



HIGHER LEARNING COMMISSION

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December 5, 2018

Ms. Lana Reynolds
President
Seminole State College
P.O. Box 351
2701 Boren Blvd.
Seminole, OK 74818-0351

Dear President Reynolds:

A Financial Panel has reviewed Seminole State College's recent Interim Report. The Panel's analysis and recommendation are attached; no further monitoring by the Higher Learning Commission (HLC) is required at this time. You are encouraged to review the Panel's comments and to contact your HLC liaison if you have questions.

Sincerely,

Higher Learning Commission

cc: Dr. Thomas Mills, Accreditation Liaison Officer
Barbara Johnson, HLC Staff Liaison



FORM

Financial Panel Report

Analysis and Recommendation

Panel members should review the institutional report and supplementary documents and provide their analysis and recommendation on whether the institution is at risk of not meeting the Criteria for Accreditation. If the panel decides that additional information is necessary to make a recommendation, the panel lead should contact HLC to obtain that information. See the [Financial and Non-financial Indicator Process](#) for additional details.

Submission Instructions

After ensuring that all part of the form are complete, the panel lead should upload the Financial Panel Report to the panel page in the HLC Portal.

Institution: Seminole State College

City: Seminole State: OK

Date of panel review: 11/30/2018

Financial Panel members:

Meridith Wentz (lead), Jonah Rice, Susan Lindahl

Previous HLC action regarding the institution's financial report (if applicable):

This is the first financial review for the institution.

Items addressed in the report:

The institution provided the following information:

- CFI calculation with and without the Foundation
- Audited financials for the past three years (FY2015, FY2016, FY2017)

- Three-year budget
- Board minutes related to finances for the most recent three years (2015, 2016, 2017)
- Audit management letter for FY2016 and FY2017 (no letter available for FY2015)
- Interim financial statement
- Enrollment and Retention trends and strategies

Panel Analysis

CFI History

The institution's financial composite scores were "below the zone" at (0.4) for FY 2017 and "above the zone" in three of the past four previous years. This is the institution's first financial indicator review.

FY 2017	
Viability CFI	(.02)
Return on Net Assets CFI	0.08
Net Operating Revenue CFI	(.40)
Primary Reserve CFI	(.04)
CFI	(.38)

Rationale for Low CFI

The institution attributes its lower composite score to the following:

- the inclusion of the Foundation in the calculation,
- an institutional philosophy of maintaining low cash balances,
- declining state support, and
- declining enrollments.

Total enrollment has been declining annually for the past five years. Graduation rates have been increasing and retention rates are up from 2013.

The Foundation has a negative unrestricted net assets balance which has resulted in a lower primary reserve ratio. Another factor was that balances had been increasing in previous years for donations related to capital expenditures, and they went down in the current year because construction is now in progress and the funds are being spent.

Strategies for Improving Financial Status

To address these concerns, the institution plans to increase its cash balances through managed spending, and to increase its enrollment through recruitment and retention strategies. Specific strategies

to increase cash balances include: a tuition increase, increased fees, reductions to employee benefits. Additionally, state support has increased slightly for FY19 related to concurrent enrollment. The institution has identified strategies for increasing enrollment, including strategies to increase recruitment efforts for several student segments.

To strengthen its efforts to address the financial difficulties, the institution may wish to provide financial modeling associated with its strategies to reduce expenses.

Panel Recommendations

The panel has reviewed and evaluated the institutional documents provided (report and supplementary documents) in making its recommendation.

- ☒ **Accept Report.** The panel concludes that the institution has substantially met its commitment in its report on financial indicators.

Rationale:

The institution attributes its lower composite score to: 1) inclusion of the Foundation in the calculation, 2) an institutional philosophy of maintaining low cash balances, 3) declining state support, and 4) declining enrollments. This is its first financial review. The panel is concerned about the five-year decline in enrollment, however, strategies have been identified for increasing enrollment. Additionally, the institution plans to increase its cash balances through managed spending and has identified several strategies to increase cash balances. Further, state support has increased slightly for FY19 related to concurrent enrollment.

- ☐ **Accept Report With Qualifications.** Overall, the institution addressed the financial concerns adequately. However, the panel has concerns on the following matters that the institution should consider in future planning.

Specific concerns:

- ☐ **Recommend HLC Follow-up.** The panel reviewed the materials and has concerns that the institution may be at continued financial risk, explained below. The panel is recommending the following monitoring:

- ☐ Interim Report—due three months from the date of action*
- ☐ Focused Visit—to occur within six months of the date of action*

**HLC staff may adjust this follow-up to be included in future monitoring or a visit already scheduled with the institution.*

Specific financial risks, with explanation: