Capital assets, net of accumulated depreciation decreased \$931,754 due to retirements and depreciation, which is offset slightly by capital asset additions.
- Other non-current assets increased \$637,239 primarily as a result of the College's participation in the Oklahoma Development Finance Authority's Public Facilities Revenue Bonds, OCIA Capital Bonds, and Master Lease Series.

Liabilities – decreased slightly

- Current liabilities decreased slightly \$140,653 primarily due to reductions in the current portion amounts of non-current liabilities.
- Non-current liabilities increased \$263,920 mainly due to the OCIA debt restructuring of the 2005F capital lease obligation.

Net Assets – decreased slightly, Unrestricted Net Assets increased

- Net assets represent the total assets of the College less total liabilities. The change in net assets of \$72,429 is a net component of the changes to assets and liabilities as described above, and in the footnotes to the financial statements.
- Unrestricted net assets increased \$290,259 reflecting that the College has been able to end the fiscal year better than the year before.

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Condensed Statements of Revenues, Expenses & Changes in Net Assets

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

The purpose of this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent. Operating revenues are generally received for providing goods and services to various customers of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided.

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

**Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Total operating revenues	4,717,441	5,374,137	(656,696)
Less operating expenses	<u>17,168,024</u>	<u>17,564,257</u>	<u>(396,233)</u>
Operating Loss	(12,450,583)	(12,190,120)	(260,463)
Non-operating revenues (expenses):			
Net nonoperating revenues	11,049,227	11,023,800	25,427
Income (loss) before other changes	(1,401,356)	(1,166,320)	(235,036)
OCIA on-behalf state appropriations	869,939	694,001	175,938
State appropriations restricted for capital projects	<u>458,988</u>	<u>467,266</u>	<u>(8,278)</u>
Net decrease in net assets	(72,429)	(5,053)	(67,376)
Net assets, beginning of year	<u>2,721,116</u>	<u>2,726,169</u>	<u>(5,053)</u>
Net assets, end of year	<u>\$ 2,648,687</u>	<u>\$ 2,721,116</u>	<u>(72,429)</u>

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Operating Revenues

The following table summarizes the operating revenues by source, which were used to fund the College's operating activities for the fiscal years ended June 30:

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Tuition and fees, gross	\$ 3,533,291	\$ 3,411,770	\$ 121,521
Less Scholarship allowance	<u>(3,365,000)</u>	<u>(2,966,000)</u>	<u>(399,000)</u>
Net	<u>168,291</u>	<u>445,770</u>	<u>(277,479)</u>
Grants and contracts	4,098,921	4,270,208	(171,287)
Auxiliary enterprise charges, gross	2,534,991	2,663,609	\$ (128,618)
Less Scholarship allowance	<u>(2,415,000)</u>	<u>(2,285,000)</u>	<u>(130,000)</u>
Net	<u>119,991</u>	<u>378,609</u>	<u>(258,618)</u>
Other	<u>330,238</u>	<u>279,550</u>	<u>50,688</u>
Total operating revenues	<u>4,717,441</u>	<u>5,374,137</u>	<u>(656,696)</u>

Operating revenues:

- A slight increase in enrollment has allowed for the continuation of small class sizes and personal attention to every student attending the College.
- An increase in the scholarship allowance of \$529,000, which is due to an increase and reclassification of Direct Student Loans, has resulted in a decrease in net revenues for tuition, fees, and auxiliary enterprises of \$536,097.
- A decrease in grant awards for the College in the amount of \$171,287 was tied directly to the ending of the Native American Serving Non-Tribal Institution Title III grant along with the Distance Learning grant, but was offset slightly with the new Health Sciences Student Support Services grant.
- A decrease in bookstore sales tied primarily to the Textbook Rental Program reflects a \$128,618 change in auxiliary services.

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Operating Expenses

The following table summarizes the operating expenses by classification, for the fiscal years ended June 30:

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Compensation & employee benefits	\$ 10,283,766	\$ 10,044,570	\$ 239,196
Contractual services	820,591	404,056	416,535
Supplies & materials	1,628,672	2,221,226	(592,554)
Utilities	497,164	502,878	(5,714)
Communications	178,328	193,233	(14,905)
Other operating expenses	1,906,778	1,879,980	26,798
Scholarships & fellowships	678,464	1,205,571	(527,107)
Depreciation expense	<u>1,174,261</u>	<u>1,112,743</u>	<u>61,518</u>
Total operating expenses	<u>17,168,024</u>	<u>17,564,257</u>	<u>(396,233)</u>

Operating expenses decreased by \$396,233 and reflect the normal expenses of operating the College, and carrying out the educational mission. The decrease in expenses reflects the use of operating revenues and state appropriations, as follows:

- Employee compensation and benefits resulted in an increase of \$239,196, mostly due to increased medical/dental insurance rates and other fringe increases.
- Contractual services and supplies and materials net change of \$176,019 was due to the transition to capital assets from the completion of campus construction in the prior year.
- Scholarships & fellowships decreased \$527,107 due to an increase and reclassification of the scholarship allowance category, offset by the continued efforts of the College's commitment to students in their struggle to afford a quality college education.

