

**Seminole State College**  
**A Component Unit of the State of Oklahoma**

**Financial Statements**  
with Independent Auditor's Reports

**June 30, 2022**



**SEMINOLE STATE COLLEGE**

**FINANCIAL STATEMENTS**

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**SEMINOLE STATE COLLEGE**

**FINANCIAL STATEMENTS**

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## Independent Auditor's Report

Board of Regents  
Seminole State College  
Seminole, Oklahoma

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Seminole State College (the College), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

The college's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and other analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



**Required Supplementary Information** (Continued)

We have applied certain limited procedures to the required supplementary 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 basic 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seminole State College's internal control over financial reporting and compliance.

*Hick & Company, PC*

Tulsa, Oklahoma  
October 19, 2022



The following discussion and analysis of the financial performance of Seminole State College (the College) provides an overview of the College's financial activities for the fiscal years ended June 30, 2022 and 2021. The analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements.

### DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The 2022 and 2021 financial statements were prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* (GASB 35). GASB 34 and 35 provides not only for the presentation of management's discussion and analysis but also provides for the following statements.

Statement of net position: This is a financial statement of the College as a whole. It is prepared on the accrual basis of accounting and presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College.

Statement of revenues, expenses and changes in net position: This statement is also prepared on the accrual basis of accounting and presents the overall operations of the College for the years ended June 30, 2022 and 2021.

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

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

### Statement of Net Position

The Statement 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 net assets (assets plus deferred outflows and minus liabilities and deferred inflows) and their availability to pay expenses of the College or as one way to measure the College's financial health or financial position.

Over time, increases and decreases in the College's net position are one indicator of whether its financial health is improving or worsening. You will also need to consider 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.

**Condensed Statement of Net Position**

	June 30		Increase (Decrease)	Percent Change
	2022	2021		
Current assets	\$ 6,467,735	\$ 6,000,886	\$ 466,849	8%
Noncurrent assets	16,729,220	16,288,182	441,038	3%
Total Assets	23,196,955	22,289,068	907,887	4%
 Deferred Outflows of Resources	 2,809,366	 5,395,735	 (2,586,369)	 -48%
 Liabilities				
Current liabilities	2,069,588	1,572,924	496,664	32%
Noncurrent liabilities	20,872,959	30,524,679	(9,651,720)	-32%
Total liabilities	22,942,547	32,097,603	(9,155,056)	-29%
 Deferred Inflows of Resources	 6,475,389	 1,469,386	 5,006,003	 341%
 Net assets:				
Investment in capital assets, net of related debt	4,199,641	3,281,327	918,314	28%
Restricted for purposes	59,541	-	59,541	
Unrestricted	(7,670,797)	(9,163,513)	1,492,716	16%
 Total net position	 \$ (3,411,615)	 \$ (5,882,186)	 \$ 2,470,571	 42%

**Statement of Net Position (Continued)**

During the period July 1, 2021 to June 30, 2022, the College's net position increased by \$2,470,571. Net position totaled (\$3,411,615), with (\$4,199,641) as net investment in capital assets, i.e., this is property and equipment plus an OPEB-related restriction less bonded indebtedness. Net position for unrestricted is (\$7,670,797) as a result of accounting for the implementation of GASB 68 and 75, resulting in the recording of pension and post-employment benefit obligations (net liability) of \$12,978,178.

An increase in current assets of \$466,849 and an increase of \$441,038 in noncurrent assets resulted in a total increase of \$907,887 in total assets. The increase in the current assets resulted primarily from an increase in cash and cash equivalents of \$2,210,761 that was partially offset by a decrease of \$817,160 in restricted cash and cash equivalents and by a decrease of \$1,069,023 in other receivables.

The majority of current assets consists of cash and cash equivalents totaling \$5,267,248. Cash equivalents can include short-term investments that the College makes with the state treasurer. These dollars are invested in short-term repurchase agreements, and the College can use the monies on a daily basis. As such, these are considered cash equivalents.

Also included in current assets is \$341,201 of accounts receivable and \$218,293 in other receivables, primarily from federal grants. Inventories of \$577,153, which consists primarily of the bookstore inventories, are also included in current assets.

Noncurrent assets consist of capital assets (land, buildings, structures, etc.) net of accumulated depreciation totaling \$16,511,191 and \$218,029 of restricted Net OTRS OPEB asset.

The increase in the noncurrent assets primarily resulted from increases in acquisitions of capital assets of \$1,563,142, which was not fully offset by depreciation expense of \$1,322,286. Further, the restricted OTRS net OPEB asset increased by \$200,182.

Deferred Outflows of Resources resulted in a decrease of \$2,586,369 in deferred amounts related to OPEB and pensions due to the year-over-year changes related to GASB 68 and GASB 75.

Current liabilities include \$496,135 of accounts payable and accrued liabilities, including \$110,278 of accrued payroll, \$347,306 of unearned revenue, \$227,951 of accrued compensated absences, and \$994,103 of amounts due on principal of bonds and capitalized lease obligations in the next 12 months. Noncurrent liabilities consist primarily of capital lease obligations of \$11,222,340 and net OTRS pension liability and OPEB obligation of \$9,625,291.

### **Statement of Cash Flows**

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

The following summarizes the College's cash flow for the years ended June 30, 2022 and 2021.

#### **Condensed Statement of Cash Flows**

	2022	2021
Cash provided (used in) provided by:		
Operating activities	\$ (9,349,315)	\$ (9,202,661)
Noncapital financing activities	12,362,168	10,092,564
Capital and related financing activities	(1,624,522)	429,548
Investing activities	5,270	9,607
Net change in cash	1,393,601	1,329,058
Cash, beginning of the year	3,937,487	2,608,429
Cash, end of year	\$ 5,331,088	\$ 3,937,487

### Statement of Revenues, Expenses and Changes in Net Position

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

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

State appropriations are considered as non-operating revenues and are reported under "Non-operating Revenues (Expenses)."

The following summarizes the College's revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021.

