

Seminole State College
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Reports

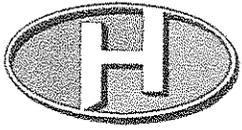
June 30, 2015



Seminole State College
A Component Unit of the State of Oklahoma
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PC Board of Regents
Seminole State College
Seminole, Oklahoma

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Seminole State College as of and for the year ended June 30, 2015, the related notes to the financial statements, which collectively, comprise the Seminole State College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Seminole State College as of June 30, 2015, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Other Matters

Required Supplementary Information

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

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Seminole State College taken as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2015 on our consideration of the Seminole State 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 result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Tulsa, Oklahoma
October 25, 2015

Hick & Company, PC



The following *Management's Discussion and Analysis* (MD&A) provides the financial performance of Seminole State College (the "College") with an overview of the financial activities based on currently known facts, decisions and conditions for the fiscal years ended June 30, 2015 and 2014. 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 include management's discussion and analysis (as required supplementary information); the statements of net position; the statements of revenues, expenses, and changes in net position; 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.

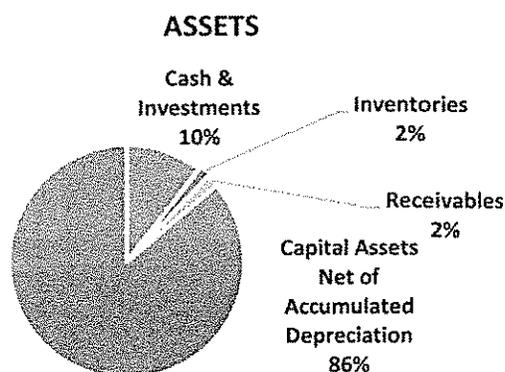
STATEMENT OF NET POSITION

Statements of Net Position 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 Position provides a picture of the 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 situation.

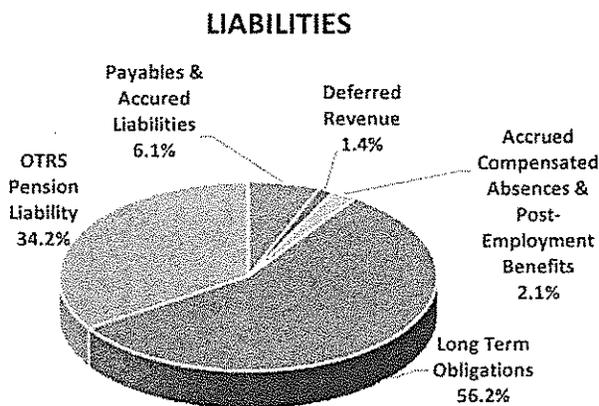
Assets are what the College owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Consideration must be made in regards to non-financial factors, such as changes in the College's programs and degrees offered and accreditations status, enrollment levels, in addition to the condition of its physical facilities, to fully assess the overall health of the College.

In fiscal year 2015, total assets of the College decreased so slightly at 0.23% or \$49,113 over fiscal year 2014. A review of the Statement of Net Position will reveal that there are many fluctuating variables, however the changes were primarily due to the increase in cash and equivalents, inventories and restricted investments of \$567,439, offset by a decrease in net accounts receivable and capital assets of \$616,552.



Liabilities are what the College owes to others or what it has collected from others before it has provided the related services. Liabilities are also categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable with the next year. While, noncurrent liabilities are those financial obligations that are not due within the present fiscal year. They include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations, and (2) estimated amounts for accrued compensated absences.

In fiscal year 2015, total liabilities of the College for the year decreased by \$1,216,494 or 5.68% before the newly required Oklahoma Teachers Retirement System (OTRS) pension liability. The most significant changes were a decrease in long-term capital financing of \$1,200,855 which the majority was offset by the newly required OTRS liability increase of \$11,046,114.



Net position is divided into three categories. Invested in capital assets net of related debt represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation. Restricted net position includes amounts that have been restricted

for use by external parties for such things as debt service, student loans and capital projects.

Finally, unrestricted net position includes amounts institutionally designated or committed to support specific academic programs and for working capital requirements.

In the fiscal year 2015, the combination of the slight decrease in assets and OTRS pension liability requirements which increased the liabilities and nets to a decrease in total net position of \$12.9 million.

Condensed Statements of Net Position

Years Ended June 30

	2015	2014	Increase (Decrease)
Current assets	\$1,919,351	\$1,901,465	\$17,886
Noncurrent assets:			
Capital assets, net	18,807,414	18,873,070	(65,656)
Other	<u>1,083,727</u>	<u>1,085,070</u>	<u>(1,343)</u>
Total assets	<u>21,810,492</u>	<u>21,859,605</u>	<u>(49,113)</u>
Current liabilities	2,411,874	2,433,085	(21,211)
Non-current liabilities	<u>30,145,736</u>	<u>20,195,005</u>	<u>9,950,731</u>
Total liabilities	<u>32,557,610</u>	<u>22,628,090</u>	<u>9,929,520</u>
Net Position:			
Restricted	857,785	857,706	79
Unrestricted	<u>(13,774,419)</u>	<u>(1,549,215)</u>	<u>(12,225,204)</u>
Total net position	<u>\$ (12,916,634)</u>	<u>\$ (691,509)</u>	<u>\$ (12,225,125)</u>



2015 Seminole State College Commencement.

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The *Governmental Accounting Standards Board (GASB)* requires state appropriations and gifts to be classified as non-operating revenues.

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. State capital appropriations are considered neither operating nor non-operating revenues and are reported under "Other Revenues, Expenses, Gains and Losses."

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Total operating revenues	\$ 7,564,564	\$ 6,791,086	\$ 773,478
Less operating expenses	<u>17,576,885</u>	<u>18,676,867</u>	<u>(1,099,982)</u>
Operating Loss	(10,012,321)	(11,885,781)	1,873,460
Non-operating revenues (expenses):			
Net nonoperating revenues	10,254,570	9,494,571	759,999
Income (loss) before other changes	242,249	(2,391,210)	2,633,459
OCIA on-behalf state appropriations	929,800	768,749	161,051
Contributed capital - donated capital asset	140,272		
State appropriations restricted for capital projects	436,941	436,941	-
Loss on disposal of capital assets	<u>-</u>	<u>(11,344)</u>	<u>11,344</u>
Net decrease in net position	1,749,262	(1,196,864)	2,946,126
Net Position, beginning of year	(691,509)	505,355	(1,196,864)
Adjustment to net position for adoption of new accounting principle	(13,476,886)	-	(13,476,886)
Net Position, beginning of year restated	<u>(14,168,395)</u>	<u>505,355</u>	<u>(14,673,750)</u>
Net Position, end of year	<u>\$ (12,419,133)</u>	<u>\$ (691,509)</u>	<u>\$ (11,727,624)</u>



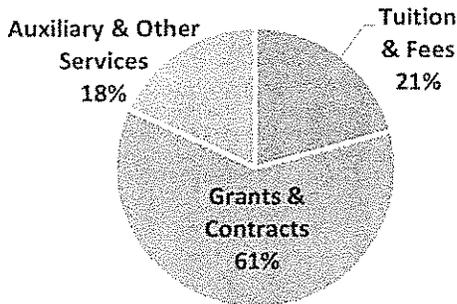
Students, faculty and staff watched a special Native American presentation by World Champion Fancy Dancer Michael Roberts during the back-to-school cookout.

OPERATING REVENUES

Operating revenues of \$7.56 million in 2015 increased \$773,478 or 10.2% when compared to 2014. The increases came primarily from grants and contracts of \$648,423.

GASB Statement No. 35 categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties either give up or receive something of equal or similar value.

Operating Revenues Fiscal Year 2015



OPERATING EXPENSES

Expenses are categorized as operating or non-operating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting guidance for entities to report operating expenses in the functional classifications. The College reports the expenses in their functional classification on the statement of revenues, expenses, and changes in net assets.

Operating expenses of \$17.5 million in 2015 decreased \$1,099,982 when compared to the prior 2014 year. The decreases came primarily from Compensation of \$807,429 and Other Operating of \$378,155.

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

Operating Expenses

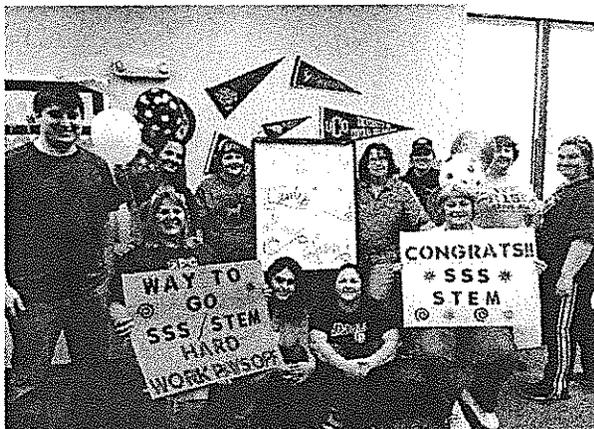
Years Ended June 30

	2015	2014	Increase (Decrease)
Operating expenses:			
Compensation & employee benefits	\$ 9,528,981	\$ 10,336,410	\$ (807,429)
Contractual services	948,340	921,214	27,126
Supplies & materials	1,315,056	1,237,179	77,877
Utilities	515,181	571,866	(56,685)
Communications	165,122	154,634	10,488
Other operating expenses	1,777,856	2,156,011	(378,155)
Scholarships & fellowships	2,258,163	2,184,709	73,454
Depreciation expense	1,068,186	1,114,844	(46,658)
Total operating expenses	\$ 17,576,885	\$ 18,676,867	\$ (1,099,982)

NON-OPERATING REVENUES AND EXPENSES

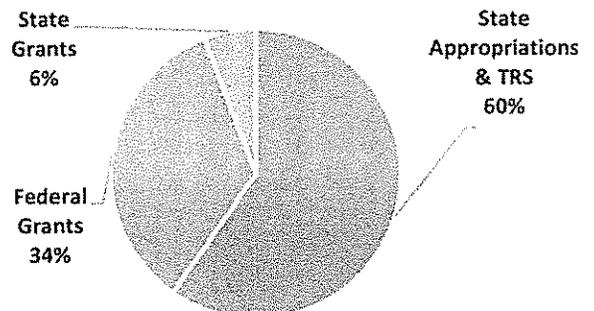
Certain revenue sources that the College relies on to maintain more affordable tuition rates and provide funding for operations, including State Appropriations, are defined under GASB as non-operating revenue.

Non-operating expenses include costs related to capital assets.

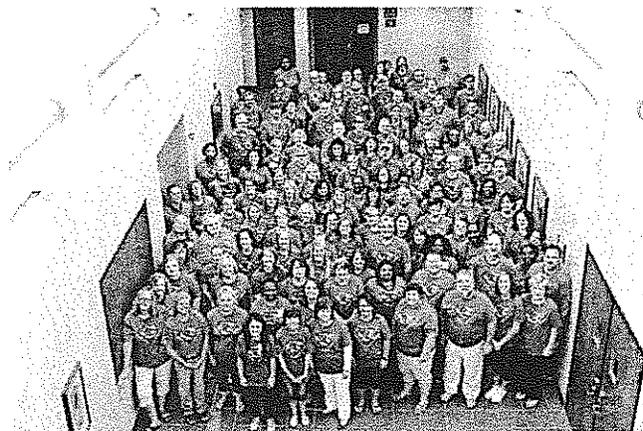


SSC RECEIVES NOTIFICATION OF RENEWAL OF U.S. DEPARTMENT OF EDUCATION GRANTS

Non-operating Revenues



Non-operating revenues and expenses decreased \$759,999 in 2015 when compared to 2014. The changes primarily reflect an increase in Federal Grants of \$226,228 and Interest expense \$358,411, a result of interest paid on indebtedness of the College.



Seminole State College 2015 In-service.

STATEMENT OF CASH FLOWS

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 obligations as they come due, and 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 for the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

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

Condensed Statements of Cash Flows

Years Ended June 30

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Cash provided by (used in):			
1) Operating activities	\$ (9,250,914)	\$ (9,876,623)	\$ 625,709
2) Noncapital financial activities	10,498,297	10,281,078	217,219
3) Capital and related financing activities	(692,466)	(1,145,559)	453,093
4) Investing activities	<u>1,456</u>	<u>391,727</u>	<u>(390,271)</u>
5) Net increase (decrease) in cash and cash equivalents	556,373	(349,377)	905,750
Cash and cash equivalents, beginning	<u>656,759</u>	<u>1,006,136</u>	<u>(349,377)</u>
Cash and cash equivalents, ending	<u>\$ 1,213,132</u>	<u>\$ 656,759</u>	<u>\$ 556,373</u>

CAPITAL ASSETS AND LONG-TERM LIABILITIES

As of June 30, 2015, the College has \$18.8 million in capital assets, net of accumulated depreciation. The following table summarizes the College's capital assets, net of accumulated depreciation:

Capital Assets

	Years Ended June 30		
	2015	2014	Increase (Decrease)
Capital assets:			
Land	\$ 618,869	\$ 618,869	\$ -
Construction in Progre	944,836	-	944,836
Buildings	25,023,218	25,023,218	-
Improvements	9,164,328	9,148,111	16,217
Equipment	1,658,997	1,656,505	2,492
Vehicles	583,623	583,623	-
Library materials	1,451,677	1,428,694	22,983
Total capital assets	39,445,548	38,459,020	986,528
Less accumulated depreciation	(20,638,134)	(19,585,950)	(1,052,184)
Capital assets, net	\$ 18,807,414	\$ 18,873,070	\$ (65,656)

Additional details concerning the College's capital assets are in the Notes to the College's financial statements.

Long-Term Liabilities

At June 30, 2015 the College has \$19.6 million in outstanding bonds, capital leases, and notes payable, representing a decrease of \$1,174,930.

The following summarizes the outstanding long-term liabilities as of June 30:

	Years Ended June 30		
	2015	2014	Increase (Decrease)
Revenue bonds payable, net	\$ 9,180,000	\$ 9,260,000	\$ (80,000)
Capital lease obligations	9,953,224	11,028,876	(1,075,652)
Premium on Bonds	296,924	317,208	(20,284)
Compensated absences	160,077	159,071	1,006
Total long-term liabilities	19,590,225	20,765,155	(1,174,930)
Less: current portion	(1,101,504)	(1,076,584)	(24,920)
Net long-term liabilities	\$ 18,488,721	\$ 19,688,571	(1,199,850)

Additional information concerning the College's long-term liabilities can be found in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Oklahoma provided approximately 49.3% of the College's operating resources for the FY2016 fiscal year. Looking forward to FY2017, State revenues are estimated not to increase and the current outlook is a 5% or more decrease. This will reflect little change in the percentage of the College revenues from State funds. The College may have to manage mandatory cost increases by considering a slight increase to current tuition and fee rates for students or potential reduction in staff and operating budgets. A concern for the College is the uncertainty in state revenues. The declining state revenue collections in the past have prompted reductions in the state appropriations and there are no expectations that they will increase.

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 a 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 slightly increase. The College will make every effort not to reduce any programs or services and will continue to monitor the state and national economic conditions as part of our financial decision making process. The College will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our students. Efforts continue to improve external fund development as a resource.



Seminole State College supporters attend the Southeast Oklahoma Legislative Briefing

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 Mission Statement:

"Seminole State College empowers people for academic success, personal development, and lifelong learning"

CORE VALUES – C.O.R.E.

COMPASSION

Celebrating a diverse campus, local and global community of people and displaying professionalism and compassion in all interactions

OPPORTUNITY

Presenting current trends and future possibilities for career, academic and personal enrichment

RESPECT

Building mutual respect, integrity and confidence for ourselves, for others and for the environment

EXCELLENCE

Continually striving to achieve the highest standards and exhibit excellence in our programs and relationships with all stakeholders

Seminole State College is accredited from the:



230 South LaSalle Street, Suite 7-500 | Chicago, IL 60604-1411
312-263-0496 | 800-921-7440 | Fax: 312-263-7462 | ncahlrc.org

Seminole State College
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2015

	Seminole State College	Seminole State College Foundation
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 1,213,132	\$ 842,494
Investments	—	1,904,334
Accounts receivable, net of allowance for doubtful accounts	130,654	—
Other receivables	236,482	25
Inventories	339,083	—
Total Current Assets	1,919,351	2,746,853
<i>Noncurrent Assets</i>		
Restricted investments	1,083,727	—
Other assets	—	2,030
Other receivables	—	100,000
Beneficial interest in remainder trust	—	120,338
Capital assets, net of accumulated depreciation	18,807,414	1,239,174
Total Noncurrent Assets	19,891,141	1,461,542
Total Assets	21,810,492	4,208,395
Deferred Outflows of Resources		
Deferred cost on OCIA lease restructure	133,104	—
Deferred amounts related to pensions	1,332,321	—
Total Deferred Outflows of Resources	1,465,425	—
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	714,064	16,627
Unearned revenue	205,421	—
Due to student groups and organizations	234,356	—
Current portion of noncurrent liabilities	1,258,033	62,474
Total Current Liabilities	2,411,874	79,101
<i>Noncurrent Liabilities, net of current portion</i>		
Accrued compensated absences	23,832	—
Net OPEB obligation	667,530	—
Net OTRS pension liability	11,146,014	—
Revenue bonds payable, net of bond discount	9,100,000	—
Premium on capital lease obligation	276,640	—
Notes Payable	—	298,479
Capital lease obligations	8,931,720	—
Total Noncurrent Liabilities	30,145,736	298,479
Total Liabilities	32,557,610	377,580
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	256,196	—
Deferred amounts related to pensions	2,881,244	—
Total Deferred Inflows of Resources	3,137,440	—
Net Position		
Net investment in capital assets	—	878,221
Restricted for debt service	857,785	1,404,832
Permanently restricted	—	1,191,141
Unrestricted	(13,276,918)	356,621
Total Net Position	\$ (12,419,133)	\$ 3,830,815



Seminole State College
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	Seminole State College	Seminole State College Foundation
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$3,543,000	\$ 1,573,781	\$ —
Federal grants and contracts	3,695,686	—
State and local grants and contracts	928,521	—
Auxiliary enterprise charges, Net of scholarship allowance of \$2,309,000	1,220,194	—
Student housing system revenues of \$538,202, 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	<u>146,382</u>	<u>—</u>
Total Operating Revenues	<u>7,564,564</u>	<u>—</u>
Operating Expenses		
Compensation	9,528,981	—
Contractual services	948,340	—
Supplies and materials	1,315,056	—
Utilities	515,181	18,194
Communications	165,122	—
Other operating expenses	1,777,856	352,760
Scholarships and fellowships	2,258,163	76,941
Depreciation expense	<u>1,068,186</u>	<u>44,592</u>
Total Operating Expenses	<u>17,576,885</u>	<u>492,487</u>
Operating Loss	<u>(10,012,321)</u>	<u>(492,487)</u>
Non-operating Revenues (Expenses)		
State appropriations	6,026,195	—
On-behalf contributions for Teachers' Retirement System	612,849	—
Federal grants – non-operating	3,830,506	—
State grants – non-operating	641,596	—
Investment income	595	105,293
Net unrealized and realized gain	—	2,087
Contributions and other non-operating revenues	—	959,422
Interest expense	<u>(857,171)</u>	<u>(16,329)</u>
Net Non-operating Revenues	<u>10,254,570</u>	<u>1,050,473</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	242,249	557,986
State appropriations restricted for capital purposes Pledged Section 13 appropriations of \$436,941 is used as security for the Technology Center	436,941	—
Contributed capital – donate capital asset	140,272	—
OCIA On-behalf state appropriations	<u>929,800</u>	<u>—</u>
Change in Net Position	<u>1,749,262</u>	<u>557,986</u>
Net Position, Beginning of Year	<u>(691,509)</u>	<u>3,272,829</u>
Adjustment to net position for adoption of new accounting principle	<u>(13,476,886)</u>	<u>—</u>
Net Position, Beginning of Year, Restated	<u>(14,168,395)</u>	<u>—</u>
Net Position, at End of Year	<u>\$ (12,419,133)</u>	<u>\$ 3,830,815</u>



Seminole State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For The Year Ended June 30, 2015

	Seminole State College	Seminole State College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 1,627,929	\$ —
Grants and contracts	4,570,444	—
Contributions	—	949,852
Auxiliary enterprises charges	1,139,071	—
Other operating receipts	146,382	—
Payments to employees for salaries and benefits, net on-behalf payments	(9,721,526)	—
Payments for scholarships	—	(76,941)
Payments to suppliers	<u>(7,013,214)</u>	<u>(401,619)</u>
Net Cash Provided by (Used) in Operating Activities	<u>(9,250,914)</u>	<u>471,292</u>
Cash Flows from Non-capital Financing Activities		
Permanently restricted contributions	—	16,000
State appropriations	6,026,195	—
Non-operating grants	<u>4,472,102</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,498,297</u>	<u>16,000</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(866,621)	(78,434)
Capital appropriations received	436,941	—
Proceeds from issuance of long term debt	641,585	70,000
Repayments of long term debt	(297,666)	(54,042)
Interest paid on capital debt and leases	<u>(606,705)</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	<u>(692,466)</u>	<u>(62,476)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,110,424)	(384,860)
Proceeds from sales and maturities of investments	1,111,767	317,820
Interest received on investments	<u>113</u>	<u>105,293</u>
Net Cash Provided by (Used) by Investing Activities	<u>1,456</u>	<u>38,253</u>
Net Increase in Cash and Cash Equivalents	556,373	463,069
Cash and Cash Equivalents, Beginning of Year	<u>656,759</u>	<u>379,425</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,213,132</u>	<u>\$ 842,494</u>



Seminole State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2015

(Continued)

	Seminole State College	Seminole State College Foundation
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (10,012,321)	\$ 557,986
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,068,186	44,592
Permanently restricted contributions	—	(16,000)
Appreciation on investments	—	(20,443)
Gain on disposal of property	—	—
State of Oklahoma on-behalf contributions to teachers' retirement system	612,849	—
Changes in net assets and liabilities:		
Accounts receivables	(36,444)	430
Other receivables	(53,763)	6,000
Inventories	(12,409)	—
Beneficial interest in remainder trust	—	18,356
Accounts payable and accrued expenses	(58,061)	(14,336)
Unearned revenue	9,469	—
Due to student groups and organizations	7,086	—
Compensated absences	1,006	—
Net OPEB obligation	5,437	—
Net pension liability	(3,682,649)	—
Deferred amounts related to pensions	<u>2,900,700</u>	<u>—</u>
 Net Cash Used in Operating Activities	 <u>\$ (9,250,914)</u>	 <u>\$ 576,585</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	<u>\$ 929,800</u>	<u>\$ —</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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*, and GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, 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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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.

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 position.

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



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables (Continued)

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 position.

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.

Unearned Revenues

Unearned 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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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 position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

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 Position

The College's net position is classified as follows:

Net investment 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 position - expendable: Restricted expendable net position 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 position - nonexpendable: Nonexpendable restricted net position 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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Unrestricted net position: Unrestricted net position 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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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 position. 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 student's 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.

Deferred Outflows of Resource

Deferred outflows are the consumption of net position by the College that is applicable to a future reporting period. June 30, 2015, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and deferred amounts related to pensions.

Deferred Inflows of Resource

Deferred inflows are the acquisition of net position by the College that is applicable to a future reporting period. June 30, 2015, the College's deferred inflows of resources were comprised of deferred charges on an OCIA lease restructure and deferred amounts related to pensions.

Subsequent Events

Subsequent events have been evaluated through October 25, 2015, which is the date the financial statements were available to be issued. No events occurred up to October 25, 2015, that required a change to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Prior Period Adjustments: Beginning net position was restated as of June 30, 2015, as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	\$ (691,509)
Implementation of GASB Statements 68 & 71	(13,476,886)
Beginning net position, restated	\$ (14,168,395)

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 \$1,234,306 at June 30, 2015.

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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$452,096 at June 30, 2015.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2015, the distribution of deposits in *OK INVEST* was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 181,508	\$ 181,312
Money market mutual funds	56,756	56,756
End of day commercial paper sweep	9,147	9,146
Certificates of deposit	12,344	12,344
Mortgage backed agency securities	177,359	179,626
Municipal bonds	6,268	6,797
Foreign bonds	3,481	3,481
U.S. Treasury Obligations	5,233	6,282
TOTAL	<u>\$ 452,096</u>	<u>\$ 455,744</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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, 2015, the College had the following investments held by a bank trust department in compliance with the College's outstanding bond issues:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federated Treasury cash equivalent fund	N/A	<u>\$ 1,083,727</u>
Total		<u>\$ 1,083,727</u>

Investments in the State Treasurer's Internal Investment Pool are classified as cash equivalents in the accompanying statement of net position. 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.

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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2015:

Student tuition and fees	\$ 741,948
Auxiliary enterprises and other operating activities	<u>726,663</u>
	1,468,611
Less: Allowance for doubtful accounts	<u>(1,337,957)</u>
Net accounts receivable	\$ <u>130,654</u>

Other receivables consist of the following at June 30, 2015:

Due from State Agencies (ODFA)	\$ 108,415
Due from grantors	127,458
Other receivables	<u>609</u>
Total other receivables	\$ <u>236,482</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 618,869	\$ -	\$ -	\$ 618,869
Construction in Process	<u>-</u>	<u>944,836</u>	<u>-</u>	<u>944,836</u>
Total not being depreciated	<u>\$ 618,869</u>	<u>\$ 944,836</u>	<u>\$ -</u>	<u>\$ 1,563,705</u>
Other capital assets				
Buildings and improvements	\$ 25,023,218	\$ -	\$ -	\$ 25,023,218
Nonstructural improvements	9,148,111	16,217	-	9,164,328
Equipment	1,656,505	18,494	(16,002)	1,658,997
Vehicles	583,623	-	-	583,623
Library materials	<u>1,428,694</u>	<u>22,983</u>	<u>-</u>	<u>1,451,677</u>
Total other capital assets	37,840,151	57,694	(16,002)	37,881,843
Less accumulated depreciation for				
Buildings and improvements	(11,329,308)	(652,636)	-	(11,981,944)
Nonstructural improvements	(5,083,743)	(297,041)	-	(5,380,784)
Equipment	(1,498,976)	(54,913)	16,002	(1,537,887)
Vehicles	(291,213)	(38,236)	-	(329,449)
Library materials	<u>(1,382,710)</u>	<u>(25,360)</u>	<u>-</u>	<u>(1,408,070)</u>
Total accumulated depreciation	<u>(19,585,950)</u>	<u>(1,068,186)</u>	<u>16,002</u>	<u>(20,638,134)</u>
Other capital assets, net	<u>\$ 18,254,201</u>	<u>\$ (1,010,492)</u>	<u>\$ -</u>	<u>\$ 17,243,709</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 618,869	\$ 944,836	\$ -	\$ 1,563,705
Other capital assets, at cost	<u>37,840,151</u>	<u>57,694</u>	<u>(16,002)</u>	<u>37,881,843</u>
Total cost of capital assets	38,459,020	1,002,530	(16,002)	39,445,548
Less accumulated depreciation	<u>(19,585,950)</u>	<u>(1,068,186)</u>	<u>16,002</u>	<u>(20,638,134)</u>
Capital Assets, net	<u>\$ 18,873,070</u>	<u>\$ (65,656)</u>	<u>\$ -</u>	<u>\$ 18,807,414</u>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2015, was as follows:

	Buildings	Equipment	Non-Structural Improvements	Total
Cost	\$ 7,295,759	\$ 526,203	\$ 547,548	\$ 8,369,510
Less accumulated depreciation	<u>(2,959,159)</u>	<u>(314,476)</u>	<u>(283,854)</u>	<u>(3,557,489)</u>
	<u>\$ 4,336,600</u>	<u>\$ 211,727</u>	<u>\$ 263,694</u>	<u>\$ 4,812,021</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, 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 2006	4.15-5.30	9/1/2036	9,260,000	-	(80,000)	9,180,000	80,000
Total revenue bonds payable			9,260,000	-	(80,000)	9,180,000	80,000
Capital lease obligations							
OCIA 2004A Series		8/1/2019	1,062,639	-	(1,062,639)	-	-
OCIA 2005F Series		7/1/2015	461,838	-	(225,531)	236,307	236,307
OCIA 2010A Series		7/1/2018	1,714,268	-	-	1,714,268	112,128
OCIA 2010B Series		7/1/2015	630,642	-	(367,509)	263,133	263,133
OCIA 2014A Series		7/1/2030	3,463,155	-	-	3,463,155	-
OCIA 2014B Series		7/1/2019	-	967,510	(169,815)	797,695	189,355
ODFA master lease 2013A	2.00-4.00	5/15/2028	215,000	-	(12,083)	202,917	13,000
ODFA master lease 2013B	2.00-5.00	5/15/2027	2,360,333	-	(152,250)	2,208,083	155,250
ODFA master lease 2014A	3.00-5.00	5/15/2023	370,000	-	(41,000)	329,000	36,250
ODFA master lease 2014C	2.00-5.00	5/15/2043	751,000	-	(12,334)	738,666	16,081
Total capital lease obligations			11,028,875	967,510	(2,043,161)	9,953,224	1,021,504
Total revenue bonds payable and capital lease obligations			20,288,875	967,510	(2,123,161)	19,133,224	1,101,504
Other liabilities							
Premium on bonds and capital leases							
			317,208	-	(20,284)	296,924	20,284
Accrued compensated absences							
			159,071	136,246	(135,240)	160,077	136,245
Total other liabilities			476,279	136,246	(155,524)	457,001	156,529
Total long-term liabilities			<u>\$ 20,765,154</u>	<u>\$ 1,103,756</u>	<u>\$ (2,278,685)</u>	<u>\$ 19,590,225</u>	<u>\$ 1,258,033</u>

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 \$198,872 during the year ended June 30, 2015, 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 position.



Seminole State College
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Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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 2015, the College's remaining 2004 lease agreement with OCIA was restructured through a complete refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. As a result, the total liability of the remaining 2004A bonds refunded and the amount of the 2014B bonds acquired was a gain on restructuring of \$95,130, which was recorded as a deferred inflow of resources that will be amortized over a period of 5 years. As of June 30, 2015, the unamortized gain totaled \$78,728. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$156,034, which approximates the economic savings of the transaction.

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 outflow of resources that will be amortized over a period of 6 years. As of June 30, 2015, the unamortized cost totaled \$133,104.

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.



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Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of \$192,175, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2015, the unamortized gain totaled \$177,468. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$465,684, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$730,927 during the year ended June 30, 2015, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Lease Obligations

In 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 obligations.

In 2014, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Series 2014A in the amount of \$370,000, to refund the ODFA Master Lease Series 2003B. Total lease payments over the term of the agreement, beginning July 15, 2014 through May 15, 2023, will be \$436,920. Payments will be made monthly ranging from \$3,905 to \$4,642. The net present value of the savings for the refunding of the Series 2003B is \$203,982.

In 2013, the College entered into a capital lease obligations for the ODFA Master Equipment Lease Series 2013A in the amount of \$222,000. Total lease payments over the term of the agreement, beginning December 15, 2013 through May 14, 2028, will be \$286,913. Payments will be made monthly ranging from \$1,633 to \$1,708. Proceeds from the obligation were used for the purchase of a passenger bus.



Seminole State College
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Notes to Financial Statements
June 30, 2015

Note 5: Long-Term Liabilities (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

In 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2013B in the amount of \$2,402,000, to refund the ODFA Series 2002A Revenue Bonds. Total lease payments over the term of the agreement, beginning February 15, 2014 through May 15, 2027, will be \$3,135,430. Payments will be made monthly ranging from \$15,149 to \$20,060. The net present value of the savings for the refunding of the Series 2002A Revenue Bonds is \$460,484.

On April 24, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2014C in the amount of \$753,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2043, will be \$1,271,118. Payments will be made monthly ranging from \$3,358 to \$3,851. Proceeds from the obligation will be used for the construction of the Dan and Andrea Boren Center.

Future minimum lease payments under the College's obligations to the OCIA and ODFA for the year ended June 30, 2015, are as follows:

Years Ending June 30:	Principal	Interest	Total
2016	1,021,505	418,035	1,439,540
2017	1,012,970	376,406	1,389,376
2018	1,052,361	345,158	1,397,519
2019	1,086,978	301,569	1,388,547
2020	248,912	254,280	503,192
2021-2025	2,219,481	1,086,334	3,305,815
2026-2030	2,454,172	508,426	2,962,598
2031-2035	566,512	96,689	663,201
2036-2040	172,583	45,770	218,353
2041-2043	117,750	9,690	127,440
Total	\$ 9,953,224	\$ 3,442,357	\$13,395,581



Seminole State College
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Notes to Financial Statements
June 30, 2015

Note 5: 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 1st 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.

As noted above, on January 23, 2014, the College entered into a capital lease obligation for the ODFA Master Lease Series 2013B in the amount of \$2,402,000, to refund the ODFA Series 2002A Revenue Bonds.

In September 2006, the IDFA 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 were 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, 2015, are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	80,000	468,900	548,900
2017	100,000	465,500	565,500
2018	125,000	461,250	586,250
2019	145,000	454,844	599,844
2020	165,000	447,413	612,413
2021-2025	1,275,000	2,081,519	3,356,519
2026-2030	2,140,000	1,670,494	3,810,494
2031-2035	3,370,000	1,003,220	4,373,220
2036-2037	1,780,000	138,631	1,918,631
Total	\$ 9,180,000	\$ 7,191,771	\$ 16,371,771



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Note 6: Retirement Plans

Plan description - The College as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits provided - OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.