Non-Operating Revenues and Expenses

Certain revenue sources that the College relies on to maintain more affordable tuition rates and provide funding for operations, including State Appropriations, are defined under GASB as non-operating revenue. Non-operating expenses include costs related to capital assets. The following summarizes the non-operating revenues and expenses for the fiscal years ended June 30:

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Non-Operating Revenues and Expenses (Continued)

**Non-operating Revenues and Expenses
Years Ended June 30**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Non-operating Revenues (Expenses)			
State appropriations	\$ 5,874,195	\$ 5,869,079	\$ 5,116
State appropriations - ARRA Funds	419,766	482,929	(63,163)
On-behalf contributions for Teachers'			
Retirement System	395,000	341,000	54,000
Federal grants - non-operating	4,929,288	4,666,748	262,540
State grants - non-operating	618,192	713,780	(95,588)
Investment Income	9,117	8,959	158
Other non-operating	-	-	-
Interest expense	<u>(1,196,331)</u>	<u>(1,058,695)</u>	<u>(137,636)</u>
Net Non-operating Revenues (Expenses)	<u>11,049,227</u>	<u>11,023,800</u>	<u>25,427</u>

Net non-operating revenues and expenses reflect a slight increase of \$25,427, due to an increase in Federal student aid.

Statement of Cash Flows

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

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Statement of Cash Flows (Continued)

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

Condensed Statements of Cash Flows
Years Ended June 30

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Cash provided by (used in):			
1) Operating activities	\$ (10,783,726)	\$ (10,807,531)	\$ 23,805
2) Noncapital financial activities	11,841,441	11,732,536	108,905
3) Capital and related financing activities	(693,275)	(823,291)	130,016
4) Investing activities	<u>27,149</u>	<u>76,434</u>	<u>(49,285)</u>
5) Net increase (decrease) in cash and cash equivalents	391,589	178,148	213,441
Cash and cash equivalents, beginning	<u>1,093,160</u>	<u>915,012</u>	<u>178,148</u>
Cash and cash equivalents, ending	<u>1,484,749</u>	<u>1,093,160</u>	<u>391,589</u>

Capital Assets and Long-Term Liabilities

Capital Assets

As of June 30, 2011, the College has nearly \$21.4 million in capital assets, net of accumulated depreciation. The following table summarizes the College's capital assets, net of accumulated depreciation:

Years Ended June 30

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Capital assets:			
Land	\$ 618,869	\$ 618,869	\$ -
Buildings	25,023,218	25,023,218	-
Improvements	8,737,097	8,674,620	62,477
Equipment	1,584,309	1,449,265	135,044
Vehicles	439,339	422,646	16,693
Library materials	<u>1,359,594</u>	<u>1,331,301</u>	<u>28,293</u>
Total capital assets	37,762,426	37,519,919	242,507
Less accumulated depreciation	<u>(16,371,233)</u>	<u>(15,196,972)</u>	<u>(1,174,261)</u>
Capital assets, net	<u>21,391,193</u>	<u>22,322,947</u>	<u>(931,754)</u>

**Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Long-Term Liabilities

At June 30, 2011 the College has \$21.9 million in outstanding bonds, capital leases, and notes payable, representing an increase of \$263,920. This increase represents the lease agreement with OCIA which has been restructured by the state. This lease restructuring has extended principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge on existing obligations. The following summarizes the outstanding long-term liabilities as of June 30:

**Long-Term Liabilities
Years Ended June 30**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Revenue bonds payable, net	\$ 12,583,174	\$ 12,741,773	\$ (158,599)
Capital lease obligations	9,132,218	8,905,446	226,772
Compensated absences	<u>178,589</u>	<u>175,346</u>	<u>3,243</u>
Total long-term liabilities	21,893,981	21,822,565	71,416
Less: current portion	<u>(559,768)</u>	<u>(752,272)</u>	<u>192,504</u>
Net long-term liabilities	<u>21,334,213</u>	<u>21,070,293</u>	<u>263,920</u>

Additional information concerning the College's long-term liabilities can be found at Note F to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The State of Oklahoma provided approximately 51% of the College's operating resources for the FY2011 fiscal year. Looking forward to FY2012, State revenues are estimated to increase and reflect a flat change in the percentage of the College revenues from State funds to 51%. Federal stimulus funds are not expected to provide any additional resources for the upcoming year, causing the College to manage mandatory cost increases by slightly increasing current tuition and fee rates for students at 7.7%. A concern for the College is the uncertainty in state revenues. The declining revenue collections in the past have prompted reductions in the state appropriations, but are projected to be level for the remainder of the current year. The Oklahoma State Legislature has authorized the Oklahoma State Regents for Higher Education to approve tuition increases according to House Bill No. 1748. The potential

Seminole State College
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010

Long-Term Liabilities (Continued)

Economic Factors and Next Year's Budgets and Rates (Continued)

for tuition increase, combined with possible enrollment growth, create a positive outlook for the College. The College will continue a conservative budgeting approach, which utilizes a contingency methodology to ensure the College's financial viability. Historically, economic slow-downs have resulted in increased student enrollment and this has been considered in projecting potential enrollment growth for the coming fiscal year.