#### Operating Results

	June 30		Increase (Decrease)	Percent Change
	2022	2021		
Operating revenues:				
Tuition and fees, net	\$ 3,245,951	\$ 3,833,353	\$ (587,402)	-15%
Grants and contracts	5,332,006	6,344,361	(1,012,355)	-16%
Auxiliary	2,063,546	1,826,669	236,877	13%
Other	127,565	302,269	(174,704)	-58%
Total operating revenues	<u>10,769,068</u>	<u>12,306,652</u>	<u>(1,537,584)</u>	-12%
Less operating expenses	<u>21,764,687</u>	<u>22,927,179</u>	<u>(1,162,492)</u>	-5%
Net operating income (loss)	<u>\$ (10,995,619)</u>	<u>\$ (10,620,527)</u>	<u>\$ (375,092)</u>	4%

During the period July 1, 2020 to June 30, 2022, the College's total operating revenues decreased \$1,537,584 and operating expenses decreased by \$1,162,492, for a net operating decrease of \$375,092. This overall slight year-over-year decrease is attributable to the College returning to normal operations coming out of the COVID-19 pandemic along with overall decreases in operating revenues being largely offset by similar decreases in operating expenses.

**Statement of Revenues, Expenses and Changes in Net Position (Continued)**

The decrease in operating expenses of \$1,162,492 is attributable to several factors including increases in contractual services of \$987,072, and in scholarships and fellowships of \$1,678,253, which was then offset by decreases in compensation and benefits of \$1,809,661, in supplies and materials of \$1,339,542, and in student reengagement of \$539,207. Operating expenses are presented in their natural classification, with the largest expense being compensation and benefits of \$9,355,465.

Tuition and fees, and auxiliary revenues, as well as scholarship expense are shown net of scholarship allowances totaling \$3,847,184. Accounting standards require the elimination of scholarship expense which is reflected in operating revenue, and which has already been recognized as revenues in the financial statements. These amounts are primarily made up of federal and state non-operating financial aid grants. The scholarship allowance total is reduced from tuition and fees in the amount of \$2,499,918, and auxiliary revenues in the amount of \$1,347,266.

**Non-Operating Results**

	June 30		Increase (Decrease)	Percent Change
	2022	2021		
Non-operating revenues (expense):				
State appropriations	\$ 5,076,712	\$ 4,513,436	\$ 563,276	12%
On-behalf payments teachers' retirements)	474,007	595,624	(121,617)	-20%
Grants and contracts	7,285,456	5,579,128	1,706,328	31%
Investment income	5,465	8,042	(2,577)	-32%
Interest expense	(428,805)	(429,543)	738	0%
Total non-operating revenues	<u>\$ 12,412,835</u>	<u>\$ 10,266,687</u>	<u>\$ 2,146,148</u>	21%

During the period July 1, 2021 to June 30, 2022, the College's non-operating revenues and expenses increased by \$2,146,148. The change is attributable primarily to an increase of \$563,276 in the State appropriations the College received during 2022, and an increase in grants and contracts of \$1,706,328.

Also included in the Statement of Revenues, Expenses and Changes in Net Position are Other Revenue, Expenses, and Gains and Losses. These items consist of \$900,000 of state appropriations restricted for capital purposes, an increase of \$158,458 over the prior year, and \$153,355 of OCIA on-behalf payments of debt.

**Statement of Revenues, Expenses and Changes in Net Position (Continued)**

**Net Position Summary**

	June 30		Increase (Decrease)	Percent Change
	2022	2021		
Net increase in net position	\$ 2,470,571	541,057	1,929,514	357%
Net position, beginning of year	(5,882,186)	(6,423,243)	541,057	-8%
Net position, end of year	<u>\$ (3,411,615)</u>	<u>\$ (5,882,186)</u>	<u>\$ 2,470,571</u>	-42%

For the year ended June 30, 2022, the College had an increase in net position of \$2,470,571.

**Capital Assets**

As of June 30, 2022, the College had a net book value of fixed assets of \$16,511,191 compared to \$16,270,335 at June 30, 2021. In the current year, additions totaled \$1,563,142, no disposals were recognized, and depreciation recorded for 2022 was \$1,322,286, for a net increase of \$240,856 for the year. In addition, \$8,489,239 of the College's capital assets are held under lease obligations at June 30, 2022. For additional details concerning the College's capital assets, see Note E to the financial statements.

**Capital Financing**

The College's long-term liabilities consisted of OCIA and ODFA obligations, with outstanding balances of \$11,633,834 and \$12,257,986 for June 30, 2022 and 2021 respectively. Principal payments for the year totaled \$624,152. Long-term liabilities also include premiums on bonds and capital leases totaling \$582,609 at year-end, and accrued compensated absences. Accrued compensated absences account for employee vacation leave earned but not taken, and which increased by \$47,213 during the year, for an ending balance of \$253,279.

Additional details concerning the College's capital financing activities can be found in Note F to the financial statements.

**DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR  
CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT  
ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS**

The operating budget for the year July 1, 2022, to June 30, 2023, has been approved, and the estimated amount of state appropriations to be received is \$4,934,255 which reflects a 2.6% increase in funding for Seminole State College as compared to the adjusted base for year ended June 30, 2022. The College implemented a tuition increase of 2% and it did not increase mandatory fees for the fiscal year ended June 30, 2022 to fund mandatory cost increases and budget priorities. The College continually monitors revenue and expenditures in order to maintain adequate reserve balances to ensure the College's financial viability. The College will continue to monitor enrollment as well as the state and national economic conditions as part of our financial decision-making process and will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our student needs. Presently, the College does not anticipate any other significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the College.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial Affairs c/o Seminole State College.

SEMINOLE STATE COLLEGE

STATEMENT OF NET POSITION

	Seminole State College June 30, 2022	Seminole State College Educational Foundation December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,267,248	\$ 837,607
Restricted: Cash and cash equivalents	63,840	-
Investments	-	2,960,976
Accounts receivable, net of allowance for doubtful accounts	341,201	-
Lease-purchase receivable current portion	-	70,301
Other receivables	218,293	8,160
Inventories	577,153	-
Total Current Assets	<u>6,467,735</u>	<u>3,877,044</u>
NONCURRENT ASSETS		
CSV of life insurance policy	-	30,831
Lease-purchase receivable long-term	-	597,963
Other assets	-	2,030
Other receivables	-	100,000
Beneficial interest in remainder trust	-	186,622
Restricted net OPEB asset	218,029	-
Capital assets, net of accumulated depreciation	16,511,191	9,045,858
Total Noncurrent Assets	<u>16,729,220</u>	<u>9,963,304</u>
TOTAL ASSETS	<u>\$ 23,196,955</u>	<u>\$ 13,840,348</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to OPEB obligations	\$ 97,317	\$ -
Deferred amounts related to pensions	<u>2,712,049</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS	<u>\$ 2,809,366</u>	<u>\$ -</u>

*Continued*

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF NET POSITION, CONTINUED

	Seminole State College June 30, 2022	Seminole State College Educational Foundation December 31, 2021
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 496,135	\$ 651,738
Unearned revenue	347,306	-
Refundable advance	-	1,366,211
Other accrued liabilities	4,093	-
Current portion of noncurrent liabilities	1,222,054	520,411
Total Current Liabilities	<u>2,069,588</u>	<u>2,538,360</u>
NONCURRENT LIABILITIES, net of		
Accrued compensated absences	25,328	-
Total OPEB obligation	880,419	-
Net pension liability	8,744,872	-
Premium on capital lease obligation	531,734	-
Notes payable	-	5,965,255
Notes payable obligations	10,690,606	-
Total Noncurrent Liabilities	<u>20,872,959</u>	<u>5,965,255</u>
TOTAL LIABILITIES	<u>\$ 22,942,547</u>	<u>\$ 8,503,615</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	\$ 95,107	\$ -
Deferred amounts related to OPEB obligat	500,843	-
Deferred amounts related to pensions	5,879,439	-
TOTAL DEFERRED INFLOWS	<u>\$ 6,475,389</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 4,199,641	\$ -
Restricted for OPEB obligations	59,541	-
With donor restrictions	-	4,804,165
Unrestricted (deficit)	(7,670,797)	532,568
TOTAL NET POSITION	<u>\$ (3,411,615)</u>	<u>\$ 5,336,733</u>

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Seminole State College June 30, 2022	Seminole State College Educational Foundation December 31, 2021
REVENUES		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,499,918	\$ 3,245,951	\$ -
Federal grants and contracts	4,204,735	-
State and local grants and contracts	146,550	-
Non-governmental grants and contracts	980,721	-
Auxiliary enterprise charges, net of scholarship allowances of \$1,347,266	2,063,546	-
Other operating revenues	<u>127,565</u>	<u>68,916</u>
Total Operating Revenues	<u>10,769,068</u>	<u>68,916</u>
EXPENSES		
Operating expenses:		
Compensation	9,355,464	50,750
Contractual services	2,146,572	233,343
Supplies and materials	747,296	-
Utilities	461,438	9,067
Communications	99,393	-
Other operating expenses	2,595,894	1,013,824
Scholarships and fellowships	4,963,352	71,812
Student Reengagement	72,992	-
Depreciation expense	<u>1,322,286</u>	<u>7,822</u>
Total Operating Expenses	<u>21,764,687</u>	<u>1,386,618</u>
Operating Loss	<u>(10,995,619)</u>	<u>(1,317,702)</u>

(Continued)

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONTINUED

	Seminole State College Year Ended June 30, 2022	Seminole State College Educational Foundation Year Ended December 31, 2021
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,076,712	-
On-behalf contributions for Teachers' Retirement System	474,007	-
Federal grants - nonoperating	6,404,682	-
State grants - nonoperating	490,702	-
State Risk Management Insurance Reimbursement	390,072	-
Investment income	5,465	74,726
Net unrealized and realized loss on investments	-	268,733
Contributions and other non-operating revenues	-	1,172,924
Interest expense	<u>(428,805)</u>	<u>(7,466)</u>
Net Nonoperating Revenues	<u>12,412,835</u>	<u>1,508,917</u>
 (Loss) income before other revenues, expenses, gains and losses	 1,417,216	 191,215
State appropriations restricted for capital purposes	900,000	-
OCIA on-behalf state appropriations	<u>153,355</u>	<u>-</u>
 CHANGE IN NET POSITION	 2,470,571	 191,215
NET POSITION (DEFICIT) AT BEGINNING OF YEAR	(5,882,186)	5,145,518
NET POSITION (DEFICIT) AT END OF YEAR	<u>\$ (3,411,615)</u>	<u>\$ 5,336,733</u>

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF CASH FLOWS

	Seminole State College June 30, 2022	Seminole State College Educational Foundation December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,727,006	\$ -
Grants and contracts	6,401,224	-
Contributions	-	1,215,617
Auxiliary enterprise charges	2,571,960	-
Other operating receipts	127,565	63,873
Payments to employees for salaries and benefits, net of on-behalf payments	(10,062,669)	-
Payments for scholarships	-	(100,066)
Payments to suppliers	(11,114,401)	(2,266,172)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(9,349,315)</b>	<b>(1,086,748)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	5,076,712	-
Non-operating grants	6,404,682	70,446
State and local grants and contracts	490,702	-
State risk management reimbursement	390,072	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>12,362,168</b>	<b>70,446</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash paid for property and equipment	(1,563,142)	(4,714,979)
Capital appropriations received	900,000	-
Proceeds of capital debt and leases	(51,143)	5,630,449
Repayments of capital debt and leases	(624,152)	(106,116)
Interest paid on capital debt and leases	(286,085)	-
<b>NET CASH (USED IN) PROVIDED BY CAPITAL RELATED FINANCING ACTIVITIES</b>	<b>(1,624,522)</b>	<b>809,354</b>

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF CASH FLOWS, CONTINUED

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	Seminole State College Year Ended <u>June 30, 2022</u>	Seminole State College Educational Foundation, Inc. Year Ended <u>December 31, 2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	\$ -	\$ (696,754)
Proceeds from sales and maturities of investments	-	669,288
Interest received on investments	<u>5,270</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>5,270</u>	<u>(27,466)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,393,601	(234,414)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,937,487</u>	<u>1,072,021</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,331,088</u>	<u>\$ 837,607</u>

( Continued )

See accompanying notes to financial statements.

SEMINOLE STATE COLLEGE

STATEMENT OF CASH FLOWS, CONTINUED

	Seminole State College <u>June 30, 2022</u>	Seminole State College Educational Foundation <u>December 31, 2021</u>
RECONCILIATION OF OPERATING (LOSS) GAIN TO		
NET CASH (USED IN) PROVIDED BY		
Operating (loss) gain	\$ (10,995,619)	\$ 191,215
Adjustments to reconcile operating (loss) gain to net cash (used in) provided by operating activities:		
Depreciation expense	1,322,285	7,822
Lease-purchase property	-	(70,446)
Appreciation on investments and interest income	-	(279,586)
State of Oklahoma on-behalf contributions to teachers' retirement system	474,007	-
Changes in net assets and liabilities		
Accounts receivables	983,207	-
CSV of life insurance policy	-	(1,004)
Inventories	(56,262)	-
Net OPEB asset	(200,182)	-
Lease-purchase receivable	-	63,407
Beneficial interest in remainder trust	-	(18,180)
Accounts payable and accrued expenses	35,534	(1,700,522)
Unearned revenue	75,480	720,546
Compensated absences	47,213	-
Total OPEB obligation	(287,020)	-
Net pension liability	(8,352,096)	-
Deferred amounts related to pensions and OPEB	<u>7,604,138</u>	<u>-</u>
 NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	 <u>\$ (9,349,315)</u>	 <u>\$ (1,086,748)</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>\$ 153,355</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ 7,466</u>

See accompanying notes to financial statements.