Seminole State College
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Notes to Financial Statements
June 30, 2015

Note 6: Retirement Plans (Continued)

Benefits provided (Continued)

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service. • Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to HealthSmart, depending on the members' years of service during 2014.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were \$1,332,321. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$612,849 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the College reported a liability of \$11,146,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the College's proportion was .20718 percent.

For the year ended June 30, 2015, the College recognized pension expense of \$1,163,221. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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June 30, 2015

Note 6: Retirement Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ -	\$ 183,719
Net difference between projected and actual earnings on pension plan investments	-	2,697,525
College's contributions subsequent to the measurement date	1,332,321	-
Total	<u>\$ 1,332,321</u>	<u>\$ 2,881,244</u>

The amount of \$1,332,321, which is reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (708,915)
2017	(708,915)
2018	(708,915)
2019	(708,915)
2020	(34,535)
Thereafter	(11,049)



Seminole State College
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Notes to Financial Statements
June 30, 2015

Note 6: Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
International Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	<u>100.00%</u>	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)



Seminole State College
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June 30, 2015

Note 6: Retirement Plans (Continued)

Discount Rate - A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	\$ 15,658,688	\$ 11,146,014	\$ 7,337,163

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

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.



Seminole State College
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Note 6: Retirement Plans (Continued)

Funding Policy: The College's contribution rate for the years ended June 30, 2015, 2014, and 2013 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, 2015, 2014, and 2013 were approximately \$280,000, \$321,000, and \$342,000, respectively.

Note 7: 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.

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, 2015, the College's contributions for health insurance premiums for retired employees were approximately \$81,000.



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Note 7: Other Post-Employment Benefits (Continued)

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, 2015:

	2015
Annual required contribution	\$ 118,992
Interest on net OPEB obligation	23,174
Adjustment to annual required contribution	(55,543)
Annual OPEB cost (expense)	86,623
Contributions made	81,186
Increase in net OPEB obligation	(5,437)
Net OPEB obligation, beginning of year	(662,093)
Net OPEB obligation, end of year	\$ (667,530)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 62,297	58.73%	\$ 664,593
2014	\$ 63,513	103.94%	\$ 662,093
2015	\$ 86,623	93.72%	\$ 667,530



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Note 7: Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

	2015
Actuarial accrued liability (AAL)	\$ 776,475
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 776,475
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 5,830,000
UAAL as a percentage of covered payroll	13%

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, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included (a) discount rate of 3.5% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 63 and completion of 9 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 5.75% annually.



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Note 8: 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 \$89,000 for the year ended June 30, 2015.

Note 9: 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.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2015, approximately \$2,430,000 of FFEL 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 or claims against the College at June 30, 2015, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 10: 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.



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Note 10: Risk Management (Continued)

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 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 11: Accounting Standards Issued and Adopted

New Accounting Pronouncements Adopted in Fiscal Year 2015: The College adopted the following accounting pronouncement during the year ended June 30, 2015:

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government.



Seminole State College
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Note 11: Accounting Standards Issued and Adopted (continued)

- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the College in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2016

- *Statement No. 72, Fair Value Measurement and Application*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The College does not expect significant impact from the implementation of this statement.

- *Statement No. 73 Accounting and Financial Reporting for Pension and Related assets That Are Not within the Scope of Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The College has not yet determined the impact that implementation of GASB No. 73 will have on its net position.



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Note 11: Accounting Standards Issued and Adopted (continued)

- *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Fiscal Year Ended June 30, 2017

- *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. The College has not yet determined the impact that implementation of GASB No. 73 will have on its net position.

Fiscal Year Ended June 30, 2018

- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The College has not yet determined the impact that implementation of GASB No. 75 will have on its net position.



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Note 12: Seminole State College Educational Foundation, Inc.

The following are significant disclosures of the Foundation:

Note A: 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.

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.



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note A: Summary of Significant Accounting Policies (Continued)

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.



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

Note A: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, or fair value if acquired by gift, less accumulated depreciation. Effective January 1, 2012, the Foundation's capitalization policy for property and equipment was changed to include all items with a unit cost of \$5,000 or more and a useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation 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 statements 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 11) and beneficial interest in remainder trust (see Notes 10 and 11).



Seminole State College
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Notes to Financial Statements
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Note 12: Seminole State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

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 statements 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.

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, 2014). 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.



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note A: Summary of Significant Accounting Policies (Continued)

The Foundation maintained no balances at financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") limits as of December 31, 2014 and 2013, and generally does not exceed FDIC limits due to the use of a brokerage account for excess cash balances.

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, 2014 and 2013.

Significant Estimates

Estimates that are particularly susceptible to significant change include the valuation of investments, beneficial interest in trust, and contributions receivable. 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 values 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 the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note B: Investments

As of December 31, 2014 and 2013, the Foundation's investments were as follows:

	2014	2013
Corporate bonds	\$ 12,443	\$ 242,395
Mutual funds-fixed income	844,485	503,245
Mutual funds-equity	1,047,406	1,071,211
Total investments	\$ 1,904,334	\$ 1,816,851



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

Note C: Contributions Receivable

Contributions receivable at December 31, 2014 and 2013 are expected to be collected as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 25	\$ 455
One year to five years	-	-
	<u>\$ 25</u>	<u>\$ 455</u>

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

Note D: Note Receivable

In 2011, the Foundation advanced \$100,000 to a member of the Seminole State College Educational Foundation and the College as an investment. The note carries interest of 9%, payable monthly, is due on demand any time after February 16, 2014, and is unsecured.

Note E: Property and Equipment

At December 31, 2014 and 2013, property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land	87,995	67,995
Buildings and improvements	1,430,644	1,372,210
Vehicles	80,651	80,651
	<u>1,599,290</u>	<u>1,520,856</u>
Less: Accumulated depreciation	360,116	315,524
Property and equipment, net	<u>\$ 1,239,174</u>	<u>\$ 1,205,332</u>



Seminole State College
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June 30, 2015

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

Note E: Property and Equipment (Continued)

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, 2014 and 2013, the Foundation recognized \$41,329, for each of the two years, in rental income.

In 2005, the Foundation purchased property located at 600 West Strothers, Seminole, Oklahoma, for the purpose of developing new and expanding businesses through the use of business incubators. Space is rented to Americontact, LLC, under a three year lease agreement which commenced in October 2006. In October 2009, the Foundation and Americontact, LLC, entered into a new three year lease agreement. During the years ended December 31, 2014 and 2013, the Foundation recognized \$20,000 and \$60,500, respectively, in related rental income. The decline in the rental income is due to the lease, Americontact, LLC, vacating the space in October 2014. The space remained vacant through December 31, 2014.