The attached financial statements reflect that the College had an approximate \$300,000 increase in unrestricted current assets during the current year. In addition, student enrollment for the upcoming year is projected to remain even or grow slightly. This strong financial position will allow the College to manage the upcoming year and make every effort not to reduce any programming or services. The College will continue to monitor the state and national economic conditions as part of our financial decision making process and will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our students.

Contacting the College's Financial Managements

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Fiscal Affairs at Seminole State College, P. O. Box 351, Seminole, Oklahoma 74818.

Seminole State College
Statements of Net Assets
June 30, 2011

	2011
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,484,749
Investments	—
Accounts receivable, net of allowance for doubtful accounts	179,425
Other receivables	88,351
Inventories	<u>270,751</u>
Total Current Assets	<u>2,023,276</u>
Noncurrent Assets	
Other assets	166,776
Deferred cost on OCIA lease restructure	665,522
Investments	—
Restricted investments	1,476,929
Other receivables	—
Beneficial interest in remainder trust	—
Capital assets, net of accumulated depreciation	<u>21,391,193</u>
Total Noncurrent Assets	<u>23,700,420</u>
Total Assets	<u>25,723,696</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	845,623
Deferred revenue	228,242
Due to student groups and organizations	107,163
Current portion of noncurrent liabilities	<u>559,768</u>
Total Current Liabilities	<u>1,740,796</u>
Noncurrent Liabilities, net of current portion	
Accrued compensated absences	29,126
Revenue bonds payable, net of bond discount	12,409,575
Premium on capital lease obligation	174,353
Notes payable	—
Capital lease obligations	<u>8,721,159</u>
Total Noncurrent Liabilities	<u>21,334,213</u>
Total Liabilities	<u>23,075,009</u>
Net Assets	
Invested in capital assets, net of related debt	728,292
Restricted for	
Nonexpendable – scholarships and other	—
Expendable	—
Debt service	1,256,736
Scholarships, grants and other	—
Unrestricted	<u>663,659</u>
Total Net Assets	<u>\$ 2,648,687</u>



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

Deposits and Investment

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

Inventories

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

Accounts Receivable and Other Receivables

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



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables (Continued)

written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

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

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Other accounts receivable also include amounts due from the Oklahoma Development Finance Authority ("ODFA") and Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

Restricted Cash and Investments

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

Capital assets

Capital assets are stated at cost, or fair value if acquired by gift, less accumulated depreciation. Effective July 1, 2008, the College's capitalization policy for equipment was changed to include all items with a unit cost of \$5,000 or more and a useful life of greater than one year. All previously capitalized equipment items costing less than \$5,000, and their accumulated depreciation, were deleted from the capital assets listing and treated as a retirement during the year ended June 30, 2009. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Depreciation is provided using the straight-line method over the estimates of useful lives of the assets, generally 30 years for buildings and improvements, 3-7 years for computers and other equipment, and 10 years for furniture, vehicles, and library materials. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs.

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



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenues

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets.

Noncurrent Liabilities

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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.

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



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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 educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Income Taxes

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

Classification of Revenues

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

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

Non operating 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 statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances (Continued)

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 non operating 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.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

The carrying amount and related bank balances of the College's deposits was \$1,472,958 at June 30, 2011.

Some deposits with the State Treasurer are placed in the State Treasurer'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 State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in OK INVEST total \$322,344 at June 30, 2011.



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2011, the distribution of deposits in OK INVEST was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 117,731	\$ 118,675
Money market mutual funds	35,440	35,440
Certificates of deposit	15,220	15,220
Tri-party repurchase agreements	21,752	21,752
Mortgage backed agency securities	116,931	122,095
Municipal bonds	6,425	6,958
Foreign bonds	1,198	1,199
Commercial paper	2,996	2,996
U.S. Treasury Obligations	4,651	5,510
TOTAL	<u>\$ 322,344</u>	<u>\$ 329,845</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 State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives 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 State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – 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 State Treasurer 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, the FDIC or any other government agency.

Investments

Investments are recorded at fair value, as determined by quoted market prices. At June 30, 2011, the College had the following investments held by a bank trust department in compliance with the College's outstanding bond issues:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U. S. Treasury cash equivalent funds	N/A	399,030
Federated Treasury cash equivalent fund	N/A	<u>1,077,899</u>
Total		<u>\$ 1,476,929</u>

Investments in the State Treasurer's Internal Investment Pool are classified as cash equivalents in the accompanying statement of net assets. The underlying collateral for amounts invested with the State Treasurer's internal investment pool are U.S. Treasury obligations, U.S. Agency obligations, and Tri-Party repurchase agreements.

