Seminole State College

Financial Statements
with Independent Auditors' Reports

June 30, 2012

Seminole State College
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HINKLE &
COMPANY
PC
Strategic
Business Advisors

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, 2012, 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, 2012, 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, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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.

Hinkle & Company, PC

Tulsa, Oklahoma
September 14, 2012

SEMINOLE STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

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, 2012 and 2011. 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.

The following table shows a condensed statement of net assets at June 30, 2012 and June 30, 2011:

Condensed Statements of Net Assets
Years Ended June 30

	2012	2011	Increase (Decrease)
Current assets	$ 1,660,086	$ 2,023,276	$ (363,190)
Noncurrent assets:			
Capital assets, net	20,602,761	21,391,193	(788,432)
Other	2,157,516	2,309,227	(151,711)
Total assets	24,420,363	25,723,696	(1,303,333)
Current liabilities	1,755,761	1,740,796	14,965
Non-current liabiliaties	21,553,811	21,334,213	219,598
Total liabilities	23,309,572	23,075,009	234,563
Net assets:			
Invested in capital assets, net of related debt	198,454	728,292	(529,838)
Restricted	1,256,736	1,256,736	-
Unrestricted (OPEB - See Note)	(344,399)	173,414	(517,813)
Total net assets	1,110,791	2,158,442	(1,047,651)

Assets

- Current Assets decreased in the current year $363,190 as a result of decrease in current cash and cash equivalents.
- Capital assets, net of accumulated depreciation decreased $788,432 due to retirements and depreciation, which is offset slightly by capital asset additions.
- Other non-current assets decreased $151,711 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

- Current liabilities increased slightly $14,965 mainly due to accounts payable.
- Non-current liabilities increased $219,598 due to debt service payments on revenue bonds and capital lease obligations on the Master Lease Series.
- No additional debt, short term or long term, was incurred in 2012.

Net Assets

- Net assets represent the total assets of the College less total liabilities. The change in net assets of $1,047,651 is a net component of the changes to assets and liabilities as described above, and in the footnotes to the financial statements.
- A decrease in the net or related debt of $529,838 resulted primarily to the net of accumulated depreciation.
- Cash and cash equivalents decreased $382,044 due to a slight decrease in enrollment.
- Additionally, unrestricted net assets decreased $148,635 due to the recognition of Other Post-Employment Benefits (see note 1 & 8).

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:

SEMINOLE STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

Condensed Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30

	2012	2011	Increase (Decrease)
Operating revenues:			
Total operating revenues	$ 4,799,133	$ 4,717,441	$ 81,692
Less operating expenses	16,964,162	17,168,024	(203,862)
Operating Loss	(12,165,029)	(12,450,583)	285,554
Non-operating revenues (expenses):			-
Net nonoperating revenues	10,241,025	11,049,227	(808,202)
Income (loss) before other changes	(1,924,004)	(1,401,356)	(522,648)
OCIA on-behalf state appropriations	314,666	869,939	(555,273)
Loss on disposal of capital assets	-	-	-
State appropriations restricted for capital projects	436,941	458,988	(22,047)
Contributed Capital	124,746	-	124,746
Net decrease in net assets	(1,047,651)	(72,429)	(975,222)
Net assets, beginning of year as originally stated	2,648,687	2,721,116	(72,429)
Net assets, beginning of year restated	(490,245)	-	(490,245)
Net assets, end of year	$ 1,110,791	$ 2,648,687	(1,537,896)

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:

Operating Revenues

Years Ended June 30

	2012	2011	Increase (Decrease)
Operating revenues:			
Tuition and fees, gross	$ 3,442,614	$ 3,533,291	$ (90,677)
Grants and contracts	3,827,957	4,098,921	(270,964)
Auxiliary enterprise charges, gross	2,643,015	2,534,991	108,024
Other	214,547	330,238	(115,691)
Total operating revenues	10,128,133	10,497,441	(369,308)
			-
(less scholarship allowance) net	756,629	288,282	468,347

Operating revenues:

- A slight decrease in the gross tuition and fees of $90,677 was noted.
- A decrease in grant awards for the College in the amount of $270,964 was tied directly to the ending of the Gaining Early Awareness and Readiness for Undergraduate Programs and then late renewal of the same grant, but was offset slightly with the new Native American Serving Non-Tribal Institution Title III grant.
- An increase in bookstore sales and residential housing occupancy is tied primarily to the $108,024 change in auxiliary services.
- A decrease of $115,692 was due to a reclassification of the outreach/non-campus fee.