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

In 2012, the Foundation purchased a passenger motor coach (bus) for the purpose of leasing said bus to Seminole State College under a twelve year lease agreement which commenced in October 2012. During the years ended December 31, 2014 and 2013, the Foundation recognized \$0 and \$38,000 respectively, in related rental income. In December 2013, the Foundation sold the bus to the College for \$225,000, which resulted in a gain on disposal that is reported in the Statement of Activities.

In 2014, the Foundation purchased the Schroeder property located just north across from the college campus at 3009 N. Highway 3, Seminole, Oklahoma, for the purpose of establishing future site development for anticipated campus growth.

In 2014 and 2013, the Foundation paid approximately \$14,000 and \$108,000 respectively, for architectural drawings for the construction of the Dan and Andrea Boren Center to be located on the College campus. The project will be a joint venture of the Foundation and the College, with the College retaining title to and ownership of the building.

Note F: Other Assets

At December 31, 2014 and 2013, the Foundation had oil and gas royalty interests of \$2,030 and \$2,030, respectively, which is included in other assets in the statements of financial position.



Seminole State College
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June 30, 2015

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

Note G: Income Taxes

Federal and State income taxes incurred on unrelated business income (rental income) for 2014 and 2013 were \$0 and \$0, respectively.

Note H: 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, 2014 and 2013, the outstanding balance on the note was \$57,208 and \$77,311, 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 of the advancing line of credit 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, 2014 and 2013, the outstanding balance on the note was \$226,682 and \$246,534, respectively.

The Foundation has a note payable with a financial institution dated September 24, 2012, for an amount of \$30,262, payable in monthly installments of \$667 beginning October 15, 2012, an interest rate of 2.75%, and a maturity date of September 15, 2016. The note is secured by equipment. At December 31, 2014 and 2013, the outstanding balance on the note was \$14,902 and \$21,150, respectively.

The Foundation has a note payable with a financial institution dated September 24, 2012, for an amount of \$232,714, payable in monthly installments of \$2,343 beginning October 15, 2012, an interest rate of 3.85%, and a maturity date of September 15, 2022. The note is secured by a vehicle (i.e., bus). In December 2013, the Foundation sold the bus to the College and paid off the note. Therefore, at December 31, 2014 and 2013, the outstanding balance on the note was \$0 and \$0, respectively.



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note H: Long Term Debt (Continued)

The Foundation has a note payable with a financial institution dated March 12, 2014, for an amount of \$70,000, payable in monthly installments of \$1,097 beginning April 12, 2014, an interest rate of 4.00%, and a maturity date of March 12, 2020. The note is secured by real estate. At December 31, 2014, the outstanding balance on the note was \$62,161

At December 31, 2014, future aggregate maturities of principal and interest requirements on the Foundation's notes payable are as follows:

Years Ending December 31:	Principal	Interest	Total
2015	62,474	15,341	77,815
2016	64,635	12,437	77,072
2017	50,011	9,530	59,541
2018	38,251	7,565	45,816
2019	39,996	5,821	45,817
Thereafter	105,586	8,313	113,899
	<u>\$ 360,953</u>	<u>\$ 59,007</u>	<u>\$ 419,960</u>

At December 31, 2013, future aggregate maturities of principal and interest requirements on the Foundation's notes payable are as follows:

Years Ending December 31:	Principal	Interest	Total
2014	49,179	15,470	64,649
2015	51,575	13,074	64,649
2016	52,057	10,593	62,650
2017	38,228	8,148	46,376
2018	25,988	6,663	32,651
Thereafter	127,968	13,711	141,679
	<u>\$ 344,995</u>	<u>\$ 67,659</u>	<u>\$ 412,654</u>



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

Note 1: Net Assets

At December 31, 2013 and 2012, temporarily restricted net assets were comprised of the following:

	<u>2014</u>	<u>2013</u>
Scholarships	\$ 1,116,890	\$ 1,005,833
Capital Campaign	999,117	440,814
Grants	113,907	141,021
Beneficial interest in remainder trust	120,338	138,694
Foreign Exchange Studies	13,149	-
Athletic Booster Club	12,176	11,504
President's Round Table	3,201	3,201
Total temporarily restricted net assets	<u>\$ 2,378,778</u>	<u>\$ 1,741,067</u>



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note 1: 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, 2014 and 2013 permanently restricted net assets included the following funds:

	2014	2013
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 Tech Scholarship	70,000	70,000
SSC 2000	50,467	50,467
Lynch Scholarship	50,000	50,000
Dan Wallace Scholarship	65,000	64,000
Moran Nursing Scholarship	32,618	32,618
Ida E. Harber Memorial Scholarship	30,000	30,000
Wayne & Hazel Reynolds Scholarship	75,000	60,000
W. P. Wood Trust Scholarship	25,000	25,000
Kirk Scholarship	20,000	20,000
Tiger Trucks	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	12,600	12,600
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
Patterson Family Scholarship	20,500	20,500
Paula Rutledge Memorial Scholarship	10,250	10,250
Utterback Family Scholarship	20,000	20,000
Total permanently restricted net assets	<u>\$ 1,191,141</u>	<u>\$ 1,175,141</u>



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note J: 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 2014, a calculated discount rate commensurate with the risk involved was used in calculating fair value. The discount rate applied at December 31, 2014, and 2013 was 7% and 7%, respectively.

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 K: 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.

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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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

Note K: Fair Value of Financial Instruments (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
December 31, 2014				
Financial Assets				
US Government Agency	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	12,443	-	12,443
Fixed income	844,485	-	-	844,485
Domestic equities	943,349	-	-	943,349
International equities	104,057	-	-	104,057
Beneficial interest in remainder trust	-	-	120,338	120,338
	<u>\$ 1,891,891</u>	<u>\$ 12,443</u>	<u>\$ 120,338</u>	<u>\$ 2,024,672</u>
December 31, 2013				
Financial Assets				
US Government Agency	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	242,395	-	242,395
Fixed income	503,245	-	-	503,245
Domestic equities	987,996	-	-	987,996
International equities	83,215	-	-	83,215
Beneficial interest in remainder trust	-	-	138,694	138,694
	<u>\$ 1,574,456</u>	<u>\$ 242,395</u>	<u>\$ 138,694</u>	<u>\$ 1,955,545</u>

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets and liabilities for the period ending December 31, 2014, and 2013:

	<u>Charitable Remainder Trust</u>
Balance at January 1, 2014	\$ 138,694
Change in value of beneficial interest in charitable remainder trust	(18,356)
Distributions	-
Contributions	-
Balance at December 31, 2014	<u>\$ 120,338</u>
	<u>Charitable Remainder Trust</u>
Balance at January 1, 2013	\$ 116,600
Change in value of beneficial interest in charitable remainder trust	22,094
Distributions	-
Contributions	-
Balance at December 31, 2013	<u>\$ 138,694</u>



Seminole State College
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Notes to Financial Statements
June 30, 2015

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

Note L: 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 M: Endowment Disclosures

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

Interpretation of Relevant Law

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

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

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



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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