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Seminole State College (the “College”), established in 1931 as Seminole Junior College, is a 2-year State supported college operating under the jurisdiction of the Board of Regents of Seminole State College (the “Board of Regents”). The College is part of the Oklahoma System of Higher Education, which is under the governance of the Oklahoma State Regents for Higher Education (the “State Regents”). The College is accredited by the North Central Association of Colleges and Schools. The designated service area of the College is Seminole County and the adjacent counties of Hughes, Lincoln, Okfuskee, and Pottawatomie.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, consists of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

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

Seminole State College Educational Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of the College. The Foundation’s operating year is from January 1 to December 31. Its financial statements are prepared on a calendar year end. 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. Separately issued audited financial statements of the Foundation are available upon request.

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

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE A—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 and Cash Equivalents: For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of 3 months or less to be cash and cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash and cash equivalents.

Deposits and Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. 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 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 as revenue when received.

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

Other receivables also 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. An allowance for doubtful accounts is not considered necessary for other receivables.

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

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 1 year. 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, 3-10 years for computers, furniture, vehicles, and other equipment, and 5 years for 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.

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 1 year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) net pension liability and total OPEB liability.

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

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position: The College's net position is classified as follows:

*Net Investment in Capital Assets*: 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 includes 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 consists 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.

*Unrestricted Net Position*: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. 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).

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 educational department and auxiliary enterprises, net of scholarship discounts and allowances, (3) certain 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 non-exchange 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 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net 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 students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2022, the College's deferred outflows of resources were related to pension and OPEB sources.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2022, the College's deferred inflows of resources were related to credits realized on debt restructures, pension, and OPEB sources.

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

For purposes of measuring the net OPEB asset, the total OPEB liability, and OPEB expense for the single employer health incurrence substantive plan, the measurement has been prepared in accordance with GASB Statement No. 75.

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Subsequent Events:

Management has evaluated subsequent events through October 19, 2022, which is the date the financial statements were available to be issued and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

### NOTE B—DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the College's deposits may not be returned, or the College will not be able to recover collateral securities in the possession of an outside party. The College deposits its funds with the Office of the State Treasurer. 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 State Treasurer may determine, in the State's name.

The carrying amount of the cash and cash equivalents was \$5,267,248. There was \$5,264,676 on deposit with the State Treasurer as of June 30, 2022, and \$351,315, represents the amount held within *OK INVEST* an internal investment pool. 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 that 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's daily cash flow requirements. Guidelines in the State Treasurer's

Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. Based on an evaluation of the use and purpose of the College's participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE B—DEPOSITS AND INVESTMENTS, CONTINUED

Investments: Investments are recorded at fair value, as determined by quoted market prices. In accordance with GAAP authoritative guidance on fair value measurements and disclosures, the College's investments measured and reported at fair value are classified according to the following hierarchal input levels:

- Level 1—Unadjusted quoted prices in active markets for identical assets.
- Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
- Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. At June 30, 2022, the College had no investments.

### NOTE C—ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2022:

	2022
Student tuition and fees	\$ 1,975,394
Auxiliary enterprises and other operating activities	380,053
	<u>2,355,447</u>
Less: Allowance for doubtful accounts	(2,014,246)
Net accounts receivable	<u>\$ 341,201</u>

### NOTE D—OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2022:

	2022
Due from grantors	\$ 31,372
Contracts receivable	186,519
Other receivables	402
Total other receivables	<u>\$ 218,293</u>

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 618,869	\$ -	\$ -	\$ 618,869
Construction in process	-	448,640	-	448,640
<b>Total not being depreciated</b>	<b>\$ 618,869</b>	<b>\$ 448,640</b>	<b>\$ -</b>	<b>\$ 1,067,509</b>
Other capital assets				
Buildings and improvements	\$ 27,997,097	\$ -	\$ -	\$ 27,997,097
Nonstructural improvements	10,126,627	858,304	-	10,984,931
Equipment	2,832,186	216,726	-	3,048,912
Vehicles	549,777	39,472	-	589,249
Library materials	1,521,493	-	-	1,521,493
<b>Total other capital assets</b>	<b>\$ 43,027,180</b>	<b>\$ 1,114,502</b>	<b>\$ -</b>	<b>\$ 44,141,682</b>
Less accumulated depreciation for				
Buildings and improvements	(16,266,480)	(736,524)	-	(17,003,004)
Nonstructural improvements	(6,979,209)	(366,392)	-	(7,345,601)
Equipment	(2,282,187)	(196,777)	-	(2,478,964)
Vehicles	(337,925)	(22,383)	-	(360,308)
Library materials	(1,509,913)	(210)	-	(1,510,123)
<b>Total other capital assets</b>	<b>(27,375,714)</b>	<b>(1,322,286)</b>	<b>-</b>	<b>(28,698,000)</b>
<b>Other capital assets, net</b>	<b>\$ 15,651,466</b>	<b>\$ (207,784)</b>	<b>\$ -</b>	<b>\$ 15,443,682</b>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 618,869	\$ 448,640	\$ -	\$ 1,067,509
Other capital assets, at cost	43,027,180	1,114,502	-	44,141,682
<b>Total cost of capital assets</b>	<b>43,646,049</b>	<b>1,563,142</b>	<b>-</b>	<b>45,209,191</b>
Less accumulated depreciation	(27,375,714)	(1,322,286)	-	(28,698,000)
<b>Capital assets, net</b>	<b>\$ 16,270,335</b>	<b>\$ 240,856</b>	<b>\$ -</b>	<b>\$ 16,511,191</b>

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE E—CAPITAL ASSETS, CONTINUED

The cost and related accumulated depreciation of assets held under notes payable obligations at June 30, 2022, was as follows:

	Buildings	Equipment	Non-Structural Improvements	Total
Cost	\$ 12,823,525	\$ 225,000	\$ 2,055,394	\$ 15,103,919
Less accumulated depreciation	(5,827,469)	(135,000)	(652,211)	(6,614,680)
	<u>\$ 6,996,056</u>	<u>\$ 90,000</u>	<u>\$ 1,403,183</u>	<u>\$ 8,489,239</u>

