

SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Reports

June 30, 2014



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
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June 30, 2014

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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, 2014, 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.

Auditor's 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 auditor's 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, 2014, 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.

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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 September 27, 2014 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.

Hick & Company, PC

Tulsa, Oklahoma
September 27, 2014



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, 2014 and 2013. 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 2014, total assets of the College decreased 4% or \$932,390 over fiscal year 2013. A review of the Statement of Net Position will reveal that there are many fluctuating variables, however the changes were primarily due to the decrease in cash and equivalents, restricted investments, and net capital assets of \$1.6 million, offset by an increase in net accounts receivable of \$674,990.

ASSETS



**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."



Denmark Students arrive for eight week cultural and educational program.

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

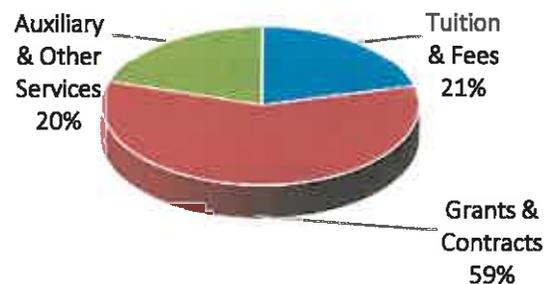
	<u>2014</u>	<u>2013</u>	Increase (Decrease)
Operating revenues:			
Total operating revenues	\$ 6,791,086	\$ 7,607,829	\$ (816,743)
Less operating expenses	<u>18,676,867</u>	<u>19,064,132</u>	<u>(387,265)</u>
	Operating Loss	(11,885,781)	(429,478)
Non-operating revenues (expenses):			
Net nonoperating revenues	9,494,571	10,245,553	(750,982)
Income (loss) before other changes	(2,391,210)	(1,210,750)	(1,180,460)
OCIA on-behalf state appropriations	768,749	327,531	441,218
State appropriations restricted for capital projects	436,941	436,941	-
Loss on disposal of capital assets	<u>(11,344)</u>	<u>-</u>	<u>(11,344)</u>
	Net decrease in net position	(446,278)	(750,586)
Net Position, beginning of year	505,355	(159,158)	664,513
Restatement of Net Position-See Note 1 (OPEB)	-	1,110,791	(1,110,791)
Restatement of Net Position-See Note 1 (GASB 65)	-	-	-
Net Position, beginning of year restated	<u>505,355</u>	<u>951,633</u>	<u>(446,278)</u>
Net Position, end of year	<u>\$ (691,509)</u>	<u>\$ 505,355</u>	<u>\$ (1,196,864)</u>

OPERATING REVENUES

Operating revenues of \$6.79 million in 2014 decreased \$816,743 or 12% when compared to 2013. The decreases came primarily from tuition and fees of \$205,818, and grants and contracts of \$539,659.

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 2014





Lana Reynolds Honored as One of Journal Record's "50 Making a Difference in Oklahoma"

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>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Cash provided by (used in):			
1) Operating activities	\$ (9,876,623)	\$ (10,217,460)	\$ 340,837
2) Noncapital financial activities	10,281,078	10,720,480	(439,402)
3) Capital and related financing activities	(1,145,559)	(598,990)	(546,569)
4) Investing activities	<u>391,727</u>	<u>(599)</u>	<u>392,326</u>
5) Net increase (decrease) in cash and cash equivalents	(349,377)	(96,569)	(252,808)
Cash and cash equivalents, beginning	<u>1,006,136</u>	<u>1,102,705</u>	<u>(96,569)</u>
Cash and cash equivalents, ending	<u>\$ 656,759</u>	<u>\$ 1,006,136</u>	<u>\$ (349,377)</u>

CAPITAL ASSETS AND LONG-TERM LIABILITIES

As of June 30, 2014, the College has nearly \$18.9 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		
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Capital assets:			
Land	\$ 618,869	\$ 618,869	\$ -
Buildings	25,023,218	25,023,218	-
Improvements	9,148,111	9,033,302	114,809
Equipment	1,656,505	1,664,653	(8,148)
Vehicles	583,623	378,473	205,150
Library materials	<u>1,428,694</u>	<u>1,416,724</u>	<u>11,970</u>
Total capital assets	38,459,020	38,135,239	323,781
Less accumulated depreciation	<u>(19,585,950)</u>	<u>(18,532,325)</u>	<u>(1,053,625)</u>
Capital assets, net	<u>\$ 18,873,070</u>	<u>\$ 19,602,914</u>	<u>\$ (729,844)</u>

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



Seminole State College Phi Theta Kappa Office induction.