OPERATING EXPENSES

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

Operating Expenses
Years Ended June 30

	2012	2011	Increase (Decrease)
Operating expenses:			
Compensation & employee benefits	$ 10,754,102	$ 10,283,766	$ 470,336
Contractual services	694,433	820,591	(126,158)
Supplies & materials	1,308,207	1,628,672	(320,465)
Utilities	517,332	497,164	20,168
Communications	204,213	178,328	25,885
Other operating expenses	1,898,171	1,906,778	(8,607)
Scholarships & fellowships	470,424	678,464	(208,040)
Depreciation expense	1,117,280	1,174,261	(56,981)
Total operating expenses	16,964,162	17,168,024	(203,862)

Operating expenses decreased by $203,862 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 $470,336, mostly due to increased medical/dental insurance rates and other fringe increases.

- Contractual services and supplies and materials decreased $126,158 and $320,465, respectively, due to the completion of campus construction and reduction in general operating.
- A slight increase in utilities and communication of $20,168 and $25,885 due to general operation needs.
- Scholarships & fellowships decreased $208,040 due to a slight decrease in the enrollment of scholarship students which continues to be 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:

Non-operating Revenues and Expenses
Years Ended June 30

	2012	2011	Increase (Decrease)
Non-operating Revenues (Expenses)			
State appropriations	$ 5,870,410	$ 5,874,195	$ (3,785)
State appropriations - ARRA Funds	-	419,766	(419,766)
On-behalf contributions for Teachers'			-
Retirement System	454,000	395,000	59,000
Federal grants - non-operating	4,230,273	4,929,288	(699,015)
State grants - non-operating	627,553	618,192	9,361
Investment Income	9,682	9,117	565
Interest expense	(950,893)	(1,196,331)	245,438
Net Non-operating Revenues (Expenses)	10,241,025	11,049,227	(808,202)

Net non-operating revenues and expenses reflect a decrease of $808,202, due to an increase in Federal student aid. The decrease reflects the following:

- The ARRA funds ended and reflect a decrease of $419,766 in state appropriation pass through funds.

- The Federal grants saw a decrease of $699,015 due to the ending and late renewal of the Gaining Early Awareness and Readiness for Undergraduate Programs grant, while being offset slightly with the new Native American Serving Non-Tribal Institution Title III grant compared to the previous year.
- An increase in Interest Expense is a positive result of less interest paid on the indebtedness of the College.

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 Assets.

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

SEMINOLE STATE COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

Condensed Statements of Cash Flows

Years Ended June 30

	2012	2011	Increase (Decrease)
Cash provided by (used in):			
1) Operating activities	$ (10,465,397)	$ (10,783,726)	$ 318,329
2) Noncapital financial activities	10,728,236	11,841,441	(1,113,205)
3) Capital and related financing activities	(665,588)	(693,275)	27,687
4) Investing activities	20,705	27,149	(6,444)
5) Net increase (decrease) in cash and cash equivalents	(382,044)	391,589	-
			-
Cash and cash equivalents, beginning	1,484,749	1,093,160	391,589
Cash and cash equivalents, ending	1,102,705	1,484,749	(382,044)

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2012, the College has nearly $20.6 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

	2012	2011	Increase (Decrease)
Capital assets:			
Land	$ 618,869	$ 618,869	$ -
Buildings	25,023,218	25,023,218	-
Improvements	8,990,772	8,737,097	253,675
Equipment	1,624,953	1,584,309	40,644
Vehicles	360,473	439,339	(78,866)
Library materials	1,384,807	1,359,594	25,213
Total capital assets	38,003,092	37,762,426	240,666
Less accumulated depreciatioi	(17,400,331)	(16,371,233)	(1,029,098)
Capital assets, net	20,602,761	21,391,193	(788,432)

Additional details concerning the College's capital assets are at Note 1 and 5 to the College's financial statements.