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE F—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Interest Rates (In %)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Notes payable obligations							
OCIA 2014A Series	N/A	7/1/2030	\$ 3,219,832	\$ -	\$ -	\$ 3,219,832	\$ 300,145
ODFA master lease 2013A	2.00-4.00	5/15/2028	119,668	-	(16,000)	103,668	16,083
ODFA master lease 2013B	2.00-5.00	5/15/2027	1,210,666	-	(184,667)	1,025,999	192,667
ODFA master lease 2014A	3.00-5.00	5/15/2023	87,333	-	(44,250)	43,083	43,083
ODFA master lease 2014C	2.00-5.00	5/15/2043	636,252	-	(21,000)	615,252	21,083
ODFA master lease 2016B	3.00-4.00	5/15/2036	6,244,416	-	(319,917)	5,924,499	331,000
ODFA master lease 2021A Roof	2.04-4.00	5/15/2036	152,364	-	(7,697)	144,667	8,000
ODFA master lease 2021A Parking	2.04-4.00	5/15/2036	587,455	-	(30,621)	556,834	31,167
Total capital lease obligations			<u>12,257,986</u>	<u>-</u>	<u>(624,152)</u>	<u>11,633,834</u>	<u>943,228</u>
Other liabilities							
Premium on bonds and notes payable obligations			633,753	-	(51,144)	582,609	50,875
Accrued compensated absences			206,066	223,762	(176,549)	253,279	227,951
Total other liabilities			<u>839,819</u>	<u>223,762</u>	<u>(227,693)</u>	<u>835,888</u>	<u>278,826</u>
Total long-term liabilities			<u>\$ 13,097,805</u>	<u>\$ 223,762</u>	<u>\$ (851,845)</u>	<u>\$ 12,469,722</u>	<u>\$ 1,222,054</u>

## SEMINOLE STATE COLLEGE

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

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#### NOTE F—LONG-TERM LIABILITIES, CONTINUED

##### *Notes payable obligations*

##### Oklahoma Capital Improvement Authority (OCIA) Obligations

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 notes payable 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.

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 agreement with OCIA was automatically restructured to secure the new bond issues. 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.

In 2014, the College's remaining 2005 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, 2022, the unamortized gain totaled \$95,107. The restructured 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 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.

Principal and interest payments to OCIA, totaling \$153,355 during the year ended June 30, 2022, 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 (ODFA) Obligations

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

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE F—LONG-TERM LIABILITIES, CONTINUED

*Notes payable obligations, Continued*

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

In 2013, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2013A in the amount of \$222,000. Total payments over the term of the agreement, beginning December 15, 2013, through May 15, 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.

In 2014, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2013B in the amount of \$2,402,000, to refund the ODFA Series 2002A Revenue Bonds. Total 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 was \$460,484.

In 2014, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2014C in the amount of \$753,000. Total 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 were used for the construction of the Dan and Andrea Boren Center.

In 2016, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2016B in the amount of \$7,712,000, to refund the ODFA Series 2006 Revenue Bonds. Total payments over the term of the agreement, beginning July 15, 2016, through May 15, 2036, will be \$10,871,520. Payments will be made monthly ranging from \$45,136 to \$49,120. The net present value of the savings for the refunding of the Series 2006 Revenue Bonds was \$2,483,157.

In 2021, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2021A in the amount of \$153,000. Total payments over the term of the agreement, beginning May 13, 2021, through May 15, 2036 will be \$209,760. Payments will be made monthly ranging from \$636 to \$1083. Proceeds from the obligation were used for a roof replacement.

In 2021, the College entered into an obligation for the ODFA Master Revenue Bonds Series 2021A in the amount of \$590,000. Total payments over the term of the agreement, beginning May 13, 2021, through May 15, 2036 will be \$808,684. Payments will be made monthly ranging from \$2,545 to \$4,250. Proceeds from the obligation were used for a parking lot.

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

NOTE F—LONG-TERM LIABILITIES, CONTINUED

Future minimum lease payments under the College’s obligations to the OCIA and ODFA for the year ended June 30, 2022, are as follows:

Years Ending June 30:	Principal	Interest	Total
2023	\$ 943,228	\$ 466,874	\$ 1,410,102
2024	938,151	426,959	1,365,110
2025	966,685	385,083	1,351,768
2026	1,014,793	344,402	1,359,195
2027	1,030,986	300,979	1,331,965
2028-2032	4,156,987	904,887	5,061,874
2033-2037	2,357,830	235,828	2,593,658
2038-2042	186,667	31,534	218,201
2043-2044	38,507	1,588	40,095
Total	\$ 11,633,834	\$ 3,098,134	\$ 14,731,968

NOTE G—EMPLOYEE RETIREMENT PLANS

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

*Benefits Provided:* OTRS provides retirement, disability, and death benefits to members of the plan.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

## SEMINOLE STATE COLLEGE

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

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#### NOTE G— EMPLOYEE RETIREMENT PLANS, CONTINUED

*Benefits Provided, Continued:*

- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

*Contributions:* The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.7% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the supplemental health insurance program (see Note H). Contributions to the pension plan from the College were \$779,926 for the year ended June 30, 2022. The State also made on-behalf contributions to OTRS, of which \$474,007 was recognized by the College. These on-behalf payments did not meet the criteria of a special funding situation.

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE G— EMPLOYEE RETIREMENT PLANS, CONTINUED

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2022, the College reported a liability of \$8,744,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The College’s proportion of the net pension liability was based on the College’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers for the year ended June 30, 2021. Based upon this information, the College’s proportion was 0.1712%.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:*

For the year ended June 30, 2022, the College recognized pension expense of \$140,970. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 576,612	\$ 325,192
Changes of assumptions	1,360,349	87,088
Net difference between projected and actual earnings on pension plan investments	-	4,541,980
Changes in College's proportionate share of contributions	-	915,961
Difference between College's contributions and proportionate share of contributions	4,685	9,218
College's contributions subsequent to the measurement date	<u>770,403</u>	<u>-</u>
Total	<u>\$ 2,712,049</u>	<u>\$ 5,879,439</u>

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE G— EMPLOYEE RETIREMENT PLANS, CONTINUED

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:*

The amount of \$770,403 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	(962,090)
2024		(623,603)
2025		(794,525)
2026		(1,510,036)
2027		(47,539)
Total	\$	<u><u>(3,937,793)</u></u>

*Actuarial Assumptions:* The total pension liability as of June 30, 2022, was determined based on an actuarial valuation prepared as of June 30, 2021, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25%
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

# SEMINOLE STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### NOTE G— EMPLOYEE RETIREMENT PLANS, CONTINUED

#### *Actuarial Assumptions, Continued:*

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value Added Real Estate (unleveraged).