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:



250 South LaSalle Street, Suite 7-500 Chicago, IL 60604-6111
312-463-9400 800-421-7170 Fax: 312-463-7482 hlcommission.org

SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2014

	Seminole State College	Seminole State College Foundation
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 656,759	\$ 379,425
Investments	—	1,816,851
Accounts receivable, net of allowance for doubtful accounts	94,210	—
Other receivables	823,822	6,455
Inventories	326,674	—
Total Current Assets	1,901,465	2,202,731
<i>Noncurrent Assets</i>		
Restricted investments	1,085,070	—
Other assets	—	2,030
Other receivables	—	100,000
Beneficial interest in remainder trust	—	138,694
Capital assets, net of accumulated depreciation	18,873,070	1,205,332
Total Noncurrent Assets	19,958,140	1,446,056
Total Assets	21,859,605	3,648,787
Deferred Outflows of Resources		
Deferred cost on OCIA lease restructure	266,209	—
Total Deferred Outflows of Resources	266,209	—
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	777,621	30,963
Unearned revenue	195,952	—
Due to student groups and organizations	227,270	—
Current portion of noncurrent liabilities	1,232,242	49,179
Total Current Liabilities	2,433,085	80,142
<i>Noncurrent Liabilities, net of current portion</i>		
Accrued compensated absences	23,697	—
Other post-employment benefits	662,093	—
Revenue bonds payable, net of bond discount	9,180,000	—
Premium on capital lease obligation	296,924	—
Notes Payable	—	295,816
Capital lease obligations	10,032,291	—
Total Noncurrent Liabilities	20,195,005	295,816
Total Liabilities	22,628,090	375,958
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	189,233	—
Total Deferred Inflows of Resources	189,233	—
Net Position		
Net investment in capital assets	—	860,337
Restricted for debt service	857,706	909,117
Permanently restricted	—	1,175,141
Unrestricted	(1,549,215)	328,234
Total Net Position	\$ (691,509)	\$ 3,272,829



See Notes to Financial Statements

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, 2014

	Seminole State College	Seminole State College Foundation
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$3,120,000	\$ 1,434,617	\$ —
Federal grants and contracts	3,187,417	—
State and local grants and contracts	788,367	—
Auxiliary enterprise charges,	1,073,617	—
Net of scholarship allowance of \$2,335,000		
Student housing system revenues of \$569,611, 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>307,068</u>	<u>—</u>
Total Operating Revenues	<u>6,791,086</u>	<u>—</u>
Operating Expenses		
Compensation	10,336,410	—
Contractual services	921,214	—
Supplies and materials	1,237,179	—
Utilities	571,866	9,945
Communications	154,634	—
Other operating expenses	2,156,011	388,865
Scholarships and fellowships	2,184,709	69,702
Depreciation expense	<u>1,114,844</u>	<u>89,096</u>
Total Operating Expenses	<u>18,676,867</u>	<u>557,608</u>
Operating Loss	<u>(11,885,781)</u>	<u>(557,608)</u>
Non-operating Revenues (Expenses)		
State appropriations	6,026,195	—
On-behalf contributions for Teachers' Retirement System	426,000	—
Federal grants – non-operating	3,604,278	—
State grants – non-operating	650,605	—
Investment income	3,075	69,394
Net unrealized and realized gain		246,254
Contributions and other nonoperating revenues		517,845
Interest expense	<u>(1,215,582)</u>	<u>(24,455)</u>
Net Non-operating Revenues	<u>9,494,571</u>	<u>809,038</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(2,391,210)	251,430
State appropriations restricted for capital purposes		
Pledged Section 13 appropriations of \$436,941 is used as security for the Technology Center	436,941	—
OCIA On-behalf state appropriations	768,749	—
Gain (Loss) on disposal of assets	<u>(11,344)</u>	<u>50,464</u>
Net Decrease in Net Position	<u>(1,196,864)</u>	<u>301,894</u>
Net Position, Beginning of Year, Restated	<u>505,355</u>	<u>2,970,935</u>
Net Position, at End of Year	<u>\$ (691,509)</u>	<u>\$ 3,272,829</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For The Year Ended June 30, 2014

	Seminole State College	Seminole State College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 1,478,625	\$ —
Grants and contracts	4,055,630	—
Contributions	—	520,396
Auxiliary enterprises charges	1,160,472	—
Other operating receipts	307,068	—
Payments to employees for salaries and benefits, net on-behalf payments	(9,864,085)	—
Payments for scholarships	—	(69,702)
Payments to suppliers	<u>(7,014,333)</u>	<u>(400,507)</u>
Net Cash Provided by (Used) in Operating Activities	<u>(9,876,623)</u>	<u>50,187</u>
Cash Flows from Non-capital Financing Activities		
Permanently restricted contributions	—	17,750
State appropriations	6,026,195	—
Non-operating grants	<u>4,254,883</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,281,078</u>	<u>17,750</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(410,649)	(29,545)
Capital appropriations received	436,941	—
Proceeds from issuance of long term debt	3,158,433	225,000
Repayments of long term debt	(3,615,667)	(274,557)
Interest paid on capital debt and leases	<u>(714,617)</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,145,559)</u>	<u>(79,102)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,378,605)	(317,450)
Proceeds from sales and maturities of investments	1,766,987	190,753
Interest received on investments	<u>3,345</u>	<u>69,394</u>
Net Cash Provided by (Used) by Investing Activities	<u>391,727</u>	<u>(57,303)</u>
Net Increase in Cash and Cash Equivalents	(349,377)	(68,468)
Cash and Cash Equivalents, Beginning of Year	<u>1,006,136</u>	<u>447,893</u>
Cash and Cash Equivalents, End of Year	<u>\$ 656,759</u>	<u>\$ 379,425</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2014

(Continued)

	Seminole State College	Seminole State College Foundation
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$(11,885,781)	\$ 301,894
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,114,844	89,096
Permanently restricted contributions	—	(17,750)
Appreciation on investments	—	(224,160)
Gain on disposal of property	—	(50,464)
State of Oklahoma on-behalf contributions to teachers' retirement system	426,000	—
Changes in net assets and liabilities:		
Accounts receivables	139,777	19,000
Other receivables	79,846	1,301
Inventories	(5,106)	
Beneficial interest in remainder trust	—	(22,094)
Accounts payable and accrued expenses	162,842	22,758
Deferred revenue	(8,914)	—
Due to student groups and organizations	106,685	—
Compensated absences	(4,316)	—
Net OPEB obligation	(2,500)	—
Net Cash Used in Operating Activities	<u>\$ (9,876,623)</u>	<u>\$ 119,581</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>\$ 768,749</u>	<u>\$ —</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

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



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

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, 2014

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 assets.

Capital assets

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

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

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.



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June 30, 2014

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, 2014

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, 2014

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 are applicable to a future reporting period. June 30, 2014, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

Deferred Inflows of Resource

Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. June 30, 2014, the College's deferred inflows of resources were comprised of deferred charges on an OCIA lease restructure.

New Accounting Pronouncement Adopted in Fiscal Year 2014

The College adopted the following new accounting pronouncement during the year ended June 30, 2014, as follows:

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and it is legally released, it should recognize revenue as a result of this release. The provisions of the Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. During the year ended June 30, 2014, the College did not have any such qualifying transactions.



SEMINOLE STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement 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 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, 2015

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

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. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

Subsequent Events

Subsequent events have been evaluated through September 27, 2014, which is the date the financial statements were issued.



SEMINOLE STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

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 \$629,887 at June 30, 2014.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in OK INVEST total \$107,715 at June 30, 2014.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2014, the distribution of deposits in OK INVEST was as follows:



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 49,420	\$ 49,324
Money market mutual funds	5,201	5,201
End of day commercial paper sweep	2,267	2,267
Certificates of deposit	2,796	2,796
Mortgage backed agency securities	44,250	45,163
Municipal bonds	1,653	1,830
Foreign bonds	846	846
U.S. Treasury Obligations	1,282	1,587
TOTAL	<u>\$ 107,715</u>	<u>\$ 109,014</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.

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.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Investments

Investments are recorded at fair value, as determined by quoted market prices. At June 30, 2014, 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	\$ 1,085,070
Total		<u>\$ 1,085,070</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.

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2014:

Student tuition and fees	\$ 750,302
Auxiliary enterprises and other operating activities	<u>643,678</u>
	1,393,980
Less: Allowance for doubtful accounts	<u>(1,299,770)</u>
Net accounts receivable	<u>\$ 94,210</u>
Due from State Agencies (ODFA)	\$ 750,000
Due from grantors	73,695
Other receivables	<u>127</u>
Total other receivables	<u>\$ 823,822</u>



SEMINOLE STATE COLLEGE
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June 30, 2014

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets not being depreciated				
Land	\$ 618,869	\$ —	\$ —	\$ 618,869
Total not being depreciated	<u>\$ 618,869</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 618,869</u>
Other Capital Assets				
Building and improvement	\$ 25,023,218	—	—	\$ 25,023,218
Nonstructural improvements	9,033,302	114,809	—	9,148,111
Equipment	1,664,653	12,845	(20,993)	1,656,505
Vehicles	378,473	256,720	(51,570)	583,623
Library Materials	1,416,724	11,970	—	1,428,694
Total other capital assets	<u>37,516,370</u>	<u>396,344</u>	<u>(72,563)</u>	<u>37,840,151</u>
Less accumulated depreciation for				
Buildings and improvements	(10,675,504)	(653,804)	—	(11,329,308)
Nonstructural improvements	(4,789,018)	(294,725)	—	(5,083,743)
Equipment	(1,411,560)	(101,294)	13,878	(1,498,976)
Vehicles	(294,297)	(44,257)	47,341	(291,213)
Library materials	(1,361,946)	(20,764)	—	(1,382,710)
Total accumulated depreciation	<u>(18,532,325)</u>	<u>(1,114,844)</u>	<u>61,219</u>	<u>(19,585,950)</u>
Other capital assets, net	<u>\$ 18,984,045</u>	<u>\$ (718,500)</u>	<u>\$ (11,344)</u>	<u>\$ 18,254,201</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 618,869	\$ —	\$ —	\$ 618,869
Other capital assets, at cost	37,516,370	396,344	(72,563)	37,840,151
Total cost of capital assets	<u>38,135,239</u>	<u>396,344</u>	<u>(72,563)</u>	<u>38,459,020</u>
Less accumulated depreciation	<u>(18,532,325)</u>	<u>(1,114,844)</u>	<u>61,219</u>	<u>(19,585,950)</u>
Capital Assets, net	<u>\$ 19,602,914</u>	<u>\$ (718,500)</u>	<u>\$ (11,344)</u>	<u>\$ 18,873,070</u>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2014, was as follows:

	Buildings	Equipment	Nonstructural Improvements	Total
Cost	\$ 7,295,759	\$ 526,203	\$ 547,548	\$ 8,369,510
Less accumulated depreciation	(2,645,837)	(272,949)	(242,645)	(3,161,431)
	<u>\$ 4,649,922</u>	<u>\$ 253,254</u>	<u>\$ 304,903</u>	<u>\$ 5,208,079</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Interest Rate</u>	<u>Maturity Through</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue Bonds Payable and capital leases:							
<i>Revenue Bonds Payable</i>							
ODFA Public Facility, Series 2002A	4.00-5.13	12/1/2027	\$ 2,920,000	\$ —	\$ (2,920,000)	\$ —	\$ —
ODFA Public Facility, Series 2006	4.15-5.30	9/1/2036	9,325,000	—	(65,000)	9,260,000	80,000
Less: bond discount			(19,024)	—	19,024	—	—
Total revenue bonds payable			<u>12,225,976</u>	<u>—</u>	<u>(2,965,976)</u>	<u>9,260,000</u>	<u>80,000</u>
<i>Capital Lease Obligations</i>							
OCIA 2004A Series		8/1/2019	1,239,953	—	(177,314)	1,062,639	185,878
OCIA 2005F Series		7/1/2015	4,332,454	—	(3,870,616)	461,838	225,531
OCIA 2010A Series		7/1/2018	1,714,268	—	—	1,714,268	—
OCIA 2010B Series		7/1/2015	630,642	—	—	630,642	367,509
OCIA 2014A Series		7/1/2030	—	3,463,155	—	3,463,155	—
ODFA master lease 2003B	2.75	6/1/2023	580,000	—	(580,000)	—	—
ODFA master lease 2013A	2.00-4.00	5/15/2028	—	222,000	(7,000)	215,000	12,083
ODFA master lease 2013B	2.00-5.00	5/15/2027	—	2,402,000	(41,667)	2,360,333	152,250
ODFA master lease 2014A	3.00-5.00	5/15/2023	—	370,000	—	370,000	41,000
ODFA master lease 2014C	2.00-5.00	5/15/2043	—	753,000	(2,000)	751,000	12,333
Total capital lease obligations			<u>8,497,317</u>	<u>7,210,155</u>	<u>(4,678,597)</u>	<u>11,028,875</u>	<u>996,584</u>
Total revenue bonds and capital lease obligations			<u>20,723,293</u>	<u>7,210,155</u>	<u>(7,644,573)</u>	<u>20,288,875</u>	<u>1,076,584</u>
Other Liabilities:							
Premium on bonds and capital leases			167,138	161,433	(11,363)	317,208	20,284
Accrued compensated absences			163,387	135,374	(139,690)	159,071	135,374
Total other liabilities			<u>330,525</u>	<u>296,807</u>	<u>(151,053)</u>	<u>476,279</u>	<u>155,658</u>
Total long term liabilities			<u>\$ 21,053,818</u>	<u>\$ 7,506,962</u>	<u>\$ (7,795,626)</u>	<u>\$ 20,765,154</u>	<u>\$ 1,232,242</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 \$238,568 during the year ended June 30, 2014, 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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Notes to Financial Statements
June 30, 2014

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 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, 2014, the unamortized cost totaled \$266,209.

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

Lease payments to OCIA totaling \$88,851 during the year ended June 30, 2014, 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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Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

On April 9, 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, 2014, the unamortized gain totaled \$189,233. 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 \$441,329 during the year ended June 30, 2014, 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

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

On June 14, 2003, 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 for \$3,905 to \$4,642. The net present value of the savings for the refunding of the Series 2003B is \$203,982.



SEMINOLE STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities (Continued)

On December 5, 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.

On January 23, 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, 2014, are as follows:

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 996,585	\$ 531,593	\$ 1,528,178
2016	1,026,963	628,752	1,655,715
2017	1,022,472	387,499	1,409,971
2018	1,064,266	350,783	1,415,049
2019	1,101,362	304,664	1,406,026
2020-2024	1,937,275	1,167,482	3,104,757
2025-2029	2,592,061	624,146	3,216,207
2030-2034	967,392	142,924	1,110,316
2035-2039	165,583	52,398	217,981
2040-2043	154,917	16,081	170,998
Total	<u>\$ 11,028,876</u>	<u>\$ 4,206,322</u>	<u>\$ 15,235,198</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
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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, 2014, are as follows:

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 80,000	\$ 472,300	\$ 552,300
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
2020-2024	1,130,000	2,139,432	3,269,432
2025-2029	1,935,000	1,769,663	3,704,663
2030-2034	3,095,000	1,161,838	4,256,838
2035-2037	2,570,000	270,344	2,840,344
Total	<u>\$ 9,260,000</u>	<u>\$ 7,664,071</u>	<u>\$ 16,924,071</u>



SEMINOLE STATE COLLEGE
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Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System

Plan Description

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

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

Funding Policy

The College is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 9.50% for 2014, 2013, and 2012 and was applied to annual compensation.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014, 2013, and 2012. These contributions were made directly by the College for all three years.

The College's contribution to OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$1,214,000, \$1,256,000, and \$1,284,000, respectively, equal to the required contribution for each year. These contributions included the College's statutory contribution and the share of the employees' contribution paid directly by the College.



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Note 6: Retirement Plans *(Continued)*

Funding Policy *(Continued)*

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2014, the total amount contributed to OTRS by the State of Oklahoma on behalf of the College was approximately \$426,000. This on-behalf payment has been recorded as nonoperating state appropriations revenue and as operating compensation and employee benefits expense in the statement of revenues, expenses and changes in net position.

403(b) Annuity Plan

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

Funding Policy

The College's contribution rate for the years ended June 30, 2014, 2013, and 2012 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, 2014, 2013, and 2012 were approximately \$321,000, \$342,000, and 380,000, respectively.



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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, 2014, the College's contributions for health insurance premiums for retired employees were approximately \$66,000.

Annual OPEB cost and net OPEB obligation

The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost, the amount actually contributed to the plan, and changes in the College's net OPEB obligation for the year ended June 30, 2014:

	2014
Annual required contribution	\$ 86,682
Interest on net OPEB obligation	43,198
Adjustment to annual required contribution	(66,367)
Annual OPEB cost (expense)	63,513
Contributions made	66,013
Increase in net OPEB obligation	2,500
Net OPEB obligation, beginning of year	(664,593)
Net OPEB obligation, end of year	\$ (662,093)



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Notes to Financial Statements
June 30, 2014

Note 7: Other Post-Employment Benefits (continued)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Year Ended June 30	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 192,849	22.93%	\$ 638,880
2013	62,297	58.73%	664,593
2014	\$ 63,513	103.94%	\$ 662,093

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	2014 \$ 547,129
Actuarial value of plan assets	—
Unfunded actuarial accrued liability (UAAL)	\$ 547,129
Funded ratio (actuarial value of plan assets / AAL)	0.0%
Covered payroll (active plan members)	\$ 5,844,000
UAAL as a percentage of covered payroll	9.0%

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.



SEMINOLE STATE COLLEGE
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June 30, 2014

Note 7: Other Post-Employment Benefits (continued)

In the June 30, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included (a) discount rate of 6.5% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 62 and completion of 10 years of OTRS service, or (2) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992), and (c) an annual healthcare cost trend rate of 6.25% annually.

Note 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 \$66,000 for the year ended June 30, 2014.

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, 2014, approximately \$1,942,000 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, 2014, 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.



SEMINOLE STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

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: 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.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

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.

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.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

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.

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.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Financial assets carried at fair value on a recurring basis include investments (see Notes B and I) and beneficial interest in remainder trust (see Notes J and I).

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, 2013). Additionally, banks may participate in the FDIC's Transaction Account Guarantee Program (the "TAG Program") whereby non-interest bearing transaction accounts are 100% guaranteed by the FDIC through December 31, 2010. Coverage under the TAG Program is in addition to coverage provided to traditional type deposit accounts.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: 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, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012, the Foundation's investments were as follows:

	<u>2013</u>	<u>2012</u>
Corporate bonds	\$ 242,395	\$ 183,368
Mutual funds-fixed income	503,245	369,308
Mutual funds-equity	1,071,211	913,318
Total investments	<u>\$ 1,816,851</u>	<u>\$ 1,465,994</u>



SEMINOLE STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note C: Contributions Receivable