Interest Rate Risk

The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



Notes to Financial Statements
Seminole State College
June 30, 2011

Note 2: Deposits and Investments (Continued)

Concentration of Credit Risk

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

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2011:

Student tuition and fees	\$	535,415
Auxiliary enterprises and other operating activities		496,585
		<u>1,032,000</u>
Less: Allowance for doubtful accounts		(852,575)
Net accounts receivable	\$	<u><u>179,425</u></u>

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2011:

Due from grantors	\$	87,129
Other receivables		1,222
Total other receivables	\$	<u><u>88,351</u></u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

Equipment	(1,041,144)	(140,197)	-	(1,181,341)
Vehicles	(293,958)	(26,351)	-	(320,309)
Library materials	<u>(1,307,292)</u>	<u>(17,714)</u>	<u>-</u>	<u>(1,325,006)</u>
Total accumulated depreciation	<u>(15,196,972)</u>	<u>(1,174,261)</u>	<u>-</u>	<u>(16,371,233)</u>
Other capital assets, net	<u>\$ 21,704,078</u>	<u>\$ (931,754)</u>	<u>\$ -</u>	<u>\$ 20,772,324</u>

Capital Asset Summary:

Capital assets not being depreciated	\$ 618,869	\$ -	\$ -	\$ 618,869
Other capital assets, at cost	<u>36,901,050</u>	<u>242,507</u>	<u>-</u>	<u>37,143,557</u>
Total cost of capital assets	<u>37,519,919</u>	<u>242,507</u>	<u>-</u>	<u>37,762,426</u>
Less accumulated depreciation	<u>(15,196,972)</u>	<u>(1,174,261)</u>	<u>-</u>	<u>(16,371,233)</u>
Capital Assets, net	<u>\$ 22,322,947</u>	<u>\$ (931,754)</u>	<u>\$ -</u>	<u>\$ 21,391,193</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 5: Capital Assets (Continued)

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2011, was as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Non-Structural Improvements</u>	<u>Total</u>
Cost	\$ 7,295,759	\$ 301,203	\$ 547,548	\$ 8,144,510
Less accumulated depreciation	<u>(1,645,873)</u>	<u>(234,770)</u>	<u>(118,986)</u>	<u>(1,999,629)</u>
	<u>\$ 5,649,886</u>	<u>\$ 66,433</u>	<u>\$ 428,562</u>	<u>\$ 6,144,881</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 6: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Interest Rates (In %)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable and capital leases							
Revenue bonds payable							
ODFA Public Facility, Series 2002A	4.00-5.13	12/1/2027	\$ 3,295,000	\$ -	\$ (120,000)	\$ 3,175,000	\$ 125,000
ODFA Public Facility, Series 2006	4.15-5.30	9/1/2036	9,470,000	-	(40,000)	9,430,000	50,000
Less: bond discount			<u>(23,227)</u>	-	<u>1,401</u>	<u>(21,826)</u>	<u>(1,401)</u>
Total revenue bonds payable			12,741,773	-	(158,599)	12,583,174	173,599
Capital lease obligations							
OCIA 1999A/2004A Series		8/1/2019	1,723,084	-	(153,381)	1,569,703	160,908
OCIA 2005F/2010A&B Series		7/1/2030	6,045,802	798,626	(167,064)	6,677,364	-
ODFA master lease 2001A	3.80	11/8/2010	18,750	-	(18,750)	-	-
ODFA master lease 2003B	2.75	6/1/2023	710,000	-	(40,000)	670,000	45,000
ODFA master lease 2007C	4.00	11/15/2012	56,166	-	(22,583)	33,583	23,583
Total capital lease obligations			<u>8,553,802</u>	<u>798,626</u>	<u>(401,778)</u>	<u>8,950,650</u>	<u>229,491</u>
Total revenue bonds payable and capital lease obligations			<u>21,295,575</u>	<u>798,626</u>	<u>(560,377)</u>	<u>21,533,824</u>	<u>403,090</u>
Other liabilities							
Premium on bonds							
OCIA 2005F Series			162,861	-	(162,861)	-	-
ODFA 2006 Series			188,783	-	(7,215)	181,568	7,215
Accrued compensated absences			<u>175,345</u>	<u>149,463</u>	<u>(146,219)</u>	<u>178,589</u>	<u>149,463</u>
Total other liabilities			<u>526,989</u>	<u>149,463</u>	<u>(316,295)</u>	<u>360,157</u>	<u>156,678</u>
Total long-term liabilities			<u>\$ 21,822,564</u>	<u>\$ 948,089</u>	<u>\$ (876,672)</u>	<u>\$ 21,893,981</u>	<u>\$ 559,768</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated \$3,003,672 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for the construction of the Learning Technology Center. Lease principal and interest payments to OCIA totaling \$238,792 during the year ended June 30, 2011, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.

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

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$6,750,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be \$11,564,753. Payments will be made annually ranging from \$185,056 to \$509,280, by the State of Oklahoma on behalf of the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$798,626 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2011.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$615,418, which also approximates the economic cost of the lease restructuring.

Through June 30, 2010, the College had drawn down \$7,442,121, which is the College's total allotment, plus interest, including \$700,007 of draw downs during the year ended June 30, 2010, for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. Lease payments to OCIA totaling \$469,966 during the year ended June 30, 2011, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.

Oklahoma Development Finance Authority Lease Obligations

On March 8, 2001, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2001A in the amount of \$395,000. Total lease payments over the term of the agreement, beginning April 25, 2001 through November 25, 2010, will be \$480,441. Payments will be made monthly ranging from \$3,906 to \$5,982. Proceeds from the obligation will be used for various capital projects, along with the issuance costs of the obligation.

On August 1, 2003, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2003B in the amount of \$970,000. Total lease payments over the term of the agreement, beginning December 1, 2003 through June 1, 2023, will be \$1,462,644. Payments will be made semi-annually ranging from \$62,256 to \$76,365. Proceeds from the obligation will be used for roof and HVAC repairs, along with the issuance costs of the obligation.

On December 1, 2007, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2007C in the amount of \$110,000. Total lease payments over the term of the agreement, beginning December 15, 2007 through November 15, 2012, will be \$123,551. Payments will be made monthly ranging from \$2,025 to \$2,080. Proceeds from the obligation were used for the purchase of two passenger buses.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 6: Long-Term Liabilities (Continued)

Future minimum lease payments under the College's obligations to the OCIA and ODFAs for the year ended June 30, 2011, are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 229,491	\$ 184,999	\$ 414,490
2013	223,842	187,253	411,095
2014	442,600	402,514	845,114
2015	828,919	381,236	1,210,155
2016	856,380	352,466	1,208,846
2017-2021	2,836,202	1,169,332	4,005,534
2022-2026	1,463,695	761,288	2,224,983
2027-2031	<u>2,069,522</u>	<u>318,758</u>	<u>2,388,280</u>
Total	<u>\$ 8,950,651</u>	<u>\$ 3,757,846</u>	<u>\$ 12,708,497</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 6: Long-Term Liabilities (Continued)

Revenue Bonds

Oklahoma Development Finance Authority Revenue Bonds

The ODFA Public Facilities Program Revenue Bonds, Seminole State College Capital Improvements Projects, Series 2002A (the "ODFA 2002A Bonds") were issued in the original amount of \$4,000,000. Principal payments ranging from \$65,000 to \$270,000 are due each December 1 through 2027. Principal and interest payments are secured by a pledge of certain "Section 13" and "New College Funds" annually apportioned to the College. The ODFA 2002A Bonds are a limited obligation of the ODFA payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. Proceeds from the obligation were used for the construction of the Enoch Kelly Haney Learning Center and repairs to other College facilities.

In September 2006, the ODFA Student Housing Revenue Bonds, Seminole State College Project, Series 2006 (the "ODFA 2006 Bonds") were issued in the original amount of \$9,500,000. Principal payments ranging from \$30,000 to \$925,000 are due each September 1 beginning in 2009 and ending in 2036. Principal and interest payments are secured by a gross pledge of student housing system revenues, a portion of the proceeds of the sale of the bonds, and other monies held under the bond resolution. The ODFA 2006 Bonds are a special obligation of ODFA payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. Proceeds from the obligation will be used for the construction, furnishing, and equipping of a new student housing facility and to retire the 1998 Bonds Escrow Fund.

Future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable for the year ended June 30, 2011, are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	\$ 633,225	\$ 808,225
2013	185,000	625,363	810,363
2014	200,000	617,063	817,063
2015	225,000	607,963	832,963
2016	230,000	597,778	827,778
2017-2021	1,045,000	2,833,773	3,878,773
2022-2026	2,380,000	2,400,051	4,780,051
2027-2031	3,580,000	1,654,606	5,234,606
2032-2036	3,660,000	830,507	4,490,507
2037	925,000	47,406	972,406
Total	<u>\$ 12,605,000</u>	<u>\$ 10,847,735</u>	<u>\$ 23,452,735</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 7: Retirement Plans

The College's academic and non-academic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System (the "OTRS"), which is a State of Oklahoma public employee's retirement system. The College also sponsors a 403(b) annuity plan, a defined contribution plan. The College does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy

The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rates for 2011, 2010, and 2009, were 9.50%, 9.50%, and 9.00% respectively, and were applied to annual compensation, and are determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2011, 2010, and 2009. These contributions were made directly by the College for all three years.

The College's contribution to OTRS for the years ended June 30, 2011, 2010, and 2009, were approximately \$1,258,000, \$1,209,000, and \$1,133,000 respectively, equal to the required contribution for each year. These contributions included the College's statutory contribution and the share of the employees' contribution paid directly by the College.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 7: Retirement Plans (Continued)

Funding Policy (Continued)

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2011, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2011, the total amount contributed to OTRS by the State of Oklahoma on behalf of the College was approximately \$395,000. This on-behalf payment has been recorded as non-operating state appropriations revenue and as operating compensation and employee benefits expense in the statement of revenues, expenses and changes in net assets.

403(b) Annuity Plan

All eligible employees of the College can elect to participate in a 403(b) tax-deferred annuity plan (the "Plan"), a defined contribution pension plan administered by the College's board of regents. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Eligible employees who elect to participate are not required to make contributions to the Plan but may elect to do so. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by action of the College's board of regents.

Funding Policy

The College's contribution rate for the years ended June 30, 2011, 2010, and 2009 was 3.50% each year of an eligible employee's annual base salary (as defined in the Plan document). Contributions made by the College during the years ended June 30, 2011, 2010, and 2009 were approximately \$382,000, 365,000, and \$340,000, respectively.

Note 8: Other Post-Employment Benefits

In addition to the pension benefits as described above, the College pays the group health insurance premiums for retired employees until age 65. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than ten years immediately preceding the date of retirement, been a member of the Teachers' Retirement System of Oklahoma during this time, and elected to receive a vested benefit under the provisions of the Teachers' Retirement System of Oklahoma. The College funds the payments for this benefit out of current operations. For the year ended June 30, 2011, the College's contributions for health insurance premiums for retired employees were approximately \$46,000.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 9: Related Party Transactions

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships to College students totaling approximately \$42,000 for the year ended June 30, 2011.

Note 10: Commitments and Contingencies

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

Through June 30, 2010, the College participated in the Federal Family Education Loan Program (the "FFEL Program"), which included the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students Program. The FFEL Program did not require the College to draw down cash; however, the College was required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may have required the College to reimburse the loan guarantee agencies. For the year ended June 30, 2010, approximately \$2,932,000 of FFEL Program loans were provided to College students.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program). For the year ended June 30, 2011, approximately \$3,130,000 of Direct Lending Program loans were provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits to claims against the College at June 30, 2011, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 11: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, workers' compensation, and unemployment. 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



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 11: Risk Management (Continued)

members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

Note 12: Seminole State College Educational Foundation, Inc.

The following are significant disclosures of the Foundation:

Note 1: Summary of Significant Accounting Policies

Nature of Operations: Seminole State College Educational Foundation, Inc. (the "Foundation") was established in 1972 as a private nonprofit organization to promote the education, scientific, and benevolent purposes of Seminole State College (the "College"). The Foundation acts largely as a fundraising organization, soliciting and receiving contributions and pledges on behalf of the College. Assets received by the Foundation are used to benefit the College or provide financial aid for the College's students. The Foundation is governed by a Board of Trustees, which is separate and distinct from the Board of Regents, the governing board of the College.

Accounting Standards Codification: The Foundation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC does not alter current accounting principles generally accepted in the United States of America ("GAAP"), but rather integrated existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance. The adoption of the ASC did not have any effect on the Foundation's financial statements.

Basis of Accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when the obligation is paid.

Financial Statement Presentation: Net assets, revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

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



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Use of Estimates: Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are recorded using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the College as a whole, or for specific departments within the College, are reflected as unrestricted to the extent that the College or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as unrestricted contributions.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment with a cost or estimated fair value of \$1,000 or more are capitalized. Depreciation of property and equipment is provided for on the estimated useful lives using the straight-line method. The Foundation is depreciating buildings and improvements over 39 years and vehicles over 5 years.

Collections: The Foundation does not include either the cost or the value of its collections in the statements of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities.

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established 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; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets carried at fair value on a recurring basis include investments (see Notes 2 and 9) and beneficial interest in remainder trust (see Notes 9 and 10).

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Realized and unrealized investment gains and losses are computed on the average cost basis. These gains and losses and other investment income are reflected in the statements of activities. Investment income and realized and unrealized gains and losses on investments are classified as unrestricted in the statement of activities unless a donor or law temporarily restricts their use.

Recognition of Donor Restrictions: Revenues that are restricted by a donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenues are received. All other donor restricted revenues are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. None of the Foundation's investments are considered to be cash equivalents.

Income Tax Status: The Internal Revenue Service has determined that the Foundation qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Accounting for Uncertain Tax Positions: The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Foundation adopted this new guidance for the year ended December 31, 2009. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Concentration of Credit Risk: In May 2009, Federal Deposit Insurance Corporation ("FDIC") limits were increased whereby all traditional type deposit accounts are insured up to \$250,000 (through December 31, 2013). Additionally, banks may participate in the FDIC's Transaction Account Guarantee Program (the "TAG Program") whereby non-interest bearing transaction accounts are 100% guaranteed by the FDIC through December 31, 2010. Coverage under the TAG Program is in addition to coverage provided to traditional type deposit accounts. The Foundation maintained no balances at financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") limits as of December 31, 2010, and generally does not exceed FDIC limits due to the use of a brokerage account for excess cash balances.

Concentration of Credit Risk: The Foundation does maintain cash balances in its brokerage account in excess of Securities Investor Protection Corporation ("SIPC"); however, the Foundation's brokerage has obtained additional coverage through Lloyd's of London resulting in full coverage of cash and money market balances held in its brokerage accounts as of December 31, 2010.

Significant Estimates: Estimates that are particularly susceptible to significant change include the valuation of investments, beneficial interest in trust, and contributions receivable.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The Foundation's various investment instruments, including the beneficial interest are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair value could occur from year to year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and evaluation for allowance is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges receivable, at the financial statement date.

Subsequent Events: Management has evaluated subsequent events through May 3, 2011, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note 2: Investments

As of December 31, 2010, the Foundation's investments were as follows:

U.S. government agency	\$ 52,672
Corporate bonds	14,014
Mutual funds-fixed income	337,634
Mutual funds-equity	<u>627,175</u>
Total investments	<u>\$ 1,031,495</u>

Note 3: Contributions and Grants Receivable

Contributions and grants receivable at December 31, 2010, are expected to be collected as follows:

Less than one year	\$ 44,332
One year to five years	<u>100,000</u>
	<u>\$ 144,332</u>

No discount was applied to contributions or grants receivable due to immateriality of such amounts. The Foundation considers contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions is recorded.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 4: Property and Equipment

At December 31, 2010, property and equipment consist of the following:

Property and equipment	1,380,820
Less: Accumulated depreciation	<u>(192,652)</u>
Property and equipment, net	<u>\$ 1,188,168</u>

In 2004, the Foundation purchased property located at 229 North 2nd Street, Seminole, Oklahoma, for purposes of establishing a community service center with space rented to Workforce Oklahoma, Oklahoma Employment Security Commission, and the Seminole State College Employment Readiness Program. During the year ended December 31, 2010, the Foundation collected \$37,729 in rental income.