*Discount Rate:* A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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NOTE G— EMPLOYEE RETIREMENT PLANS, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the College calculated using the discount rate of 7.0%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease Rate(6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase Rate(8.0%)</u>
College's net pension liability	\$ 14,293,636	\$ 8,744,872	\$ 4,151,248

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS, which can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

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 year ended June 30, 2022 was 3.5% of an eligible employee's base salary (as defined in the Plan document). Contributions made by the College during the year ended June 30, 2022, was \$247,156.

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS

The College participates in two employee other post-employment benefit plans as described:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Supplemental Health Insurance Program (OTRS)	Cost Sharing Multiple Employer - Defined Benefit Plan
SSC Employee Health and Dental Plan	Single Employer - Defined Benefit Plan

A summary of all the amounts recorded in the College’s financial statements for the plans is as follows:

	<u>Plan Totals</u>
Net OPEB Asset:	
Supplemental Health Insurance Program	\$ 218,029
Total	<u>\$ 218,029</u>
Total OPEB Liability:	
SSC Employee Health and Dental Plan	\$ 880,419
Total	<u>\$ 880,419</u>
Deferred Outflows of Resources:	
Supplemental Health Insurance Program	\$ 47,851
SSC Employee Health and Dental Plan	49,466
Total	<u>\$ 97,317</u>
Deferred Inflows of Resources:	
Supplemental Health Insurance Program	\$ 158,488
SSC Employee Health and Dental Plan	342,355
Total	<u>\$ 500,843</u>
OPEB Expense (Benefits):	
Supplemental Health Insurance Program	\$ (31,500)
SSC Employee Health and Dental Plan	31,915
Total	<u>\$ 415</u>

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Program:

*Plan Description:* The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

*Benefits Provided:* OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group (“OKHEEI”), provided the member has ten (10) years of Oklahoma service prior to retirement.

*Contributions:* Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note G. From this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.22% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$9,523.

*OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2022, the College reported an asset of \$218,029 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The College’s proportion of the net OPEB asset was based on the College’s contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2021. Based upon this information, the College’s proportion was 0.1712%.

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Program, Continued:

For the year ended June 30, 2022, the College recognized a reduction in OPEB expenses of \$31,500. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,134
Changes of assumptions	29,635	
Net difference between projected and actual earnings on OPEB plan investments	-	116,936
Changes in proportionate share of contributions	3,857	-
College contributions during measurement date	4,836	7,418
College contributions subsequent to the measurement date	9,523	-
Total	<u>\$ 47,851</u>	<u>\$ 158,488</u>

There was \$9,523 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date which will be recognized as an increase of the net OPEB asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (58,365)
2024	(48,703)
2025	(50,761)
2026	(64,636)
2027	(8,090)
Thereafter	<u>(1,992)</u>
Total	<u>\$ (232,547)</u>

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Program, Continued:

*Actuarial Assumptions:* The net OPEB liability (asset) as of June 30, 2022, was determined based on an actuarial valuation prepared as of June 30, 2021, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25% wage inflation, plus 0.75% productivity increase rate, plus step-rated promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 7.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019.
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.
- Mortality Rates for Active Members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value Added Real Estate (unleveraged).

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Program, Continued:

*Discount Rate:* A single discount rate of 7.0% was used to measure the net OPEB asset as of June 30, 2021. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the OPEB plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

*Sensitivity of the Net OPEB Asset to Changes in the Discount Rate:* The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the College’s net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
College's net OPEB asset	\$ (140,073)	\$ (218,029)	\$ (284,085)

*OPEB Plan Fiduciary Net Position:* Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the OTRS; which can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

SSC Health and Dental Benefits Plan:

*Plan Description:* 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 hired prior to January 1, 2019, been employed full-time in the Oklahoma State System of Higher Education for not less than 9 ½ years immediately preceding the date of retirement, been a member of OTRS during this time, and elected to receive a vested benefit under the provisions of OTRS. The College’s Board of Regents has the authority to modify or change the plan benefits and contributions. The plan does not have a separate trust established.

*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 OTRS, as described above. For the year ended June 30, 2022, the College’s contributions for health insurance premiums for retired employees were \$122,612.

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

SSC Health and Dental Benefits Plan, Continued:

*Employees Covered by Benefit Terms:* At June 30, 2022, the following employees were covered by the benefit terms:

Active Employees (Participants)	69
Retired Participants	<u>12</u>
Total	<u>81</u>

*Total OPEB Liability:* The College’s total OPEB liability of \$880,419 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

- Actuarial Cost Method – Individual Entry Age Normal – Level Percentage of Projected Salary
- Discount Rate – 3.54%, based on published Bond Pay GO-20 bond index.
- Pre-Retirement Termination – Developed from assumptions used in valuing the Teachers Retirement System of Oklahoma (OTRS) 2017 actuarial report. The following are representative rates used in this valuation.

Years of Service	Annual Termination Rate
0	23.00%
5	8.25%
10	4.50%
15	3.25%
20	2.00%

Retiring participants assumed to  
continue with same coverage

- Retirement Age: 65
- Healthcare cost trend rates - Level 4.50% for medical and level 3.00% for dental
- Mortality Rates - RPH-2014 Total Table with Projection MP-2021

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

SSC Health and Dental Benefits Plan, Continued:

*Changes in Total OPEB Liability:*—The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ 1,167,439
Changes for the Year:	
Service cost	55,076
Interest cost	25,082
Changes of assumptions	(116,967)
Difference between expected and actual experience	(127,599)
Benefits paid	(122,612)
Net Changes	(287,020)
Balances End of Year	\$ 880,419

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the total OPEB liability of the employer calculated using the discount rate of 3.54%, as well as what the College’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
College's total OPEB liability	\$ 933,233	\$ 880,419	\$ 830,411

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate:* The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 4.50%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease (3.50%)	Trend Rates (4.50%)	1% Increase (5.50%)
College's total OPEB liability	\$ 811,828	\$ 880,419	\$ 961,381

SEMINOLE STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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NOTE H—OTHER POST-EMPLOYMENT BENEFIT PLANS, CONTINUED

SSC Health and Dental Benefits Plan, Continued:

*OPEB Expense:* For the year ended June 30, 2022, the College recognized OPEB expense of \$31,915. The College also reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 213,292
Changes of assumptions	49,466	129,063
Total	<u>\$ 49,466</u>	<u>\$ 342,355</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (48,243)
2024	(48,243)
2025	(48,243)
2026	(49,570)
2027	(57,086)
Thereafter	<u>(41,504)</u>
Total	<u>\$ (292,889)</u>

NOTE I—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 \$71,812 for the year ended June 30, 2022.