Long-Term Liabilities

At June 30, 2012 the College has $21.4 million in outstanding bonds, capital leases, and notes payable, representing a decrease of $419,282. The following summarizes the outstanding long-term liabilities as of June 30:

Long-term Liabilities
Years Ended June 30

	2012	2011	Increase (Decrease)
Revenue bonds payable, net	$ 12,409,575	$ 12,583,174	$ (173,599)
Capital lease obligations	8,895,512	9,161,344	(265,832)
Compensated absences	159,145	149,463	9,682
Total long-term liabilities	21,464,232	21,893,981	(429,749)
Less: current portion	(549,302)	(559,768)	10,466
Net long-term liabilities	20,914,930	21,334,213	(419,283)

Additional information concerning the College's long-term liabilities can be found at Note 6 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 FY2012 fiscal year. Looking forward to FY2013, State revenues are estimated to increase and reflect a flat change in the percentage of the College revenues from State funds to 51%. With funds that are not expected to provide any additional increases for the upcoming year it may cause the College to manage mandatory cost increases by slightly increasing current tuition and fee rates for students at approximately 5%. 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 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 student enrollment for the upcoming year is projected to remain even or grow slightly. This 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 MANAGEMENT

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, 2012

	2012
Assets	
Current Assets	
Cash and cash equivalents	$ 1,102,705
Accounts receivable, net of allowance for doubtful accounts	68,917
Other receivables	102,389
Inventories	386,075
Total Current Assets	1,660,086
Noncurrent Assets	
Other assets	159,158
Deferred cost on OCIA lease restructure	532,417
Restricted investments	1,465,941
Capital assets, net of accumulated depreciation	20,602,761
Total Noncurrent Assets	22,760,277
Total Assets	24,420,363
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	904,063
Deferred revenue	178,658
Due to student groups and organizations	123,738
Current portion of noncurrent liabilities	549,302
Total Current Liabilities	1,755,761
Noncurrent Liabilities, net of current portion	
Accrued compensated absences	24,500
Other post-employment benefits	638,880
Revenue bonds payable, net of bond discount	12,225,976
Premium on capital lease obligation	167,138
Capital lease obligations	8,497,317
Total Noncurrent Liabilities	21,553,811
Total Liabilities	23,309,572
Net Assets	
Invested in capital assets, net of related debt	198,454
Restricted for	
Nonexpendable – scholarships and other	—
Expendable	—
Debt service	1,256,736
Scholarships, grants and other	—
Unrestricted	(344,399)
Total Net Assets	$ 1,110,791

Seminole State College
Statements of Revenues, Expenses, and Changes in Net Assets
June 30, 2012

	2012
Operating Revenues	
Tuition and fees, net of scholarship allowances of $3,015,000	$ 427,614
Federal grants and contracts	2,846,107
State and local grants and contracts	981,850
Auxiliary enterprise charges,	329,015
Net of scholarship allowance of $2,314,000	
Student housing system revenues of $514,455, plus a portion of the proceeds from the sale of the bonds held in reserve for debt service are used as security for the Residential Center, ODFA Series 2006 Revenue Bonds	
Other operating revenues	214,547
Total Operating Revenues	4,799,133
Operating Expenses	
Compensation	10,754,102
Contractual services	694,433
Supplies and materials	1,308,207
Utilities	517,332
Communications	204,213
Other operating expenses	1,898,171
Scholarships and fellowships	470,424
Depreciation expense	1,117,280
Total Operating Expenses	16,964,162
Operating Loss	(12,165,029)
Non-operating Revenues (Expenses)	
State appropriations	5,870,410
On-behalf contributions for Teachers' Retirement System	454,000
Federal grants – non-operating	4,230,273
State grants – non-operating	627,553
Investment income	9,682
Interest expense	(950,893)
Net Non-operating Revenues	10,241,025
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(1,924,004)
State appropriations restricted for capital purposes	
Pledged Section 13 appropriations of $436,941 is used as security for the Technology Center	436,941
OCIA on-behalf state appropriations	314,666
Contributed capital	124,746
Net Decrease in Net Assets	(1,047,651)
Restatement of Net Assets – See Note A	(490,245)
Net Assets, Beginning of Year, as Originally Stated	2,648,687
Net Assets, Beginning of Year, Restated	2,158,442
Net Assets, at End of Year	$ 1,110,791

Seminole State College
Statements of Cash Flows
Year Ended June 30, 2012

	2012
Cash Flows from Operating Activities	
Tuition and fees	$ 524,766
Grants and contracts	3,813,517
Auxiliary enterprises charges	292,787
Other operating receipts	214,915
Payments to employees for salaries and benefits, net on-behalf payments	(10,126,493)
Payments to suppliers	(5,184,889)
Net Cash Used in Operating Activities	10,465,397
Cash Flows from Non-capital Financing Activities	
State appropriations	5,870,410
Non-operating grants	4,857,826
Net Cash Provided by Noncapital Financing Activities	10,728,236
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(195,542)
Capital appropriations received	436,941
Repayments of capital debt and leases	(243,583)
Interest paid on capital debt and leases	(663,404)
Net Cash used in capital and related financing activities	(665,588)
Cash Flows from Investing Activities	
Purchase of investments	(1,340,248)
Proceeds from sales and maturities of investments	1,351,271
Interest received on investments	9,717
Net Cash Provided by Investing Activities	20,705
Net Increase in Cash and Cash Equivalents	(382,044)
Cash and Cash Equivalents, Beginning of Year	1,484,749
Cash and Cash Equivalents, End of Year	$ 1,102,705

Seminole State College
Statements of Cash Flows
Year Ended June 30, 2012

(Continued)

	2012
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$(12,114,029)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	1,117,280
Net loss on disposal of fixed assets	—
State of Oklahoma on-behalf contributions to teachers' retirement system	403,000
Changes in net assets and liabilities:	
Student accounts receivables	110,508
Other receivables	(14,072)
Inventories	(115,324)
Accounts payable and accrued expenses	51,058
Deferred revenue	(49,584)
Due to student groups and organizations	16,575
Compensated absences	(19,444)
Net OPEB obligation	$(10,465,397)
Net Cash Used in Operating Activities	
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities	$ 314,666
Principal and interest on capital debt paid by state agency on behalf of the College	

Notes to Financial Statements
Seminole State College
June 30, 2012

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Seminole State College (the "College"), established in 1931 as Seminole Junior College, is a two-year State supported college operating under the jurisdiction of the Board of Regents of Seminole State College (the "Board of Regents"). The College is part of the Oklahoma System of Higher Education, which is under the governance of the Oklahoma State Regents for Higher Education (the "State Regents"). The College is accredited by the North Central Association of Colleges and Schools. The designated service area of the College is Seminole County and the adjacent counties of Hughes, Lincoln, Okfuskee, and Pottawatomie.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts and funds of the College. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the higher education component unit.

Seminole State College Educational Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Separate financial statements of the Foundation can be requested from the Foundation's controller.

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

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

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.

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.

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 nonoperating revenues according to the following criteria:

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Prior Period Adjustment

During 2012, the College made an adjustment to beginning net assets to reflect the recognition of a net OPEB obligation for other post-employment benefits provided to eligible retirees. The net OPEB obligation in prior years had been considered immaterial, but has recently increased to a level that warrants recognition. Therefore, the College has recorded a prior period adjustment to restate beginning net assets. The effect of the restatement was to decrease beginning net assets by $490,245 as of July 1, 2011.

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 $1,229,963 at June 30, 2012.

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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 $372,096 at June 30, 2012.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2012, the distribution of deposits in OK INVEST was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 131,555	$ 131,941
Money market mutual funds	50,933	50,933
Certificates of deposit	12,019	12,019
Mortgage backed agency securities	164,237	174,495
Municipal bonds	6,674	7,615
Foreign bonds	1,872	1,872
U.S. Treasury Obligations	4,806	5,996
TOTAL	$ 372,096	$ 384,871

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.

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, 2012, the College had the following investments held by a bank trust department in compliance with the College's outstanding bond issues:

Investment	Maturities	Fair Value
U. S. Treasury cash equivalent funds	N/A	399,030
Federated Treasury cash equivalent fund	N/A	1,066,910
Total		$ 1,465,940

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 is 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.