In 2005, the Foundation purchased property located at 600 West Strothers, Seminole, Oklahoma, for the purpose of developing new and expanding businesses through the use of business incubators. Space is rented to Americontact, LLC, under a three year lease agreement which commenced in October 2006. In October 2009, the Foundation and Americontact, LLC, entered into a new three year lease agreement. During the year ended December 31, 2010, the Foundation recognized \$45,000 in related rental income.

Note 5: Other Assets

At December 31, 2010, the Foundation had oil and gas royalty interests of \$2,030, which is included in other assets in the statement of financial position.

Note 6: Income Taxes

Federal and State income taxes incurred on unrelated business income (rental income) for 2010 were \$870.

Note 7: Long-Term Debt

The Foundation has a note payable with a financial institution dated June 25, 2004, with an original amount of \$215,000, payable in monthly installments of \$2,000, and a balloon payment of \$175,175, including interest at 5.0%, and an original maturity date of July 10, 2007. The note is secured by real estate. On August 13, 2007, the Foundation entered into an agreement to extend the maturity date to August 10, 2010, payable in monthly installments of \$2,000, and a balloon payment of \$137,526, including interest at 7.50%. On October 21, 2010, the Foundation entered into an agreement to extend the maturity date to October 21, 2017, payable in monthly installments of \$2,000, including interest at 5.50%. At December 31, 2010, the outstanding balance on the note was \$131,355.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 7: Long-Term Debt (Continued)

On June 23, 2006, the Foundation entered into an advancing line of credit agreement with a financial institution with an original amount of \$350,757. Interest on the outstanding balance is due monthly beginning July 23, 2006 at a rate of 8.00%, with principal due at maturity on December 23, 2006. The note is secured by real estate.

On January 31, 2007, the Foundation entered into an agreement to extend the maturity date to April 26, 2007, with continued monthly interest only payments and the principal due at maturity. On March 28, 2008, the Foundation entered into an agreement to restructure the advancing line of credit. The new advancing line of credit calls for monthly principal and interest payments of \$2,935, including interest at 5.75%, with a maturity date of April 1, 2023. At December 31, 2010, the outstanding balance on the note was \$305,593.

At December 31, 2010, future aggregate maturities of principal and interest requirements on the Foundation's notes payable are as follows:

Years Ending December 31:	Principal	Interest	Total
2011	\$ 36,605	\$ 22,500	\$ 59,105
2012	38,687	20,530	59,217
2013	40,859	18,358	59,217
2014	43,109	16,108	59,217
2015	45,482	13,735	59,217
Thereafter	<u>232,206</u>	<u>38,560</u>	<u>270,766</u>
	<u>\$ 436,948</u>	<u>\$ 129,791</u>	<u>\$ 566,739</u>

Note 8: Net Assets

At December 31, 2010, temporarily restricted net assets were comprised of the following:

Scholarships	\$ 370,901
Capital Campaign	406,610
Grant	208,368
Beneficial interest in remainder trust	112,044
Haney Statue	27,500
Athletic Booster Club	15,291
President's Round Table	<u>3,201</u>
Total temporarily restricted net assets	<u>\$ 1,143,915</u>



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 9: Beneficial Interest in Remainder Trust

The Foundation is the beneficiary of an irrevocable charitable remainder unitrust. Under the trust terms, the trust will pay 5% of the net fair market value of the trust assets to the lead beneficiary throughout their lifetime and then the trust will terminate. Upon termination of the trust, 35% of the assets remaining in the trust will be distributed to the Foundation.

The Foundation's beneficial interest in the trust is measured at fair value using the discount rate adjustment technique to determine the present value of future cash flows. The Foundation uses the current IRS Historical Discount Rate unless facts and circumstances indicate that such rate is inappropriate. In 2010, a calculated discount rate commensurate with the risk involved was used in calculating fair value. The discount rate applied at December 31, 2010, was 8%.

In 2008, the Foundation recognized temporarily restricted contribution revenue of \$77,666 on the initial gift date. Changes in the fair value of the beneficial interest are reflected as a temporarily restricted change in value of split-interest agreements in the statements of activities. Upon termination of the trust and expiration of the implied time restriction the Foundation's beneficial interest will be reclassified from temporarily restricted net assets to unrestricted.

Note 10: Fair Value of Financial Instruments

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently-sourced market data, such as interest rates.

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

Investment securities: When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Securities classified as Level 1 include mutual funds. Other securities such as Corporate Bonds and U.S. Government Agency Securities (e.g., FFCB and FHLB) are classified within Level 2 of the hierarchy. Securities classified as Level 2 are independently valued by nationally recognized, and third-party pricing services.