Note M: Endowment Disclosures (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (32,121)	\$ 449,312	\$ 1,191,141	\$ 1,608,332
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	<u>\$ (32,121)</u>	<u>\$ 449,312</u>	<u>\$ 1,191,141</u>	<u>\$ 1,608,332</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (32,121)	\$ 415,196	\$ 1,175,141	\$ 1,558,216
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	<u>\$ (32,121)</u>	<u>\$ 415,196</u>	<u>\$ 1,175,141</u>	<u>\$ 1,558,216</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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

Note M: Endowment Disclosures (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (32,121)	\$ 415,196	\$ 1,175,141	\$ 1,558,216
Investment return:				
Investment income	-	104,496	-	104,496
Investment fees	-	(13,882)	-	(13,882)
Net appreciation (realized and unrealized)	-	20,443	-	20,443
Total investment return	<u>(32,121)</u>	<u>526,253</u>	<u>1,175,141</u>	<u>1,669,273</u>
Contributions	-	-	16,000	16,000
Transfers	-	-	-	-
Appropriation of endowment assets for expenditure	-	(76,941)	-	(76,941)
Endowment Net Assets	<u>\$ (32,121)</u>	<u>\$ 449,312</u>	<u>\$ 1,191,141</u>	<u>\$ 1,608,332</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (32,121)	\$ 225,969	\$ 1,137,391	\$ 1,331,239
Investment return:				
Investment income	-	67,936	-	67,936
Investment fees	-	(12,434)	-	(12,434)
Net appreciation (realized and unrealized)	-	223,427	-	223,427
Total investment return	<u>(32,121)</u>	<u>504,898</u>	<u>1,137,391</u>	<u>1,610,168</u>
Contributions	-	-	17,750	17,750
Transfers	-	(20,000)	20,000	-
Appropriation of endowment assets for expenditure	-	(69,702)	-	(69,702)
Endowment Net Assets	<u>\$ (32,121)</u>	<u>\$ 415,196</u>	<u>\$ 1,175,141</u>	<u>\$ 1,558,216</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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

Note M: Endowment Disclosures (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor 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, 2013 and 2012, 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.



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2015

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

Note N: 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 \$76,900 and \$69,700 for the year ending December 31, 2014 and 2013, respectively, to students and faculty members of the College.



Required Supplementary Information



Seminole State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
June 30, 2015

Schedules of Required Supplementary Information
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
 Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015
College's proportion of the net pension liability	0.2072%
College's proportionate share of the net pension liability	\$11,146,014
College's covered-employee payroll	\$ 5,843,786
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191%
Plan fiduciary net position as a percentage of the total pension liability	72.43%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.



Seminole State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
June 30, 2015

Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
 Last 10 Fiscal Years (Dollar amounts in thousands)

		<u>2015</u>	
Contractually required contribution	\$	1,332,321	
Contributions in relation to the contractually required contribution		<u>1,332,321</u>	
Contribution deficiency (excess)	\$	<u>-</u>	
College's covered-employee payroll	\$	5,830,437	
Contributions as a percentage of covered-employee payroll			23%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.



Seminole State College
A Component Unit of the State of Oklahoma
Schedules of Required Supplementary Information
June 30, 2015

SCHEDULE OF FUNDING PROGRESS FOR OPEB

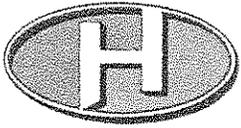
SEMINOLE STATE COLLEGE

June 30, 2015

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (b)	Actuarial Value of Assets (a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / c
06/30/15	776,475	-	776,475	0%	5,830,000.00	13%

The actuarial accrued liability is based on the projected unit credit method.





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Seminole State College and the separately presented component units as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Seminole State College's basic financial statements, and have issued our report thereon dated October 25, 2015. Our report includes a reference to other auditors who audited the financial statements of Seminole State College Educational Foundation, Inc., the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Seminole State College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seminole State College's internal control. Accordingly, we do not express an opinion on the effectiveness of Seminole State College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill & Company

Tulsa, Oklahoma
October 25, 2015





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control over Compliance Required
By OMB Circular A-133**

Board of Regents
Seminole State College
Seminole, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Seminole State College compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a material effect on each of the Seminole State College's major federal award programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the Seminole State College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Report on Internal Control Over Compliance

Management of the Seminole State College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Seminole State College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Seminole State College as of and for the year ended June 30, 2015, and have issued our report thereon dated October 25, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Tulsa, Oklahoma
October 25, 2015

Hill & Company, PC



Seminole State College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grant/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
<i>Student Financial Aid Cluster</i>		
Office of Postsecondary Education		
Federal Pell Grant Program	84.063	\$ 3,790,583
Federal Family Education Loans	84.032	2,430,493
Federal Supplemental Education Opportunity	84.007	48,091
Federal Work Study Program	84.033	<u>51,976</u>
Total Student Financial Aid Cluster		<u>6,321,143</u>
 <i>TRIO Cluster</i>		
Office of Postsecondary Education		
Upward Bound	84.047	1,038,819
Talent Search	84.044	535,361
Student Support Services	84.042	253,410
Health & Science Student Support Services	84.042	<u>176,757</u>
Total Trio Cluster		<u>2,004,347</u>
 OK, GO College Gear Up	 84.334A	 <u>594,492</u>
 Strengthening Minority-Servicing Institutions	 84.382	 <u>432,454</u>
 Office of Vocational and Adult Education		
Pass-Through Program From:		
Oklahoma Career Tech		
Carl Perkins Grant	84.048	<u>10,932</u>
 Total U.S. Department of Education		 <u>9,363,368</u>



Seminole State College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-</u> <u>through</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Health and Human Services			
Administration for Children and Families			
Pass-Through Program From:			
Oklahoma State Department of Human Services			
Temporary Assistance for Needy			
Families (TANF)	93.558		179,076
Administration for Children and Families			
Pass-Through Program From:			
Oklahoma State Regents for Higher Education			
Child Care Development Block Grant			
Scholars for Excellence Program	93.575		<u>77,340</u>
Total U. S. Department of Health and Human Services			<u>256,416</u>
U. S. Department of Agriculture			
Food and Nutrition Service			
Pass-Through Program From:			
State of Oklahoma Department of Education			
Summer Food Program	10.559	67-U010	<u>15,803</u>
Total U. S. Department of Agriculture			<u>15,803</u>
Total Expenditures of Federal Awards			<u>\$ 9,635,587</u>



Seminole State College
A Component Unit of the State of Oklahoma
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified? Yes No

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes No

Significant deficiency identified? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No



Seminole State College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditors' Results (Continued)

- Identification of major programs:

<u>Cluster/Program</u>	<u>CFDA Number</u>
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

- 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.
- Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133. Yes No

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

None to report for the June 30, 2015 period.

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

None to report for the June 30, 2015 period.



Seminole State College
A Component Unit of the State of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

No Items Reportable.