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, 2012:

Student tuition and fees	$ 547,452
Auxiliary enterprises and other operating activities	519,488
	1,066,940
Less: Allowance for doubtful accounts	(998,023)
Net accounts receivable	$ 68,917

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2012:

Due from grantors	$ 101,570
Other receivables	819
Total other receivables	$ 102,389

Seminole State College
Notes to Financial Statements
June 30, 2012

Note 5: Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	$ 618,869	$ -	$ -	$ 618,869
Total not being depreciated	$ 618,869	$ -	$ -	$ 618,869
Other capital assets				
Buildings and improvements	$ 25,023,218	$ -	$ -	$ 25,023,218
Nonstructural improvements	8,737,097	253,675	-	8,990,772
Equipment	1,584,309	49,960	(9,316)	1,624,953
Vehicles	439,339	-	(78,866)	360,473
Library materials	1,359,594	25,213	-	1,384,807
Total other capital assets	37,143,557	328,848	(88,182)	37,384,223
Less accumulated depreciation for				
Buildings and improvements	(9,319,602)	(677,951)	-	(9,997,553)
Nonstructural improvements	(4,224,975)	(276,805)	-	(4,501,780)
Equipment	(1,181,341)	(121,362)	9,316	(1,293,387)
Vehicles	(320,309)	(26,768)	78,866	(268,211)
Library materials	(1,325,006)	(14,394)	-	(1,339,400)
Total accumulated depreciation	(16,371,233)	(1,117,280)	88,182	(17,400,331)
Other capital assets, net	$ 20,772,324	$ (788,432)	$ -	$ 19,983,892
Capital Asset Summary:				
Capital assets not being depreciated	$ 618,869	$ -	$ -	$ 618,869
Other capital assets, at cost	37,143,557	328,848	(88,182)	37,384,223
Total cost of capital assets	37,762,426	328,848	(88,182)	38,003,092
Less accumulated depreciation	(16,371,233)	(1,117,280)	88,182	(17,400,331)
Capital Assets, net	$ 21,391,193	$ (788,432)	$ -	$ 20,602,761

Note 5: Capital Assets (Continued)

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2012, was as follows:

	Buildings	Equipment	Non-Structural Improvements	Total
Cost	$ 7,295,759	$ 301,203	$ 547,548	$ 8,144,510
Less accumulated depreciation	(1,974,195)	(247,496)	(160,226)	(2,381,917)
	$ 5,321,564	$ 53,707	$ 387,322	$ 5,762,593

Seminole State College
Notes to Financial Statements
June 30, 2012

Note 6: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, 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	$ 3,175,000	$ -	$ (125,000)	$ 3,050,000	$ 130,000
ODFA Public Facility, Series 2006	4.15-5.30	9/1/2036	9,430,000	-	(50,000)	9,380,000	55,000
Less: bond discount			(21,826)	-	1,401	(20,425)	(1,401)
Total revenue bonds payable			12,583,174	-	(173,599)	12,409,575	183,599
Capital lease obligations							
OCIA 1999A/2004A Series		8/1/2019	1,569,703	-	(160,908)	1,408,795	168,842
OCIA 2005F/2010A&B Series		7/1/2030	6,677,364	-	-	6,677,364	-
ODFA master lease 2003B	2.75	6/1/2023	670,000	-	(45,000)	625,000	45,000
ODFA master lease 2007C	4.00	11/15/2012	33,583	-	(23,583)	10,000	10,000
Total capital lease obligations			8,950,650	-	(229,491)	8,721,159	223,842
Total revenue bonds payable and capital lease obligations			21,533,824	-	(403,090)	21,130,734	407,441
Other liabilities							
Premium on bonds							
ODFA 2006 Series			181,568	-	(7,215)	174,353	7,215
Accrued compensated absences			178,589	134,646	(154,090)	159,145	134,645
Total other liabilites			360,157	134,646	(161,305)	333,498	141,860

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 $238,650 during the year ended June 30, 2012, 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.

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.

Lease payments to OCIA totaling $76,016 during the year ended June 30, 2012, 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 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 were 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.

Note 6: Long-Term Liabilities (Continued)

Future minimum lease payments under the College's obligations to the OCIA and ODFA for the year ended June 30, 2012, are as follows:

	Principal	Interest	Total
Years Ending June 30:			
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	848,128	308,644	1,156,772
2018-2022	2,053,074	1,036,581	3,089,655
2023-2027	1,773,363	688,369	2,461,732
2028-2031	1,694,853	215,785	1,910,638
Total	$ 8,721,159	$ 3,572,848	$ 12,294,007

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, 2012, are as follows:

	Principal	Interest	Total
Years Ending June 30:			
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	255,000	587,209	842,209
2018-2022	1,005,000	2,785,808	3,790,808
2023-2027	2,550,000	2,279,263	4,829,263
2028-2032	3,810,000	1,471,131	5,281,131
2033-2037	3,970,000	642,932	4,612,932
Total	$ 12,430,000	$ 10,214,510	$ 22,644,510

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 by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 9.50% for 2012, 2011, and 2010, and was applied to annual compensation.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011, and 2010. These contributions were made directly by the College for all three years.

The College's contribution to OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately $1,284,000, $1,258,000, and $1,209,000, 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.

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 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2012, the total amount contributed to OTRS by the State of Oklahoma on behalf of the College was approximately $454,000. This on-behalf payment has been recorded as nonoperating 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, 2012, 2011, and 2010 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, 2012, 2011, and 2010 were approximately $380,000, $382,000, and 365,000, respectively.

Note 8: Other Post-Employment Benefits

Plan Description

In addition to the pension benefits as described above, the College covers, through a single-employer plan, the cost of health and dental insurance premiums for retired employees until the age of 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's Board of Regents has the authority to modify or change plan benefits and contributions. The plan does not have a separate, audited financial report prepared.

Note 8: Other Post-Employment Benefits (continued)

Funding Policy

The Plan is unfunded and benefits are on a "pay-as-you-go" basis. The College funds 100% of the retirees' premium, with funding from current operations and a monthly allowance from the Teachers' Retirement System of Oklahoma. For the year ended June 30, 2012, the College's contributions for health insurance premiums for retired employees were approximately $44,000.

Annual OPEB cost and net OPEB obligation

The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost, the amount actually contributed to the plan, and changes in the College's net OPEB obligation for the year ended June 30, 2012:

	2012
Annual required contribution	$ 212,748
Interest on net OPEB obligation	25,738
Adjustment to annual required contribution	(45,637)
Annual OPEB cost (expense)	192,849
Contributions made	44,214
Increase in net OPEB obligation	(148,635)
Net OPEB obligation, beginning of year	(490,245)
Net OPEB obligation, end of year	$ (638,880)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

Year Ended June 30	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2010	$ 210,435	10.25%	$ 340,634
2011	$ 195,173	23.34%	$ 490,245
2012	$ 192,849	22.93%	$ 638,880

Note 8: Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 was as follows:

	2012
Actuarial accrued liability (AAL)	$ 1,285,617
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 1,285,617
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$ 6,172,000
UAAL as a percentage of covered payroll	21%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included (a) discount rate of 5.25% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 62 and completion of 10 years of OTRS service, or (2) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992), and (c) an annual healthcare cost trend rate of 6.25% annually.

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 $55,000 for the year ended June 30, 2012.

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 was 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, 2012, approximately $3,130,000 of Direct Lending Program loans was 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, 2012, 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

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.

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.

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.

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, 2011 and 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, 2011.

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

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, 2012, 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, 2011 and 2010, the Foundation's investments were as follows:

	2011	2010
U.S. government agency	$ 26,073	$ 52,672
Corporate bonds	159,275	14,014
Mutual funds-fixed income	313,813	337,634
Mutual funds-equity	837,864	627,175
Total investments	$ 1,337,025	$ 1,031,495

Note 3: Contributions and Grants Receivable

Contributions and grants receivable at December 31, 2011 and 2010, are expected to be collected as follows:

	2011	2010
Less than one year	$ 22,546	$ 44,332
One year to five years	50,000	100,000
	$ 72,546	$ 144,332

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.

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

Note 4: Property and Equipment

At December 31, 2011 and 2010, property and equipment consist of the following:

	2011	2010
Vehicles	$ 51,106	$ 51,106
Buildings and improvements	1,329,714	1,329,714
Land improvements	124,746	-
Buildings and Equipment	1,393,816	1,380,820
Less: Accumulated depreciation	(232,828)	(192,652)
Property and equipment, net	$ 2,666,554	$ 2,568,988

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 years ended December 31, 2011 and 2010, the Foundation collected $39,529 and $37,729 in rental income, respectively.

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 years ended December 31, 2011 and 2010, the Foundation recognized $45,000 and $45,000, respectively, in related rental income.

In 2011, the Foundation improved the drainage area on the campus of Seminole State College. These improvements included building of a pond to control water runoff. The pond was encircled with a sidewalk and includes a gazebo, pavilion, and multiple benches. The Foundation intends to donate the land improvements to the College during the 2012 fiscal year.

Note 5: Other Assets

At December 31, 2011 and 2010, the Foundation had oil and gas royalty interests of $2,030 and $2,030, respectfully, which is included in other assets in the statements of financial position.

Note 6: Income Taxes

Federal and State income taxes incurred on unrelated business income (rental income) for 2011 and 2010 were $0 and $870, respectively.

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, 2011 and 2010, the outstanding balance on the note was $114,330 and $131,355, respectively.

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, 2011 and 2010, the outstanding balance on the note was $286,652 and $305,593, respectively.

At December 31, 2011, future aggregate maturities of principal and interest requirements on the Foundation's notes payable are as follows:

Years Ended December 31:	Principal	Interest	Total
2012	38,897	20,530	59,217
2013	41,053	18,164	59,217
2014	43,309	15,908	59,217
2015	45,690	13,527	59,217
2016	48,197	11,020	59,217
Thereafter	183,836	26,188	210,024
	$ 400,982	$ 105,127	$ 506,109

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

Note 8: Net Assets

At December 31, 2011 and 2010, temporarily restricted net assets were comprised of the following:

	2011	2010
Scholarships	$ 370,123	$ 370,901
Capital Campaign	442,537	406,610
Grants	193,854	208,368
Beneficial interest in remainder trust	104,276	112,044
Haney Statue	27,500	27,500
Athletic Booster Club	15,291	15,291
President's Round Table	3,201	3,201
Total temporarily restricted net assets	$ 1,156,782	$ 1,143,915

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

Note 8: Net Assets (Continued)

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable for scholarships to students and student staff, and for the support of specified academic programs of the College. At December 31, 2011 and 2010 permanently restricted net assets included the following funds:

	2011	2010
Galela Walkingstick Scholarship	$ 250,000	$ 250,000
Austin Scholarship	172,480	172,480
Roesler Scholarship	81,230	81,230
W. P. Wood Trust II Scholarship	77,303	77,303
Medical Lab Technician Scholarship	70,000	40,000
SSC 2000	50,467	50,467
Lynch Scholarship	50,000	50,000
Dan Wallace Scholarship	47,000	42,000
Moran Nursing Scholarship	32,618	32,618
Ida E. Harber Memorial Scholarship	30,000	30,000
Wayne & Hazel Reynolds Scholarship	30,000	7,500
W. P. Wood Trust Scholarship	25,000	25,000
Tiger Trucks Scholarship	20,000	20,000
Kirk Scholarship	20,000	20,000
Dean & Lillie Stover Scholarship	20,000	20,000
Calvin Scholarship	19,450	19,450
Eloise Wright Scholarship	16,120	16,120
Mt. View Alumni Scholarship	15,800	15,800
Kelton/Wantland Scholarship	12,100	11,100
Kinslow Scholarship	10,700	10,700
Mr. & Mrs. T. W. Harber Scholarship	10,000	10,000
Regents Scholarship	6,145	6,145
James S. Maxwell Scholarship	5,000	5,000
Arkla Scholarship	5,000	5,000
President's Round Table	478	478
Total permanently restricted net assets	$ 1,076,891	$ 1,018,391

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, and 2009 was 8% for both years.

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.

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):

	Level 1	Level 2	Level 3	Fair Value
December 31, 2011				
Financial Assets				
US Government Agency	$ -	$ 52,672	$ -	$ 52,672
Corporate Bonds	-	14,014	-	14,014
Fixed income	313,814	-	-	313,814
Domestic equities	749,066			749,066
International equities	88,797	-	-	88,797
Beneficial interest in remainder trust	-	-	112,044	112,044
	$ 1,151,677	$ 66,686	$ 112,044	$ 1,330,407
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	595,559	-	-	595,559
International equities	31,616	-	-	31,616
Beneficial interest in remainder trust	-	-	112,044	112,044
	$ 964,809	$ 66,686	$ 112,044	$ 1,143,539

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

Note 10: Fair Value of Financial Instruments (Continued)

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, 2011, and 2010:

	Beneficial Interest in Charitable Remainder Trust
Balance at January 1, 2011	$ 112,044
Change in value of beneficial interest in charitable remainder trust	(7,768)
Distributions	-
Contributions	-
Balance at December 31, 2011	$ 104,276

	Beneficial Interest in Charitable Remainder Trust
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	$ 112,044

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

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, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (32,121)	$ 104,663	$ 1,076,891	$ 2,653,133
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	$ (32,121)	$ 104,663	$ 1,076,891	$ 2,653,133