Seminole State College
Notes to Financial Statements
June 30, 2011

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 10: Fair Value of Financial Instruments (Continued)

Beneficial interest in remainder trust: The fair value of the beneficial interest in the trust is measured using the discount rate adjustment technique to determine the present value of future cash flows. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows (no liabilities measured at fair value):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
December 31, 2010				
Financial Assets				
US Government Agency	\$ -	\$ 52,672	\$ -	\$ 52,672
Corporate Bonds	-	14,014	-	14,014
Fixed income	337,634	-	-	337,634
Domestic equities	595,558	-	-	595,558
International equities	31,616	-	-	31,616
Beneficial interest in remainder trust	-	-	112,044	112,044
	<u>\$ 964,808</u>	<u>\$ 66,686</u>	<u>\$ 112,044</u>	<u>\$ 1,143,538</u>

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets and liabilities for the period ending December 31, 2010:

	<u>Beneficial Interest in Charitable Remainder Trust</u>
Balance at January 1, 2010	\$ 85,912
Change in value of beneficial interest in charitable remainder trust	26,132
Distributions	-
Contributions	-
Balance at December 31, 2010	<u>\$ 112,044</u>



Seminole State College
Notes to Financial Statements
June 30, 2011 and 2010

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 11: Collections

The Foundation maintains various collections of works of art, historical treasures, and similar assets. These collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. These assets are protected, kept unencumbered, cared for, and preserved by the Foundation. As a matter of policy, the proceeds of items in collections that are sold are used to acquire other items for collections.

Note 12: Endowment Disclosures

The Foundation's endowment consists of twenty two individual donor-restricted funds established for scholarship purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Oklahoma Prudent Management of Institutional Funds Act ("OK UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect 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



Seminole State College
Notes to Financial Statements
June 30, 2011 and 2010

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 12: Endowment Disclosures (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (32,121)	\$ 158,455	\$ 1,018,391	\$ 1,144,725
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	<u>\$ (32,121)</u>	<u>\$ 158,455</u>	<u>\$ 1,018,391</u>	<u>\$ 1,144,725</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (38,533)	\$ 105,012	\$ 729,891	\$ 796,370
Investment return:				
Investment income	-	30,512	-	30,512
Investment fees	-	(7,270)	-	(7,270)
Net appreciation (realized and unrealized)	6,412	82,655	-	89,067
Total investment return	(32,121)	210,909	729,891	908,679
Contributions	-	-	288,500	288,500
Appropriation of endowment assets for expenditure	-	(52,454)	-	(52,454)
Endowment Net Assets	<u>\$ (32,121)</u>	<u>\$ 158,455</u>	<u>\$ 1,018,391</u>	<u>\$ 1,144,725</u>



Seminole State College
Notes to Financial Statements
June 30, 2011 and 2010

Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note 13: Related Party Transactions

The College and the Foundation have an agreement to provide the Foundation with services including office space and part-time service of College staff. In exchange, the College receives funds for scholarships, capital improvements, staff development, and other uses for the furtherance of its mission

The Foundation awarded scholarships totaling approximately \$41,500 for the year ending December 31, 2010, to students and faculty members of the College.

Note 13: Accounting Standards Issued Not Yet Adopted

In 2010, GASB issued Statement No. 59, Financial Instruments Omnibus. GASB No. 59 provides updates and improvements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has determined that this Statement will not significantly affect the College's financial condition or results of operations.

Seminole State College (the College) is a two-year college operating under the jurisdiction of a Board of Regents and the Oklahoma State Regents for Higher Education and is a component.





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

Board of Regents
Seminole State College
Seminole, Oklahoma

We have audited the financial statements of Seminole State College (the College) as of and for the year then ended June 30, 2011, and have issued our report thereon dated September 14, 2011. We conducted our audit in accordance with generally accepted auditing standards 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 on the effectiveness of the College's internal control over financial reporting.

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

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

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Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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 Seminole State College as of and for the year ended June 30, 2011, and have issued our report thereon dated September 2, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hinkle & Company, PC

Tulsa, Oklahoma
September 14, 2011



**Seminole State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
National Institutes of Health		
Pass-Through Program From:		
Oklahoma State Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	251,182
Oklahoma State Regents for Higher Education		
Child Care Development Block Grant		
Scholars for Excellence Program	93.575	<u>77,772</u>
Total U. S. Department of Health and Human Services		<u>328,954</u>
U. S. Department of Agriculture		
Pass-Through Program From:		
State of Oklahoma Department of Education		
Summer Food Program	10.559	<u>17,168</u>
Total U. S. Department of Agriculture		<u>17,168</u>
Total Expenditures of Federal Awards		<u>\$ 11,630,105</u>

See notes to Schedule of Expenditures of Federal Awards.



Seminole State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The College's major program was:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work Study	84.033
Federal Pell Grant	84.063
Academic Competitiveness Grant	84.375



Seminole State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

No Item Reportable.





**HINKLE &
COMPANY**
PC
*Strategic
Business Advisors*

To the Board of Regents
Seminole State College
Seminole, Oklahoma

We have audited the financial statements of Seminole State College (the College) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 14, 2011. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated May 12, 2011, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the College solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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Uncorrected and Corrected Misstatements (Continued)

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the College's financial statements or the auditors' report. No such disagreements occurred with Seminole State College during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated August 9, 2011.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Seminole State College, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the College, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the College's auditors.

This report is intended solely for the information and use of the Board of Regents and management of Seminole State College and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, P.C.

Tulsa, Oklahoma
September 14, 2011