Contributions receivable at December 31, 2013 and 2012 are expected to be collected as follows:

	2013	2012
Less than one year	\$ 455	\$ 5,206
One year to five years	—	—
	\$ 455	\$ 5,206

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, 2013 and 2012, property and equipment consist of the following:

	2013	2012
Land	67,995	67,995
Buildings and improvements	1,372,210	1,372,210
Vehicles	80,651	283,820
	1,520,856	1,724,025
Less: Accumulated depreciation	315,524	284,606
Property and equipment, net	\$ 1,205,332	\$ 1,439,419



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: 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, 2013 and 2012, 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, 2013 and 2012, the Foundation recognized \$60,000 and \$47,500, respectively, in related rental income.

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, 2013 and 2012, the Foundation recognized \$38,000 and \$9,500, 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 2012, the Foundation purchased the Aldridge property located just northeast across from the college campus at 2808 N. Highway 3, Seminole, Oklahoma, for the purpose of establishing future site development for anticipated campus growth.

In 2013, the Foundation paid approximately \$108,000 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, 2013 and 2012, 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
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note G: Income Taxes

Federal and State income taxes incurred on unrelated business income (rental income) for 2013 and 2012 were \$0 and \$523, 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, 2013 and 2012, the outstanding balance on the note was \$77,311 and \$96,345, 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, 2013 and 2012, the outstanding balance on the note was \$246,534 and \$267,079, 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, 2013 and 2012, the outstanding balance on the note was \$21,150 and \$28,445, 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, 2013 and 2012, the outstanding balance on the note was \$0 and \$227,683, respectively.

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



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note H: Long Term Debt (Continued)

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>

At December 31, 2012, future aggregate maturities of principal and interest requirements on the Foundation's notes payable are as follows:

Years Ending December 31:	Principal	Interest	Total
2013	66,465	26,290	92,755
2014	69,537	23,232	92,769
2015	72,742	20,027	92,769
2016	74,046	16,723	90,769
2017	61,110	13,386	74,496
Thereafter	275,652	32,210	307,862
	<u>\$ 619,552</u>	<u>\$ 131,868</u>	<u>\$ 751,420</u>

Note I: Net Assets

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

	2013	2012
Scholarships	\$ 1,005,833	\$ 693,587
Capital Campaign	440,814	520,417
Grants	141,021	129,551
Beneficial interest in remainder trust	138,694	116,600
Haney Statue/Pond Renovation	-	27,500
Athletic Booster Club	11,504	14,454
President's Round Table	3,201	3,201
Total temporarily restricted net assets	<u>\$ 1,741,067</u>	<u>\$ 1,505,310</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note I: 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, 2013 and 2012 permanently restricted net assets included the following funds:

	2013	2012
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	64,000	62,000
Moran Nursing Scholarship	32,618	32,618
Ida E. Harber Memorial Scholarship	30,000	30,000
Wayne & Hazel Reynolds Scholarship	60,000	45,000
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	20,000
Paula Rutledge Memorial Scholarship	10,250	10,000
Utterback Family Scholarship	20,000	-
Total permanently restricted net assets	\$ 1,175,141	\$ 1,137,391



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: 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 2013, a calculated discount rate commensurate with the risk involved was used in calculating fair value. The discount rate applied at December 31, 2013, and 2012 was 7% and 5.5%, 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, 2014

Note 11: 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, 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>
December 31, 2012				
Financial Assets				
US Government Agency	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	183,368	-	183,368
Fixed income	369,308	-	-	369,308
Domestic equities	836,652	-	-	836,652
International equities	76,666	-	-	76,666
Beneficial interest in remainder trust	-	-	116,600	116,600
	<u>\$ 1,282,626</u>	<u>\$ 183,368</u>	<u>\$ 116,600</u>	<u>\$ 1,582,594</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, 2013, and 2012:

	<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>
	<u>Beneficial Interest in Charitable Remainder Trust</u>
Balance at January 1, 2012	\$ 104,276
Change in value of beneficial interest in charitable remainder trust	12,324
Distributions	-
Contributions	-
Balance at December 31, 2012	<u>\$ 116,600</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: 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, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note M: Endowment Disclosures (Continued)

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>

Endowment Net Asset Composition by Type of Fund as of December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (32,121)	\$ 225,969	\$ 1,137,391	\$ 1,331,239
Board-designated endowment funds	-	-	-	-
Total Endowment Funds	<u>\$ (32,121)</u>	<u>\$ 225,969</u>	<u>\$ 1,137,391</u>	<u>\$ 1,331,239</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Seminole State College Educational Foundation, Inc. (Continued)

Note M: Endowment Disclosures (Continued)

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	(32,121)	504,898	1,137,391	1,610,168
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>

Changes in Endowment Net Assets for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (32,121)	\$ 104,663	\$ 1,076,891	\$ 1,149,433
Investment return:				
Investment income	-	55,486	-	55,486
Investment fees	-	(10,742)	-	(10,742)
Net appreciation (realized and unrealized)	-	133,338	-	133,338
Total investment return	(32,121)	282,745	1,076,891	1,327,515
Contributions	-	-	60,500	60,500
Appropriation of endowment assets for expenditure	-	(56,776)	-	(56,776)
Endowment Net Assets	<u>\$ (32,121)</u>	<u>\$ 225,969</u>	<u>\$ 1,137,391</u>	<u>\$ 1,331,239</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: 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, 2014

Note 11: 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 \$69,700 and \$59,300 for the year ending December 31, 2013 and 2012, respectively, to students and faculty members of the College.

Note 12: Subsequent Events

Subsequent events have been evaluated through September 27, 2014, which is the date the financial statements were available to be issued. No events occurred up to September 27, 2014, that required a change to the financial statements.





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

Board of Regents
Seminole State College
Seminole, Oklahoma

We have audited, 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, 2014, 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 September 27, 2014, 2014. 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.

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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.

Hibel & Company, PC

Tulsa, Oklahoma
September 27, 2014





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**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, 2014. The College's major federal programs are identified in the summary of auditor's 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.

Auditor's 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, 2014.

5028 E. 101st Street

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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, 2014, and have issued our report thereon dated September 27, 2014, 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
September 27, 2014

Hick & Company, PC



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<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	\$ 3,550,724
Federal Family Education Loans	84.032	1,941,971
Federal Supplemental Education Opportunity	84.007	57,913
Federal Work Study Program	84.033	<u>36,147</u>
Total Student Financial Aid Cluster		<u>5,586,755</u>
 <i>TRIO Cluster</i>		
Office of Postsecondary Education		
Upward Bound	84.047	1,040,628
Talent Search	84.044	504,247
Student Support Services	84.042	230,371
Health & Science Student Support Services	84.042	<u>173,306</u>
Total Trio Cluster		<u>1,948,552</u>
 OK, GO College Gear Up	84.334A	<u>553,773</u>
 Strengthening Minority-Servicing Institutions	84.382	<u>404,023</u>
 Total U.S. Department of Education		<u>8,493,103</u>
 U.S. Department of Health and Human Services		
National Institutes of Health		
Pass-Through Program From:		
Oklahoma State Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	206,528
Oklahoma State Regents for Higher Education		
Child Care Development Block Grant		
Scholars for Excellence Program	93.575	<u>76,760</u>
Total U. S. Department of Health and Human Services		<u>283,288</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CDFA Number</u>	<u>Expenditures</u>
U. S. Department of Agriculture		
Pass-Through Program From:		
State of Oklahoma Department of Education		
Summer Food Program	10.559	<u>19,221</u>
Total U. S. Department of Agriculture		<u>19,221</u>
Total Expenditures of Federal Awards		<u>\$ 8,795,612</u>



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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, 2014

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) 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, 2014

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
Academic Competitiveness Grant	84.375

- 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, 2014 period.

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

None to report for the June 30, 2014 period.



SEMINOLE STATE COLLEGE
A Component Unit of the State of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

No Items Reportable.