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 32,121	$ 158,455	$ 1,018,391	$ 1,144,725
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	$ 32,121	$ 158,455	$ 1,018,391	$ 1,144,725

Changes in Endowment Net Assets for the Year Ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (32,121)	$ 158,455	$1,018,391	$1,144,725
Investment return:				
Investment income	—	40,393	—	40,393
Investment fees	—	(9,961)	—	(9,961)
Net appreciation (realized and unrealized)	—	(36,928)	—	(36,928)
Total investment return	(32,121)	152,759	1,018,391	139,029
Contributions	—	—	58,500	58,500
Appropriation of endowment assets for expenditure	—	(48,096)	—	(48,096)
Endowment Net Assets	$ (32,121)	$ 104,663	$1,076,891	$1,149,433

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

Note 12: Endowment Disclosures (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$(110,986)	$ 48,676	$ 728,891	$ 666,581
Investment return:				
Investment income	—	26,141	—	26,141
Investment fees	—	(5,245)	—	(5,245)
Net depreciation (realized and unrealized)	72,453	67,818	—	140,271
Total investment return	(38,533)	137,390	728,891	827,748
Contributions	—	—	1,000	1,000
Appropriation of endowment assets for expenditure	—	(32,378)	—	(32,378)
Endowment Net Assets	$ (38,553)	$ 105,012	$ 729,891	$ 796,370

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or OK UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $(32,121) and $(32,121) as of December 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return Objectives and Risk Parameters

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

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

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

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

Note 13: Related Party Transactions

The College and 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 and $39,000 for the year ending December 31, 2011 and 2010, respectively, to students and faculty members of the College.

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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, 2012, and have issued our report thereon dated September 14, 2012. 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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Compliance and Other Matters

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

This report is intended solely for the use of the audit committee, 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, 2012

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

Board of Regents
Seminole State College
Seminole, Oklahoma

Compliance

We have audited Seminole State College's (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College based on our audit.

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

In our opinion, Seminole State College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

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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, 2012, and have issued our report thereon dated September 14, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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, 2012

Seminole State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Education		
Student Financial Aid Cluster		
Office of Postsecondary Education		
Federal Pell Grant Program	84.063	$ 4,165,237
Federal Family Education Loans	84.032	2,995,423
Federal Supplemental Education Opportunity	84.007	49,240
Federal Work Study Program	84.033	60,221
Total Student Financial Aid Cluster		7,270,121
TRIO Cluster		
Office of Postsecondary Education		
Upward Bound	84.047	848,701
Veterans Upward Bound	84.047V	243,144
Talent Search	84.044	535,744
Student Support Services	84.042	250,535
Health & Science Student Support Services	84.042	197,071
Total Trio Cluster		2,075,195
Dream Catcher GearUp	84.334A	172,842
Total Dream Catcher GearUp		172,842
Strenthening Minority-Servicing Institutions	84.382	253,369
		253,369
Total U.S. Department of Education		**9,771,528**

Seminole State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

(Continued)

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Expenditures
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	196,177
Oklahoma State Regents for Higher Education		
Child Care Development Block Grant Scholars for Excellence Program	93.575	74,204
Total U. S. Department of Health and Human Services		**270,381**
U. S. Department of Agriculture		
Pass-Through Program From:		
State of Oklahoma Department of Education		
Summer Food Program	10.559	15,885
Total U. S. Department of Agriculture		**15,885**
U. S. Department of Transportation		
Pass-Through Program From:		
Oklahoma Department of Transportation		
2011 Tree Grant	20.205	25,000
Total U. S. Department of Transportation		**25,000**
National Endowment For The Humanities		
Pass-Through Program From:		
Oklahoma Humanities Council		
Oklahoma Literature and Oklahoma Voice	45.129	1,000
Total National Endowment For The Humanities		**1,000**
Total Expenditures of Federal Awards		**$10,083,794**

Seminole State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1: Summary of Significant Accounting Policies

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

Note 2: Subrecipients

Seminole State College provided no federal awards to subrecipients.

Seminole State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

Summary of Auditors' Results (Continued)

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $300,000.

9. The College qualified as a low-risk auditee as that term is defined in OMB Circular A-133. ☒ Yes ☐ No

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

Seminole State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

No Item Reportable.