## SEMINOLE STATE COLLEGE

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

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#### NOTE J—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.

The College participates in the Federal Direct Student Loans Program (Direct Lending 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, 2022, approximately \$1,333,000, of Direct Lending Program loans were provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits to claims against the College at June 30, 2022, that management believes would result in a material loss to the College in the event of an adverse outcome.

#### NOTE K—RISK MANAGEMENT

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

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverage. 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.

**SEMINOLE STATE COLLEGE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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NOTE K—RISK MANAGEMENT, CONTINUED

The College participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool “OKHEEI”. College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating colleges and universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating colleges and universities. As of June 30, 2022, additional assessments did not occur.

NOTE L—NEW ACCOUNTING PRONOUNCEMENTS

*New Accounting Pronouncements Adopted*

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The primary objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The College adopted GASB 87 for the June 30, 2022, reporting year and the implementation had an immaterial effect net on the College’s financials. Leases will continue to be evaluated in subsequent years and any material effect will be accounted for in the financial statements in that particular year.

## SEMINOLE STATE COLLEGE

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

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#### NOTE M—SEMINOLE STATE COLLEGE EDUCATIONAL FOUNDATION, INC.

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.

The financial statements of the Foundation have been prepared on the accrual basis of accounting for the year ended December 31, 2021. The stand-alone financial statements of the Foundation are prepared in accordance with Financial Accounting Standards Board not-for-profit financial statement reporting standards, and the Foundation’s stand-alone financial statements have been modified as required to conform their financial presentation to a governmental reporting format.

The assets of the Foundation, as presented in the accompanying financial statements, are in the form of cash of \$837,607 and investments of \$2,960,976. The cash balances are generally in the form of checking accounts and money market accounts and at December 31, 2021, were substantially covered by FDIC insurance. The investment balances are generally held in domestic and international equity investments.

The net assets of the Foundation are generally subject to donor-imposed stipulations, and \$4,804,165 of the net assets of the Foundation is restricted for specific purposes or the passage of time at December 31, 2021. 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.

Separately issued audited financial statements of the Foundation are available upon request.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEMINOLE STATE COLLEGE**

**SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OKLAHOMA TEACHERS RETIREMENT SYSTEM**

**Last 8 Fiscal Years\***

	2015	2016	2017	2018	2019	2020	2021	2022
College's proportion of the net pension liability	0.2072%	0.2001%	0.1959%	0.1917%	0.1897%	0.1847%	0.1802%	0.1712%
College's proportionate share of the net pension liability	<u>\$ 11,146,014</u>	<u>\$ 12,152,155</u>	<u>\$ 16,347,176</u>	<u>\$ 12,693,339</u>	<u>\$ 11,464,312</u>	<u>\$ 12,223,870</u>	<u>\$ 17,096,968</u>	<u>\$ 8,744,872</u>
College's covered-employee payroll	<u>\$ 7,401,050</u>	<u>\$ 7,201,250</u>	<u>\$ 7,079,713</u>	<u>\$ 6,960,924</u>	<u>\$ 7,065,401</u>	<u>\$ 7,572,459</u>	<u>\$ 7,548,540</u>	<u>\$ 7,374,966</u>
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151%	169%	231%	182%	162%	161%	226%	119%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%	80.80%

\*The amounts presented for each fiscal year were determined as of June 30 of the previous year.

**Notes to Schedule:**

Only the current and seven prior fiscal years is presented because 10-year data is not yet available.

**SEMINOLE STATE COLLEGE**

**SCHEDULE OF COLLEGE'S CONTRIBUTIONS  
OKLAHOMA TEACHERS RETIREMENT SYSTEM**

Last 8 Fiscal Years\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 834,820	\$ 831,727	\$ 798,422	\$ 797,508	\$ 871,368	\$ 877,466	\$ 840,098	\$ 842,968
Contributions in relation to the contractually required contribution	<u>834,820</u>	<u>831,727</u>	<u>798,422</u>	<u>797,508</u>	<u>871,368</u>	<u>877,466</u>	<u>840,098</u>	<u>842,968</u>
Contribution deficiency (excess)	<u>\$ -</u>							
College's covered-employee payroll	\$ 7,201,250	\$ 7,079,713	\$ 6,960,924	\$ 7,065,401	\$ 7,572,459	\$ 7,548,540	\$ 7,374,966	\$ 7,802,311
Contributions as a percentage of covered-employee payroll	11.59%	11.75%	11.47%	11.29%	11.51%	11.62%	11.39%	10.80%

**Notes to Schedule:**

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

**SEMINOLE STATE COLLEGE**

**SCHEDULE OF COLLEGE'S CONTRIBUTIONS  
OKLAHOMA TEACHERS RETIREMENT SYSTEM**

**Last 5 Fiscal Years\***

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
College's proportion of the net OPEB liability (asset)	0.1917%	0.1897%	0.1847%	0.1802%	0.1712%
College's proportionate share of the net OPEB liability (asset)	\$ (85,489)	\$ (122,569)	\$ (114,189)	\$ (17,847)	\$ (218,029)
College's covered-employee payroll	\$ 6,960,924	\$ 7,065,401	\$ 7,572,459	\$ 7,548,540	\$ 7,374,966
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.23%	-1.73%	-1.51%	-0.24%	-2.96%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%	102.30%	110.40%

\*The amounts presented for each fiscal year were determined as of June 30 of the previous year.

**Notes to Schedule:**

Only the current and four prior fiscal years are presented because 10-year data is not yet available.

SEMINOLE STATE COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

SUPPLEMENTAL HEALTH INSURANCE PROGRAM—OTRS

Last 5 Fiscal Years\*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 12,663	\$ 5,878	\$ 1,650	\$ 1,579	\$ 9,523
Contributions in relation to the contractually required contribution	<u>12,663</u>	<u>5,878</u>	<u>1,650</u>	<u>1,579</u>	<u>9,523</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The College's covered-employee payroll	\$ 7,065,401	\$ 7,572,459	\$ 7,548,540	\$ 7,374,966	\$ 7,802,311
Contributions as a percentage of covered-employee payroll	0.18%	0.08%	0.02%	0.02%	0.12%

\*The amounts presented for each fiscal year were determined as of June 30 of the previous year.

**Notes to Schedule:**

Only the current and four prior fiscal years are presented because 10-year data is not yet available.

**SEMINOLE STATE COLLEGE**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

**SSC Employee Health and Dental Benefit Plan**

**Last 5 Fiscal Years\***

	2018	2019	2020	2021	2022
Total OPEB liability:					
Service cost	\$ 99,366	\$ 99,366	\$ 99,366	\$ 55,076	\$ 55,076
Interest	37,089	45,719	47,301	28,798	25,082
Changes of assumptions	(46,355)	16,416	60,574	4,461	(116,967)
Difference between expected and actual experience	(78,703)		-	(73,869)	(127,599)
Benefit payments, including refunds of member contributions	(9,331)	(11,197)	(232,651)	(190,023)	(122,612)
Net change in total OPEB liability	\$ 2,066	\$ 150,304	\$ (25,410)	\$ (175,557)	\$ (287,020)
Total OPEB - beginning	1,216,036 *	1,218,102	1,368,406	1,342,996	1,167,439
Total OPEB - ending	<u>\$ 1,218,102</u>	<u>\$ 1,368,406</u>	<u>\$ 1,342,996</u>	<u>\$ 1,167,439</u>	<u>\$ 880,419</u>
Covered employee payroll	\$ 7,065,401	\$ 7,572,459	\$ 5,055,124	\$ 5,055,124	\$ 3,273,358
Total OPEB liability as a percentage of covered employee payroll	17.24%	18.07%	26.57%	23.09%	26.90%

\*Restated

**Notes to Schedule:**

Only the current and three prior fiscal years are presented because 10-year data is not yet

The discount rate used for 2018 is 3.88%.

The discount rate used for 2019 is 3.50%.

The discount rate used for 2020 is 2.21%.

The discount rate used for 2021 is 2.16%.

The discount rate used for 2022 is 3.54%.

**INFORMATION REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS* AND  
THE UNIFORM GUIDANCE**



**Independent Auditor's 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 Seminole State College (the College) which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 19, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designed 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

Hick & Company, PC

Tulsa, Oklahoma  
October 19, 2022





**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Regents  
Seminole State College  
Seminole, Oklahoma

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Seminole State College's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2022. 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.

In our opinion, the College complied, in all material respects, with the 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, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hick & Company, PC*

Tulsa, Oklahoma  
October 19, 2022



**SEMINOLE STATE COLLEGE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2022**

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients (No Subrecipients)	Federal Expenditures
U.S. Department of Education				
<i>Student Financial Aid Cluster</i>				
Office of Postsecondary Education				
Federal Pell Grant Program	84.063	P063P182049	N/A	\$ 2,678,167
Federal Direct Student Loans Program	84.268	P268K192049	N/A	1,347,449
Federal Supplemental Education Opportunity	84.007	P007A183450	N/A	80,000
Federal Work Study Program	84.033	P033A183450	N/A	53,034
Total Student Financial Aid Cluster				<u>4,158,650</u>
 <i>TRIO Cluster</i>				
Office of Postsecondary Education				
Upward Bound	84.047	P047A170214 P047A170225 P047M170013 P047M170014	N/A	1,461,577
Talent Search	84.044	P044A170021 P044A160023	N/A	708,230
STEM Student Support Services	84.042	P042A150005	N/A	291,376
Student Support Services	84.042	P042A150255	N/A	250,250
Total Trio Cluster				<u>2,711,433</u>

(Continued)

See Independent Auditor's Report.  
See Accompanying notes to Schedule of Expenditures of Federal Awards

SEMINOLE STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients (No Subrecipients)	Federal Expenditures
Gaining Early Awareness and Readiness for Undergraduate Programs				
OK, GO COLLEGE Gear-Up	84.334	P334A170132-18	N/A	<u>773,102</u>
				<u>773,102</u>
Strengthening Minority-Serving Institutions				
Engaging with Success	84.382	P382C160003-18A	N/A	<u>416,927</u>
				<u>416,927</u>
Other Programs				
Basic Grants to States - Carl D. Perkins	84.048	N/A	N/A	13,886
Higher Education Emergency Relief Fund - CARES Act (Students)	84.425E	N/A	N/A	2,264,815
Higher Education Emergency Relief Fund - CARES Act (Institution)	84.425F	N/A	N/A	<u>2,957,085</u>
				<u>5,235,786</u>
<b>Total U.S. Department of Education</b>				<b><u>13,295,898</u></b>

(Continued)

See Independent Auditor's Report.  
See Accompanying notes to Schedule of Expenditures of Federal Awards

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**

**Year Ended June 30, 2022**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number/ Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients (No Subrecipients)</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services				
Pass-Through Program From: Oklahoma State Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558		N/A	<u>144,992</u>
Pass-Through Program From: Oklahoma State Regents for Higher Education Scholars for Excellence in Child Care	93.575		N/A	<u>58,345</u>
<b>Total U. S. Department of Health and Human Services</b>				<b><u>203,337</u></b>
Total Expenditures of Federal Awards				<b><u>\$13,499,235</u></b>

See Independent Auditor’s Report.  
 See Accompanying notes to Schedule of Expenditures of Federal Awards

# SEMINOLE STATE COLLEGE

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

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(1) **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of Seminole State College (the “College”) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position, changes in net position, or cash flows of the College.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) **FEDERAL DIRECT STUDENT LOAN PROGRAM**

Under the Federal Direct Student Loans Program (“Direct Loan Program”), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student’s attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.

(4) **SUBRECIPIENTS**

During the year ended June 30, 2022, the College did not provide any federal awards to sub recipients.

(5) **INDIRECT COST RATE**

The College has a 17.20% negotiated indirect cost rate agreement with the Department of Health and Human Services effective from July 1, 2020 until amended. The College uses the negotiated indirect cost rate or the allowable indirect cost rate charged by the federal programs, whichever is lower.

See Independent Auditor’s Report.



**SEMINOLE STATE COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

*Year Ended June 30, 2022*

**Summary of Auditor's Results** (Continued)

7. The College's major program were:

<u>Cluster/Program</u>	<u>Assistance Listing Number</u>
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033
TRIO Cluster	
Upward Bound	84.047
Talent Search	84.044
Student Support Services	84.042
STEM Student Support Services	84.042
Higher Education Emergency Relief Fund Cluster	
CARES Act (Students)	84.425E
CARES Act (Institution)	84.425F

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The College qualified as a low-risk auditee as that term is defined in Uniform Guidance.  Yes  No

**Section II - Findings Required to be Reported by Government Auditing Standards**

None to report for the year ended June 30, 2022.

**Section III - Findings Required to be Reported by the Uniform Guidance**

None to report for the year ended June 30, 2022.

**SEMINOLE STATE COLLEGE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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*Year Ended June 30, 2022*

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No matters were reportable.