

**South Arkansas Community College**

**El Dorado, Arkansas**

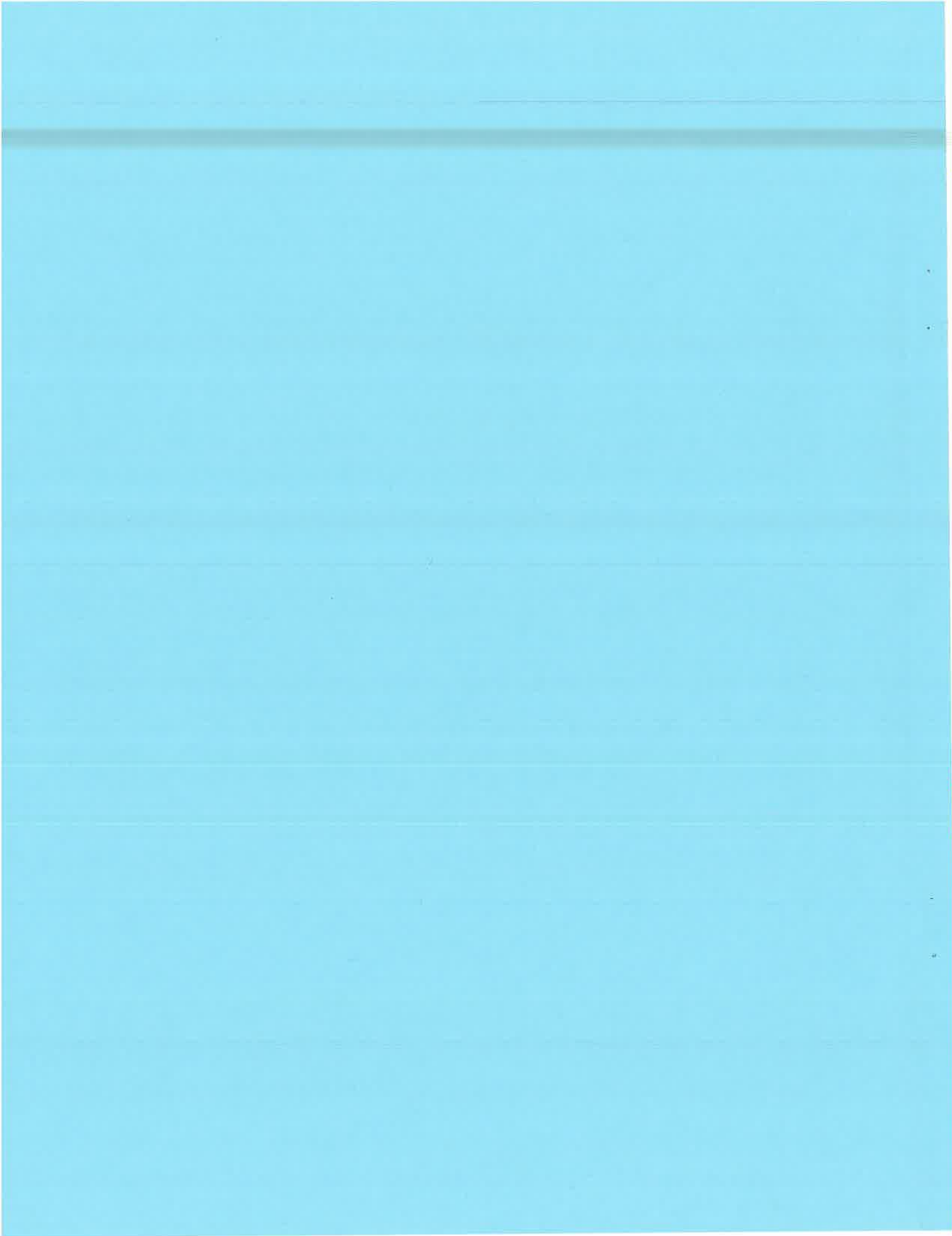
**Basic Financial Statements  
and Other Reports**

**June 30, 2018**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTH ARKANSAS COMMUNITY COLLEGE  
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# Arkansas



**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair

**Rep. Richard Womack**  
House Chair  
**Rep. DeAnn Vaught**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College  
Legislative Joint Auditing Committee

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Arkansas Community College Foundation, Inc., which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Arkansas Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Arkansas Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 10 and 21 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. A restatement of the College's beginning net position was required due to the adoption of this Statement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-12, 44-47, and 48-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

**Other 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 Selected Information for the Last Five Years (Schedule 1), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Selected Information for the Last Five Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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 the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Little Rock, Arkansas  
June 12, 2019  
EDHE19318

# Arkansas

**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. DeAnn Vaught**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 12, 2019. Our report includes a reference to other auditors who audited the financial statements of the South Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the South Arkansas Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

#### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 College'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report, that we consider to be a material weakness.

#### 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 the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated June 12, 2019.

## AUDIT FINDINGS

### Material Weakness

Financial Statements are the responsibility of the College's management and should be presented in conformity with accounting principles generally accepted in the United States of America. The College has policies and procedures to properly record and classify transactions in the financial statements; however, material misstatements in the financial statements were detected during the audit. These misstatements had no effect on the College's reported net position at June 30, 2018; and the financial statements were subsequently corrected by College personnel during audit fieldwork. Key errors in the Statement of Revenues, Expenses, and Changes in Net Position and the Notes to the Financial Statements included:

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

Student tuition and fees, bookstore revenues, and scholarships and fellowships expenses were overstated \$44,464, \$495,329, and \$539,793; respectively, due to the recording of an incorrect amount for scholarship allowances.

#### Notes to the Financial Statements

- a) The pension expense amount was understated \$545,793.
- b) Deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date was overstated \$1,828,111.
- c) Amounts reported for operating expenses by functional classifications included errors totaling \$970,022 and was not in agreement with the amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.
- d) The other postemployment benefits obligation was understated \$345,026 and was not in agreement with the amount reported on the Statement of Net Position.
- e) Amounts reported as transferred to the College from the South Arkansas Community College Foundation, Inc. were understated in total by \$287,167.

A similar finding was reported in the previous three audits.

The College should implement internal controls to ensure amounts reported in the financial statements and notes to the financial statements are accurate.

#### Management Response:

##### Statement of Revenue, Expenses and Changes in Net Position:

Allowance reports created for the audit ending June 30, 2018 were based on reports created during the last three months of a prior year due to a change in the College's ERP system. Those reports did not contain all the types of transactions that should be included in the allowance calculation. During the audit, reports were created to accumulate all the data necessary to properly report the amount of the scholarship allowances.

##### Notes to Financial Statements:

- a) and b): The pension expense amount was reduced by the amount of the current year contributions to the retirement plans and the deferred outflow amount was listed as the balance of deferred outflows and should have only included the current year contributions made by the College.
- c) and d): The functional expense report and postemployment benefits obligation report were not updated with current financial statement changes, causing the variance to the amounts in the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position.
- e) A transfer from the Foundation of \$287,167 for the AMTC building project was not included with the amount transferred for expenses. This was the first such transfer in the last four years.

Although a quality check was added to our process for financial statement reviews, it was not adequate to identify errors found by the auditors. The College will increase the quality review by including supporting documentation to the review process and conducting multiple reviews prior to finalizing the statements.

### **College's Response to Findings**

The College's response to the findings identified in our audit, excluding the management letter finding, is described previously. The College's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



**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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 12, 2019



# Arkansas



**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair

**Rep. Richard Womack**  
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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

South Arkansas Community College  
Legislative Joint Auditing Committee

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with College officials during the course of our audit fieldwork and at the exit conference.

The College discovered, and we confirmed, seven fraudulent charges made to College P-card accounts from August to December 2017:

- Four single payments totaling \$295 to various vendors after account information was fraudulently obtained.
- Three payments totaling \$1,118 to a retail vendor after an employee's P-Card was reported stolen from a locked vehicle on December 15, 2017. A police report was filed; however, no arrests have been made.

All of the above charges were reversed, and the College was reimbursed by the applicable next billing cycle from the date of occurrence. A similar finding was reported in the previous audit.

**STUDENT ENROLLMENT DATA** – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2018, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2017</u>	<u>Fall Term</u> <u>2017</u>	<u>Spring Term</u> <u>2018</u>	<u>Summer I Term</u> <u>2018</u>
Student Headcount	236	1,480	1,353	566
Student Semester Credit Hours	1,006	13,375	12,424	3,664

During our review, nothing came to our attention that would cause us to believe that the student enrollment data was not substantially correct.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the governing board, College management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 12, 2019

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

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***Overview of the Financial Statements and Financial Analysis***

South Arkansas Community College ("the College") is pleased to present its Annual Financial Report for the fiscal year ended June 30, 2018, with the fiscal year 2016/17 prior year data presented for comparative purposes. The Financial Report of the College is prepared following the financial statement model as developed and required by the Government Accounting Standards Board (GASB). GASB is the governing body over financial statements for public higher education and all state and local governments. The objectives of the reporting format is to enhance the understanding and usefulness of the external financial reports to all users of the statements including creditors, legislative and oversight bodies. In addition to the Management's Discussion and Analysis section, the Financial Report includes a Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Financial Statements.

South Arkansas Community College was established by a vote of the citizens of Union County on March 31, 1992. Voters approved forming a community college district for the county, merging Oil Belt Technical College and Southern Arkansas University-El Dorado Branch, and levying a Millage to support the new school. The college is governed by a nine-member Board of Trustees, which has delegated to the President the administrative authority for the College's operations.

***Statement of Net Position***

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College. The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot of the College as of the end of the fiscal year. Current assets and liabilities are distinguished from non-current assets and liabilities. The statement provides a picture of net position (assets and deferred inflows minus liabilities and deferred outflows) and their availability for expenditure by the College.

Net position divided into four major categories:

*Invested in capital assets, net of debt:* capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position - non-expendable:* net assets subject to externally-imposed stipulations that they be maintained permanently by the College.

*Restricted net position - expendable:* net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

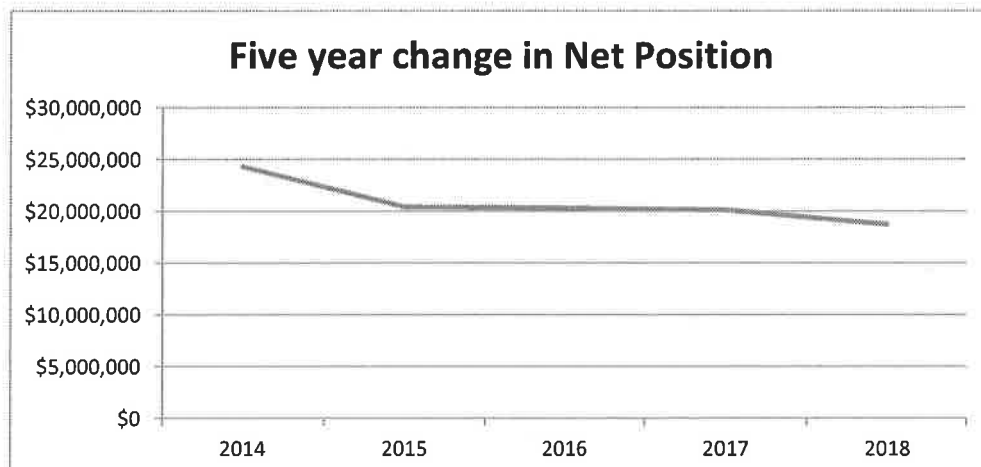
*Unrestricted net position -* net assets that are not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose in not limited by contractual agreements with outside parties.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**Statement of Net Position (Continued)**

	June 30, 2018	June 30, 2017
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current assets	\$ 8,725,830	\$ 9,706,726
Capital assets, net	20,724,161	20,635,533
Other assets	426,746	747,428
Deferred outflows of resources	2,475,154	2,333,877
Total Assets and Deferred Outflows	<u>\$ 32,351,891</u>	<u>\$ 33,423,564</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current liabilities	\$ 1,053,836	\$ 1,100,505
Noncurrent liabilities	11,689,901	11,573,816
Deferred inflows related to pensions	907,493	644,939
Total Liabilities and Deferred Inflows	<u>\$ 13,651,230</u>	<u>\$ 13,319,260</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	\$ 15,485,919	\$ 15,549,279
Restricted		
Non-Expendable	423,820	419,192
Expendable	1,774,604	1,376,966
Unrestricted	1,016,318	2,758,867
Total Net Position	<u>\$ 18,700,661</u>	<u>\$ 20,104,304</u>

The College's total assets and deferred outflows decreased \$1,071,673, total liabilities and deferred inflows increased \$331,970, and net position decreased \$1,403,643. Deferred outflows and liabilities changed in 2017/2018 due the recording of GASB 75 requirements for other post employment benefits.



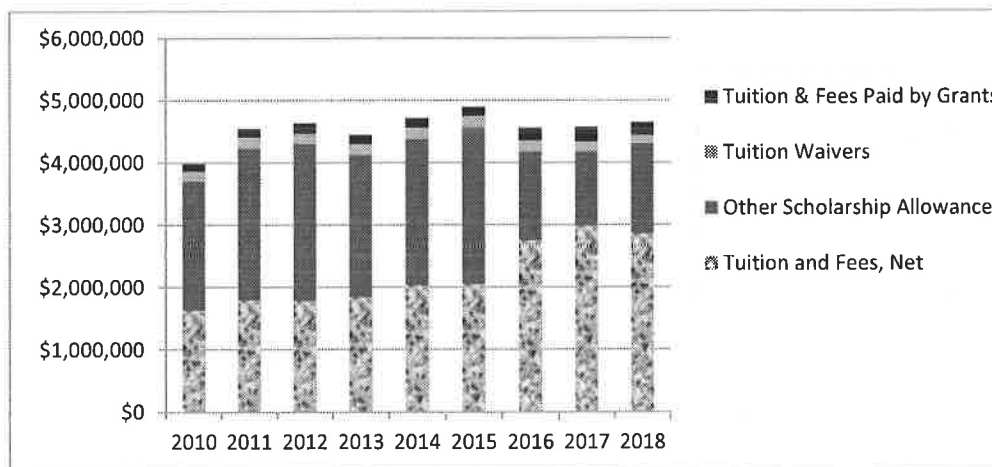
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

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

The purpose of this statement is to present revenues earned and expenses paid by the College, both operating and non-operating, and any other revenues, expenses, gains and losses. The operating income (loss) has limited significance for the College since the GASB requires a significant portion of revenues (state appropriations, gifts, and some grants and contracts) to be reported as non-operating.

	Year Ended	
	June 30, 2018	June 30, 2017
Operating revenues	\$ 7,489,209	\$ 8,072,672
Operating expenses	18,289,024	18,416,231
Operating loss	(10,799,815)	(10,343,559)
Non-operating revenues and expenses	10,384,837	10,039,267
Income before other revenues and expenses	(414,978)	(304,292)
Other revenues and expenses	(708,699)	131,705
Increase in Net Position	(1,123,677)	(172,587)
Net Position, beginning of year	20,104,304	20,276,891
Restatement of prior year balance (Note 21)	(279,966)	0
Net Position, end of year	<u>\$ 18,700,661</u>	<u>\$ 20,104,304</u>

Gross tuition and fees revenues increased \$71,377 over the previous year. The following chart shows the history of gross tuition and fees revenues after 2010.

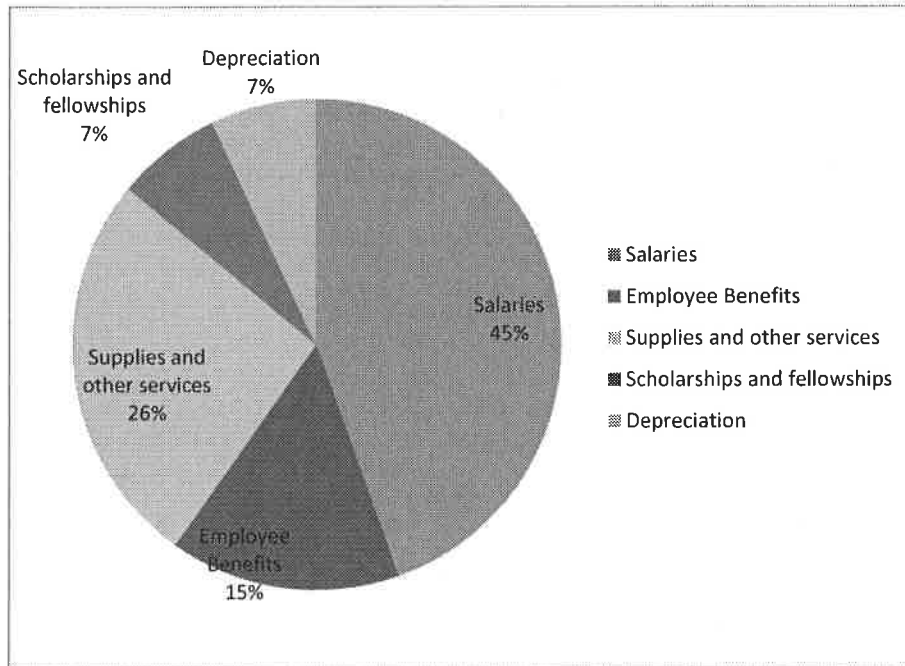


**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

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

The following pie chart details the percentage breakdown in the operating expenses for the fiscal year.



Compensation and benefit costs increased .67% from the previous year, and accounted for 60% of the total operating expense of \$18,289,024. Supplies and other services increased 4.2% from the previous year which is largely due to the increases in expenses related to the increased supplies purchases. Scholarships expense decreased 23.2% from the previous year due to a \$364,080 increase in scholarship allowance. Total PELL awards increased \$376,788 from \$2,748,996 in FY 17 to \$3,125,784 in FY 18.

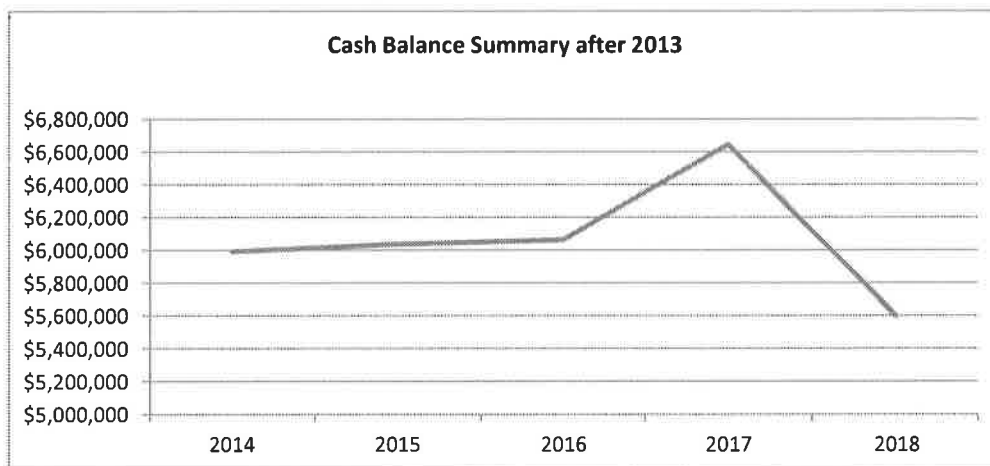
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**Statement of Cash Flows**

The purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the College for the year. This statement may aid in the assessment of the College's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow. This statement is prepared using the "direct method" as required by the GASB.

Similar to operating income (loss) on the Statement of Revenues, Expenses, and Changes in Net Position, net cash provided by operating activities is of little significance to the College because the GASB requires significant sources of cash to be reported as non-operating financing. The net cash provided by the operating activities and non-capital financing activities are important for the College. This negative number in 2018 is a result of the Advanced Manufacturing Training Center being nearly completed during 2018. The College experienced a fire in the Administration Building during the year. There was a receipt of \$1,000,000 from the insurance company and payment of restoration expenses of \$582,848 during the year.

	Year Ended	
	June 30, 2018	June 30, 2017
Cash provided (used) by:		
Operating activities	\$ (9,690,888)	\$ (8,903,948)
Noncapital financing activities	11,739,540	10,195,859
Subtotal	2,048,652	1,291,911
Capital and related financing activities	(3,095,173)	(712,722)
Investing activities	146	45
Net change in cash	(1,046,375)	579,234
Cash, beginning of year	6,643,952	6,064,718
Cash, end of year	<u>\$ 5,597,577</u>	<u>\$ 6,643,952</u>



The increase in the cash balance between 2016 and 2017 is attributable to funds accumulated for the Advanced Manufacturing Training Center project.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

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***Capital Assets and Long-Term Debt Activity***

At June 30, 2018, the College had \$20,724,161 of capitalized assets, net of depreciation of \$16,764,250. April of 2018 there was a fire in the administration building. Building improvements cost of \$2,167,190 depreciation of \$1,041,340 were destroyed by the fire and water damage. During the fiscal year the College made the following additions and improvements in capital assets.

Equipment	\$ 38,043
Buildings	94,062
Library Holdings	7,824
Land	60,062
Improvements and Infrastructure	6,601
Intangibles - software	6,712
Construction in Progress	2,285,305
Total	<u>\$ 2,498,609</u>

More information on capital assets is presented in Note 5.

***Economic Outlook***

The College's financial position remained stable for fiscal year ended June 30, 2018 as evidenced by a decrease in net position of \$1,403,643 with an adjustment to net position to comply with GASB 75 related to OPEB. The student headcount for fall year 2018 was 1,480 which was 3.2% lower than fiscal year 2017's fall headcount of 1,529. Student semester credit hours for Fall 2018 increased by 333. Enrollment is predicted to be flat for fiscal year 2018/19.

The College is in the seventh year of a ten year lease with the City of El Dorado to operate and manage the El Dorado Conference Center through fiscal year 2021. The center includes space for the College Bookstore, a one-stop Student Services area, food services, and conference facilities. The College operates the El Dorado Conference Center as an Auxiliary unit.

In addition to the state appropriations, the College receives funds from tuition and fees, investment income, grants and contracts, and some support from individuals, foundations and corporations. The College plans to continue its strategy of seeking grants and private gifts to supplement scholarships, capital projects, student support, and academic needs of the institution.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Exhibit A

	<u>2018</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 5,594,448
Short-term investments	814,309
Accounts receivable (less allowances of \$194,819)	333,598
Property taxes receivable	231,620
Other receivables	966,611
Inventories	399,326
Deposits with trustees	100,184
Prepaid expenses	285,734
Total Current Assets	<u>8,725,830</u>
Noncurrent Assets	
Cash and cash equivalents	3,129
Endowment investments	423,617
Capital assets, net of accumulated depreciation of \$16,764,250 (Note 5)	20,724,161
Total Noncurrent Assets	<u>21,150,907</u>
Total Assets	<u>29,876,737</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,373,903
Deferred outflows - other post employment benefits	6,700
Deferred loss on refunding	94,551
Deferred Outflows	<u>2,475,154</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32,351,891</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued liabilities	512,175
Refunds payable	25,205
Unearned revenue	172,878
Bonds, certificate of indebtedness, and leases payable - current portion	253,511
Compensated absences	35,383
Other postemployment benefit obligation - current portion	12,999
Funds held in trust for others	41,685
Total Current Liabilities	<u>1,053,836</u>
Noncurrent Liabilities	
Bonds, certificate of indebtedness, and leases payable	5,134,754
Compensated absences	504,453
Other postemployment benefit obligation	580,481
Net pension liability	5,470,213
Total Noncurrent Liabilities	<u>11,689,901</u>
TOTAL LIABILITIES	<u>12,743,737</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	<u>907,493</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>13,651,230</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Exhibit A

	<u>2018</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	\$ 15,485,919
Restricted for:	
Non-expendable	
Scholarships	423,820
Expendable	
Scholarships	6,663
Loans	2,307
Capital Projects	530
Debt Service	1,470,891
Other	294,213
Unrestricted	<u>1,016,318</u>
 TOTAL NET POSITION	 <u>\$ 18,700,661</u>

The accompanying notes are an integral part of these financial statements.



**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

Exhibit A-1

**Statement of Financial Position**

*June 30, 2018*

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 221,553
Pledges receivable, current portion	50,000
Prepaid expenses	5,077
Investments	<u>2,812,775</u>

**Total Current Assets** 3,089,405

**Fixed Assets, at cost**

Computer Software	6,365
Property and equipment	<u>2,975</u>
	9,340
Less: accumulated depreciation and amortization	<u>(9,340)</u>

**Total Fixed Assets** 0

**Other Assets**

Antique furniture	2,410
Pledges receivable	<u>92,950</u>

**Total Other Assets** 95,360

**Total Assets** \$ 3,184,765

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,419
Refundable advances	<u>33,800</u>

**Total Current Liabilities** 38,219

**Net Assets**

Unrestricted	2,067,769
Unrestricted - Board designated	30,000
Temporarily restricted	<u>1,048,777</u>

**Total Net Assets** 3,146,546

**Total Liabilities and Net Assets** \$ 3,184,765



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit B

	<u>2018</u>
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$1,783,089)	\$ 2,855,238
Federal grants and contracts	1,731,722
State and local grants and contracts	1,766,984
Sales and services of educational departments	145,793
Auxiliary enterprises:	
Vending	9,918
Bookstore (net of scholarship allowance of \$495,329)	434,479
Convention Center	489,509
Other operating revenues	55,566
TOTAL OPERATING REVENUES	<u>7,489,209</u>
<b>OPERATING EXPENSES</b>	
Salaries	8,153,997
Employee benefits	2,787,465
Supplies and other services	4,783,778
Scholarships and fellowships	1,279,654
Depreciation	1,284,130
TOTAL OPERATING EXPENSES	<u>18,289,024</u>
OPERATING INCOME (LOSS)	<u>(10,799,815)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State and Federal appropriations	7,057,112
Federal grants and contracts	3,125,784
County millage	342,321
Gifts	48,455
Interest income	9,084
Interest and other cost (on capital asset related debt)	(200,094)
Disposal of capital assets (net of accumulated depreciation of \$139,977)	2,175
NET NON-OPERATING REVENUES (EXPENSES)	<u>10,384,837</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>(414,978)</u>
<b>Other revenues, expenses, gains and losses</b>	
Administration building remediation costs (Note 20)	(582,848)
Administration building impairment costs (Note 20)	(125,851)
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>(708,699)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
INCREASE (DECREASE) IN NET POSITION	<u>(1,123,677)</u>
NET POSITION - BEGINNING OF YEAR	20,104,304
Restatement for GASB 75 (Note 21)	(279,966)
NET POSITION - BEGINNING OF YEAR (RESTATED)	<u>19,824,338</u>
NET POSITION - END OF YEAR	<u>\$ 18,700,661</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

Exhibit B-1

**Statement of Activities**  
*June 30, 2018*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
General contributions	\$ 15,461	\$ 182,840	\$ 198,301
Endowed contributions	137,413	100	137,513
Capital Campaign	0	1,090	1,090
Special Events	102,173	14,800	116,973
Investment income (loss)	107,638	31,509	139,147
Net assets released due to satisfaction of program restrictions	<u>274,816</u>	<u>(274,816)</u>	
<b>Total revenues, gains and other support</b>	<u>637,501</u>	<u>(44,477)</u>	<u>593,024</u>
<b>Expenses</b>			
Program services			
Scholarships	41,073		41,073
Grants and awards	<u>321,856</u>		<u>321,856</u>
<b>Total program services</b>	<u>362,929</u>		<u>362,929</u>
Supporting services			
Management and general	78,205		78,205
Fund raising	<u>65,040</u>		<u>65,040</u>
<b>Total supporting services</b>	<u>143,245</u>		<u>143,245</u>
<b>Total expenses</b>	<u>506,174</u>		<u>506,174</u>
<b>Change in Net Assets</b>	131,327	(44,477)	86,850
<b>Net Assets - Beginning of Year</b>	<u>1,966,442</u>	<u>1,093,254</u>	<u>3,059,696</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,097,769</u>	<u>\$ 1,048,777</u>	<u>\$ 3,146,546</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit C

	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 2,940,228
Grants and contracts	2,964,051
Sales and services of educational activities	150,978
Auxiliary enterprise revenues	
Vending	9,918
Bookstore	347,382
Convention Center	486,864
Other receipts	55,566
Payments to employees	(8,440,599)
Payments of employee benefits	(2,243,560)
Payments to suppliers	(4,682,062)
Scholarships	<u>(1,279,654)</u>
Net cash provided (used) by operating activities	<u>(9,690,888)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State appropriations	7,057,112
Federal grants and gifts received	3,125,784
Loans to Students - Direct Loans & Private (Inflows)	2,090,230
County millage	380,926
Gifts	357,460
Agency funds - net	401,106
Loans to Students - Direct Loans & Private (Outflows)	(2,090,230)
Cash receipts from insurance provider - Extraordinary (Fire)	1,000,000
Extraordinary expenses (Fire)	<u>(582,848)</u>
Net cash provided (used) by non-capital financing activities	<u>11,739,540</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from sale of capital assets	2,175
Purchase of capital assets	(2,611,800)
Principal Paid on Certificate of Indebtedness	(57,202)
Interest and Fees Paid on Certificate of Indebtedness	(1,093)
Principal Paid on Capital Lease	(127,407)
Interest and Fees Paid on Capital Lease	(81,407)
Principal paid on capital debt	(105,000)
Interest and service fees paid on capital debt	<u>(113,439)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,095,173)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	146
Proceeds from sales and maturities of investments	1,229,086
Purchase of investments	<u>(1,229,086)</u>
Net cash provided by investing activities	<u>146</u>
Net increase (decrease) in cash and cash equivalents	(1,046,375)
Cash and cash equivalents-beginning of year	<u>6,643,952</u>
Cash and cash equivalents-end of year	<u>\$ 5,597,577</u>

(Continued on next page)





**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
*(With Comparative Figures for the year ended June 30, 2016)*

Exhibit C

	<u>2018</u>
<b>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (10,799,815)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,284,130
Changes in assets and liabilities:	
(Increase) Decrease in Accounts receivables, net	(75,763)
(Increase) Decrease in Employee and Student loans receivable, net	(636)
(Increase) Decrease in Other receivables	(263,975)
(Increase) Decrease in Inventories	(79,965)
(Increase) Decrease in Prepaid expenses	(55,078)
(Increase) Decrease in Deferred Outflows	(145,770)
Increase (Decrease) in Accounts payable and accrued liabilities	141,200
Increase (Decrease) in Refunds payable	16,117
Increase (Decrease) in Deferred revenue	(73,080)
Increase (Decrease) in Compensated absences	16,241
Increase (Decrease) in Deferred Inflows	262,554
Increase (Decrease) in OPEB/Pension obligation	362,918
GASB 75 - OPEB restatement of beginning net position	<u>(279,966)</u>
Net cash provided (used) by operating activities	<u>\$ (9,690,888)</u>
<b>Non-cash transactions:</b>	
Noncash transactions	
Administration building impairment	\$ (1,125,851)
Amortization of 2014 revenue bond discount	480
Amortization of 2014 revenue bond deferred loss	4,493
	<u>\$ (1,120,878)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

Exhibit C-1

**Statement of Cash Flows**  
**June 30, 2018**

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**Cash Flows from Operating Activities**

Change in net assets	\$ 86,850
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	109,008
Capital campaign contributions	(1,090)
Decrease in pledge receivable	40,431
Decrease in prepaid expenses	1,049
Decrease in accounts payable	(2,106)
Decrease in funds belonging to others	(60)
Increase in refundable advances	2,275
<b>Net cash provided by operating activities</b>	<u>236,357</u>

**Cash Flows from Investing Activities**

Proceeds from sale of investments	226,869
Purchases in investments	(586,440)
<b>Net cash used in investing activities</b>	<u>(359,571)</u>

**Cash Flows from Financing Activities**

Contributions for capital campaign	1,090
<b>Net cash provided by financing activities</b>	<u>1,090</u>

**Net Increase in Cash** (122,124)

**Cash and Cash Equivalents at Beginning of Year** 343,677

**Cash and Cash Equivalents at End of Year** 221,553

**Supplemental disclosures of cash flow information:**

The Organization received in-kind contributions for their fund raising events during the year ended June 30, 2018 in the amount of \$25,169.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

South Arkansas Community College was established July 1, 1992, under the authority of Act 1244 of 1991. The College operates under the policies and supervision of the Board of Trustees of South Arkansas Community College, a nine member group. Members of the Board of Trustees are appointed by the Governor of the State and have decision making authority, the power to designate management, and the responsibility to significantly influence operations. The Board has governing responsibility over all activities related to higher education at South Arkansas Community College. The College receives funding from local, state and federal government sources and must comply with requirements of these funding source entities.

**Component Unit**

The South Arkansas Community College Foundation, Inc. ("the Foundation") is a legally separate, tax-exempt component unit of South Arkansas Community College ("the College"). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the College in support of its mission and programs. The 22 member board is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College under guidelines established by Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the Foundation are discretely presented in the College's financial statements in accordance with the provisions of GASB Statement Number 39.

During the year ended June 30, 2018, the Foundation transferred the following amounts to the College:

For scholarships	\$ 41,073
For reimbursement of expenses	<u>343,979</u>
Total	<u>\$385,052</u>

The College had a receivable from the Foundation on June 30, 2018, in the amount of \$71,988 for operations. Complete financial statements for the Foundation may be obtained from the Foundation office at P. O. Box 7010, El Dorado, AR 71731-7010 or viewed online at <http://www.southark.edu/financial-reports>.

The Foundation reports under Financial Accounting Standards Board (FASB) standards. 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 statements presented within the College's financial statements.

**Financial Statement Presentation**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement no. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement no. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, followed this in November 1999. The financial statement presentation required by GASB no. 34 and no. 35 provides a comprehensive, entity-wide perspective of South Arkansas Community College's assets, deferred outflows liabilities, deferred inflows net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

**Basis of Accounting**

For financial reporting purposes, South Arkansas Community College is considered a special-purpose government engaged only in business-type activities. Accordingly, South Arkansas Community College's financial statements have been presented using the economic resources focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when obligations are incurred. All significant intra-agency transactions have been eliminated.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets and Depreciation**

Land, buildings, improvements and infrastructure, equipment, library holdings, intangibles, (software), and construction in progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at fair market value when received. The College follows the State guidelines for equipment capitalization.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 20 to 40 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 years for library holdings, 5 years for vehicles, 3 to 10 years for equipment, and 7 years for intangibles, (software).

**Operating and Non-operating Revenues**

The Institution has classified its revenue as either operating or non-operating revenue according to the following criteria:

- Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state, and local grants and contracts.
- Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources. These are defined as non-operating revenues by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement no. 34, such as state appropriations and investment income.

**Cash Equivalents**

For purposes of the statement of cash flows, South Arkansas Community College considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents (such as certificates of deposit).

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprises provided to students, faculty and staff. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts. Unconditional promises to give due in subsequent years are reported at the present value rate of 5% of their net realizable value using the risk-free interest rate applicable to the year in which the promises are to be received.

**Investments**

Investments are stated at cost under the provisions of Statement no. 31 of the GASB. Investments consist of certificates of deposit classified as nonparticipating contracts.

**Inventories**

Inventories are valued at lower cost or market with cost being generally determined on a first-in, first-out basis.

**Non-current Cash and Investments**

Cash and investments that are externally restricted for debt service payments, sinking funds, endowment funds, or reserve funds, or to purchase or construct capital or other nonrecurring assets, are classified as non-current assets in the statement of net position. Investments consist of certificates of deposit with an original maturity date of greater than ninety days.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Restricted/Unrestricted Resources**

The College does not have a formal policy addressing which resources to use when both restricted and unrestricted net assets are available for the same purpose. College personnel decide which resources to use at the time expenses are incurred.

**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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Compensated Absences Payable**

Accrued compensated absences payable – other than sick leave reflects accumulated compensatory, holiday and annual leave and required employer contributions at June 30, 2018 for full-time benefits eligible employees. Accumulated unpaid annual leave and holidays are accrued at the employee's

**Compensated Absences Payable (Continued)**

current hourly rate of pay up to a maximum of 240 hours. Compensatory accrued time is limited to 240 hours per federal regulations.

Act 1288 of 2005, allows compensation for unused sick leave at retirement or death for two-year College classified employees. Act 220 of 2009 extended compensation for unused sick leave to non-classified employees. Accrued compensated absences payable – sick leave reflects accumulated sick leave and required employer contributions at June 30, 2018, for full-time classified and non-classified employees. The amount is based on a percentage of the number of hours accumulated, and the employee's current daily rate of pay not to exceed \$7,500 paid to the employee or beneficiary of an employee.

**Non-current Liabilities**

Non-current liabilities include: (1) principal amounts of debt payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching cost that will not be paid within the next fiscal year; (3) other postemployment benefits liability (Note 10); and (4) net pension liability (Note 11).

**Property Taxes**

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien for the subsequent year 1 for real and for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15th of the same calendar year.

**Scholarship Discounts and Allowances**

Tuition and fee revenues are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts are the difference between the stated charge for goods and services provided by the College and the amount that is paid by the students and/or third parties. Scholarship discounts include the step-up scholarship, the out-of-state waiver, and the 60-and-over waiver. Pell, Supplemental Education Opportunity Grant (SEOG) and other grants and scholarships are recorded as revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The portion of students' scholarships used to satisfy tuition and fees and other charges, is recorded as scholarship allowances.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 2: Public Fund Deposits and Investments**

Cash deposits are carried at cost. The College's cash deposits at year-end are shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 600,184	\$ 600,134
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	6,332,032	6,425,379
<b>Total Deposits</b>	<b><u>\$ 6,932,216</u></b>	<b><u>\$ 7,025,513</u></b>

The above deposits do not include cash on deposit in the state treasury in the amount of \$3,126 or cash on hand in the amount of \$345 for change funds as of June 30, 2018. The above total deposits include certificates of deposit of \$1,237,926 and deposits with trustees of \$100,184 as of June 30, 2018.

**Note 3: Disaggregation of Receivable and Payable Balances**

The accounts receivable of \$333,598 at June 30, 2018, consisted of student accounts receivable of \$528,417 which was reduced by an allowance for doubtful accounts of \$194,819.

Other receivables of \$966,611 at June 30, 2018, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 692,041
Vendor Refunds	42,268
Conference Center refunds	115,523
Sales and service receivable	42,908
Accrued interest receivable	388
Due from Foundation	71,988
Due from employees and employee organizations	1,495
<b>Total</b>	<b><u>\$ 966,611</u></b>

The accounts payable and accrued liabilities of \$512,175 at June 30, 2018, consisted of:

Due to Vendors	\$ 364,103
Salaries and benefits payable	116,609
Accrued interest payable	27,288
Unclaimed property payable to the state	4,175
<b>Total</b>	<b><u>\$ 512,175</u></b>

**Note 4: Income Taxes**

South Arkansas Community College is tax exempt under the Internal Revenue Service Code. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,835,984	\$ 60,062		\$ 1,896,046
Construction-in-progress	2,531,904	2,285,305		4,817,209
Total capital assets not depreciated	<u>\$ 4,367,888</u>	<u>\$ 2,345,367</u>		<u>\$ 6,713,255</u>
<b>Other capital assets:</b>				
Improvements and infrastructure	\$ 2,444,106	\$ 6,601		\$ 2,450,707
Buildings	25,819,805	94,062	\$ 2,167,190	23,746,677
Equipment	3,394,209	38,043	139,977	3,292,275
Library holdings	364,795	7,824	35,264	337,356
Intangibles - software	941,429	6,712		948,141
Total other capital assets	<u>32,964,345</u>	<u>153,242</u>	<u>2,342,431</u>	<u>30,775,156</u>
Less accumulated depreciation for:				
Improvements and infrastructure	841,653	137,941		979,594
Buildings	12,450,661	798,083	1,041,340	12,207,404
Equipment	2,740,754	203,575	139,977	2,804,352
Library Holdings	202,771	32,594	35,264	200,102
Intangibles - Software*	460,861	111,937		572,798
Total accumulated depreciation	<u>16,696,700</u>	<u>1,284,130</u>	<u>1,216,581</u>	<u>16,764,250</u>
Other capital assets, net	<u>\$ 16,267,645</u>	<u>\$ (1,130,888)</u>	<u>\$ 1,125,850</u>	<u>\$ 14,010,906</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 4,367,888	\$ 2,345,367		\$ 6,713,255
Other capital assets at cost	<u>32,964,345</u>	<u>153,242</u>	<u>\$ 2,342,431</u>	<u>30,775,156</u>
Total cost of capital assets	37,332,233	2,498,609	2,342,431	37,488,411
Less accumulated depreciation	16,696,700	1,284,130	1,216,581	16,764,250
Capital assets, net	<u>\$ 20,635,533</u>	<u>\$ 1,214,479</u>	<u>\$ 1,125,850</u>	<u>\$ 20,724,161</u>

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 6: Long-term Liabilities**

The general obligation bonds series 2009 were retired July 1, 2014 by the issuance of the series 2014 bonds. The retirement of the 2014 bond issue is secured by a pledge of millage receipts. Debt service payments on the certificate of indebtedness 2003, amounted to \$58,295 for the fiscal year ended June 30, 2018.

Changes in long-term liabilities are as follows:

	Balance 7/01/2017	Issued	Retired	Balance 6/30/2018	Principal due within one year
Certificate of indebtedness payable (2003)	\$ 81,822		\$ 57,202	\$ 24,620	\$ 24,621
Bank of America - Capital lease payable (2017)	2,406,172		127,407	2,278,765	124,371
General obligation bonds payable (2014)	3,200,000		105,000	3,095,000	105,000
Discount on bonds	(10,600)		(480)	(10,120)	(481)
Compensated absences payable - other than sick leave	377,781	\$ 375,297	341,109	411,969	27,711
Compensated absences payable - sick leave	145,814		17,947	127,867	7,672
<b>Totals</b>	<b>\$6,200,989</b>	<b>\$ 375,297</b>	<b>\$ 648,185</b>	<b>\$ 5,928,101</b>	<b>\$ 288,894</b>

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Payments made as of June 30, 2018
10/28/2003	10/1/18	2.05%	\$ 750,000	\$ 24,620	\$ 725,380
7/1/2014	4/1/39	2 - 4%	3,330,000	3,095,000	235,000
10/28/2016	9/30/31	2.05%	2,406,172	2,278,765	127,407
			<u>\$ 6,486,172</u>	<u>\$ 5,398,385</u>	<u>\$ 1,087,787</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 6: Long-term Liabilities (Continued)**

Long-term debt principal and interest scheduled payments are as follows:

Year Ended June 30	Principal	Interest	Total
2019	\$ 253,991	\$ 154,339	\$ 408,330
2020	242,079	149,371	391,450
2021	243,634	144,283	387,917
2022	246,400	138,762	385,162
2023	250,805	133,008	383,813
2024-2028	1,450,067	561,286	2,011,353
2029-2033	1,586,409	346,196	1,932,605
2034-2038	920,000	153,775	1,073,775
2039	205,000	8,200	213,200
Total	<u>\$ 5,398,385</u>	<u>\$1,789,220</u>	<u>\$ 7,187,605</u>

**Note 7: Bonds Payable and Pledged Revenues**

A. Bonds payable consisted of the following at June 30, 2018

Union County Community College District General Obligation Bonds (South Arkansas Community College), Series 2014, issued in the original amount of \$3,330,000 and maturing in varying amounts to April 1, 2039, with variable interest rates from 2% to 4% \$3,095,000

B. Pledged Revenues consisted of the following at June 30, 2018:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2018 Prin + Interest	Revenue Source	FY 2018 Revenue	% of Rev Pledged in FY 18
2014	2039	Refinance of Series 2009 bond issue	\$ 4,521,098	\$ 215,748	County Millage	\$ 342,321	63.0%

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 8: Capital Lease**

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
Energy Performance Contract	\$ 2,306,204		\$ 2,306,204

Fiscal Year Ending June 30,	Amount
2019	\$ 169,811
2020	174,903
2021	168,789
2022	173,852
2023	170,473
2024-2028	932,214
2029-2033	851,594
Total minimum lease payments	2,641,636
Less: Amount representing interest	(362,871)
Total Present Value of Net Minimum Lease Payments	\$ 2,278,765

**Note 9: Commitments**

The College was contractually obligated on the following at June 30, 2018:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Energy Savings Performance Contract	September 5, 2018	\$ 99,968
Dayco Construction - AMTC Building	November 30, 2018	93,868
C&K Mitchell Service Contractors - AMTC Building	November 30, 2018	61,225
Architects - AMTC Building	November 30, 2018	1,809
Total Construction Obligations		\$ 256,870

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 9: Commitments) (Continued)**

B. Operating Leases (Noncapital leases with initial or remaining non-cancelable lease terms in excess of 1 year)

Copier/mail machine/Valley services Leases	Amount
2019	\$ 24,851
2020	15,565
2021	5,369
2022	1,873
2023	<u>1,160</u>
<b>Total</b>	<b><u>\$ 48,818</u></b>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2018, were \$41,461.

**Note 10: Other Postemployment Benefits**

For Other Postemployment Benefits ("OPEB") plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement no. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," (GASB 74) replaces Statements no. 43 and no. 57. GASB 74 establishes standards of financial reporting and specifies the required approach for measuring the liability of employers for benefits provided through the OPEB plan, and deals primarily with the plan's own financial statements. GASB Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75) replaces Statements no. 45, and establishes standards for accounting and financial reporting for the sponsor's financial statements.

Plan Description: The College's defined benefit postemployment healthcare plan, provides health insurance benefits to eligible retired College employees. The plan is affiliated with the Arkansas Higher Education Consortium (AHEC), an agent multiple-employer postemployment healthcare plan administered by J.P. Farley. The College has the authority to amend or cancel the benefit provisions of the plan. An employee must retire directly from active employment. If they are age 55 and have at least 15 years full-time service, they can continue their medical insurance coverage, until they are eligible for Medicare. The College pays a percentage of the premium, based on the person's age plus service when they retire. If age plus service equals 70, the percentage is 25%. For 71, the percentage is 30%, in 5% increments, up to 100% when the person's age plus service equals 85.

The Plan does not issue a stand-alone financial report. For inquires relating to the Plan, please contact the Office of Human Resources, South Arkansas Community College, P. O. Box 7010, El Dorado, Arkansas 71731-7010.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 10: Other Post-Employment Benefits (Continued)**

This report covers the plan fiscal year ended June 30, 2018, and the sponsor's fiscal year ended June 30, 2018, using an actuarial valuation date of June 30, 2017. The results for June 30, 2017, and the expense for 2017-18, are based on a "roll forward" of the June 30, 2017 valuation. The measurement date is June 30, 2018. The plan is a "single-employer" defined benefit OPEB program under GASB 74 and 75.

The College's employees covered by the benefits terms at June 30, 2018 were as follows:

Active employees	148
Inactive employees currently receiving benefit payments	<u>2</u>
Totals	150

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75 (Per GASB Paragraph 165(d)).

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and cost methods:

**COST METHOD:** The entry age normal method was used.

**DISCOUNT RATE:** A single discount rate of:  
3.13% at 6/30/2017  
2.98% at 6/30/2018

**HEALTH CARE COST TREND RATE:** The health care cost trend rate was assumed to be 10.0% next year, 9.0% the following year, 8.00% the third year, 7.50% the fourth year, with the rate decreasing by 0.5% each year, to an ultimate rate of 5.0% in the ninth year.

**INFLATION RATE:** The discount rate, and the health care cost trend rate incorporate an assumed annual inflation rate of 3.00%.

**BASE CLAIM COSTS:** The following monthly claim costs were assumed:

	<u>Member</u>
Premium	\$495.00
Implicit Subsidy	\$167.01

**SOURCE OF CLAIM COSTS:** The medical cost for retirees equals the rate charged by the providers at the beginning of the year. This was increased by the implicit subsidy for a retiree contained in such rates. This implicit subsidy was developed from active and retiree claim cost from other public entities in Arkansas.

**ADMINISTRATIVE COSTS:** None assumed.

**FAMILY COVERAGE:** Assumed that the sponsor would provide single coverage only.

**SELECTION OF COVERAGE:** Assumed that 80% of eligible retirees would select the coverage when they initially retired, and that 0% of them would continue it past age 65.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 10: Other Post-Employment Benefits (Continued)**

**DATA USED:** The data used is summarized above.

**PRE-RETIREMENT MORTALITY:** Deaths have been projected on the basis of the RP 2014 Mortality Table.

**POST-RETIREMENT MORTALITY:** The RP 2014 Mortality Table was used. The life expectancy according to this table is as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
55	28.90 years	31.36 years
65	20.01 years	21.99 years

**VOLUNTARY TERMINATIONS:** Generally used the voluntary termination assumption used by the Arkansas Teachers Retirement System. Termination at some sample ages age:

<u>Age</u>	<u>Termination Rate Per 100 Members</u>
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

For those with less than five years of service, used a multiple of the above rates. The multiples used were:

1 <sup>st</sup> year of service	4.0
2 <sup>nd</sup> year of service	2.5
3 <sup>rd</sup> year of service	2.0
4 <sup>th</sup> year of service	1.5

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 10: Other Post-Employment Benefits (Continued)**

Changes in the net OPEB liability for the year ending June 30, 2018 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 6/30/2017	\$ 528,420		\$ 528,420
Changes for the year:			
a) Service cost	52,396		52,396
b) Interest	17,174		17,174
c) Differences between expected and actual experience			
d) Employer contributions		\$ 11,880	(11,880)
e) Employee contributions			
f) Net investment income			
g) Benefits and refunds	(11,880)	(11,880)	
h) Administrative expenses			
i) Assumption change	7,370		7,370
j) Other			
Net changes	65,060		65,060
Balances at 6/30/2018	\$ 593,480		\$ 593,480

The change in the beginning of the year liability was booked as a prior period restatement to net position.

Changes in assumptions and other inputs reflect a change in the discount rate. The prior full valuation used a discount rate of 3.13 percent. The current full valuation uses a discount rate of 2.98 percent as of June 30, 2018.

**Single Discount Rate**

A single discount rate of 2.98% was used to measure the Total OPEB Liability.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 10: Other Post-Employment Benefits (Continued)**

Regarding the sensitivity of the Total OPEB Liability to changes in the single discount rate, and changes in the assumed health care cost trend rate, the following presents the total OPEB liability, calculated using a single discount rate of 2.98%, as well as what the total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher, or using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease to <u>1.98%</u>	Current Single Discount Rate of <u>2.98%</u>	1% Increase to <u>3.98</u>
Total OPEB Liability	\$640,376	\$593,480	\$549,683
	1% decrease in <u>HCCTR</u>	Assumed <u>HCCTR</u>	1% increase in <u>HCCTR</u>
Total OPEB Liability	\$517,741	\$593,480	\$686,378

For the year ended June 30, 2018, the sponsor recognized OPEB expense of \$70,240. At June 30, 2018, the sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience		
Changes of assumptions	\$6,700	
Net difference between projected and actual earnings on OPEB plan investments		
<b>Total</b>	<b>\$6,700</b>	<b>\$0</b>

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

	Net deferred Outflow of Resources
2019	\$670
2020	670
2021	670
2022	670
2023	670
Thereafter	3,350
<b>Total</b>	<b>\$6,700</b>

**Note 11: Retirement Plans**

**Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)**

Plan Description. South Arkansas Community College participates in TIAA/CREF, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company that offers a variable annuity. Arkansas law authorizes participation in the plan.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Note 11: Retirement Plans (Continued)**

Funding Policy. TIAA/CREF offers contributory plans and members may contribute 6 – 10% of their gross earnings to the plan. The College contributes 10% of employees' earnings for contributory members. Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participant's contributions for the year ended June 30, 2018 were \$359,336 and \$312,362 and for the year ended June 30, 2017, were \$338,471 and \$281,499, respectively.

**Arkansas Teacher Retirement System**

Summary of Significant Accounting Policies

*Pensions:* For purposes of measuring 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 Arkansas teacher Retirement System (ARTS) and additions to and deductions from ARTS fiduciary net position have been determined on the same basis as reported by ARTS. 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.

Plan Description. South Arkansas Community College contributes to the Arkansas Teacher Retirement System (ATRS), a cost sharing multiple-employer defined benefit pension plan for certain employees.

ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ARTS. That report may be obtained by contacting the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-800-666-2877.

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5-12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

*Contributions.* Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for each plan are as follows:

The funding policy of ARTS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2018, the employer contribution rate was 14% of covered employee payroll. Contributions to ARTS from the College were \$222,250 for the year ended June 30, 2018 and \$211,172 for the year ended June 30, 2017.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Note 11: Retirement Plans (Continued)**

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 6% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as noncontributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

**Arkansas Public Employees Retirement System**

Summary of Significant Accounting Policies

*Pensions:* For purposes of measuring 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 Arkansas Public Employees Retirement System (APERS) and additions to and deductions from APERS fiduciary net position have been determined on the same basis as reported by APERS. 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.

*Plan Description.* South Arkansas Community College contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under APERS as a qualified retirement system. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by contacting the Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400 Little Rock, AR 72201 or by calling 1-800-682-7377.

The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2018, the employer contribution rate, as a percentage of active member payrolls, was 14.75%. Contributions to APERS from the College were \$323,542 for the year ended June 30, 2018 and \$335,830 for the year ended June 30, 2017.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978, to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 11: Retirement Plans (Continued)**

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

At June 30, 2018, the College reported liabilities of \$5,470,213 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. The College proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2018, the State's proportion was .0509% for ATRS and .1289% for APERS.

For the year ended June 30, 2018, the College recognized pension expense of \$687,169. For the year ended June 30, 2018, South Arkansas Community College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	ATRS		APERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,648	\$ (52,442)	\$ 64,570	\$ (65,510)
Net Changes in Assumptions	571,652		535,929	
Net difference between projected and actual earnings on pension plan investments		(151,110)	139,573	
Changes in proportion and differences between State contributions and proportionate share of contributions		(637,448)	486,739	(983)
Contributions subsequent to the measurement date	222,250		323,542	
<b>Total</b>	<b>\$ 823,550</b>	<b>\$ (841,000)</b>	<b>\$ 1,550,353</b>	<b>\$ (66,493)</b>

\$545,792 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 11: Retirement Plans (Continued)**

	ATRS	APERS
2019	\$ (142,694)	\$ 402,818
2020	3,861	495,330
2021	(34,054)	274,642
2022	(96,807)	(12,472)
2023	29,994	

*Actuarial assumptions.* The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	ATRS	APERS
Date of Actuarial Valuation	6/30/2017	6/30/2017
Inflation Rate	2.75%	3.25%
Salary Increases	2.75% - 7.75%	3.25% - 9.85%
Investment rate of return	7.50%	7.15%
Mortality rates	RP-2014 Health Annuitant, Disabled Annuitant and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.	RP-2000 Combined Healthy, projected to 2020 using projected scale BB, set forward two years for males and one year for females
Actuarial experience study dates	July 1, 2010 through June 30,2015	July 1, 2007 through June 30,2012

**ATRS**

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

**APERS**

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 11: Retirement Plans (continued)**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017-2026 were provided by the plan investment consultant.

For each major asset class that is included in each pension plans' target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

	ATRS	
	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	50.00%	5.00%
Fixed Income	20.00%	1.20%
Alternatives	5.00%	4.80%
Real Assets	15.00%	3.70%
Private Equity	10.00%	6.50%
Cash Equivalents	0.00%	0.30%

	APERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	5.97%
International Equity	24.00%	6.54%
Real Assets	16.00%	4.59%
Absolute Return	5.00%	3.15%
Domestic Fixed	18.00%	0.83%

*Discount rate.* The discount rate for each plan was determined as follows:

**APERS**

The single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 11: Retirement Plans (continued)**

**ATRS**

The single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

*Sensitivity of College's proportionate share of the net pension liability to changes in the discount rate.* The following presents the College's proportionate share of the net pension liability for each plan calculated using the discount rate stated above, as well as what the College's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
ATRS - Current Discount Rate 7.50%	\$ 3,426,740	\$ 2,139,363	\$ 1,072,123
APERS - Current Discount Rate 7.15%	\$ 5,072,455	\$ 3,330,850	\$ 1,884,715

*Pension plan fiduciary net position.* Detailed information about each pension plan's fiduciary net position is available in the separately issued financial report of each plan. The total pension expense for both plans, recorded in personal services expenditures, for the fiscal year ended June 30, 2018, recorded as individual plan expense was \$800,898 for APERS and (\$113,729) for ATRS.

**Note 12: Natural Classifications with Functional Classifications**

The operating expenses by functional classification were as follows:

	For the Year Ended June 30, 2018					
	Salaries	Fringe Benefits	Supplies & Services	Scholarships	Depreciation	Total
Instruction	\$ 4,481,255	\$ 1,467,338	\$ 1,193,003			\$ 7,141,596
Public Service	138,290	50,912	38,078			227,280
Academic Support	400,339	148,704	72,419			621,462
Student Support	1,115,472	395,433	261,157			1,772,062
Institutional Support	1,292,997	446,300	971,154			2,710,451
M & O	462,250	186,231	786,674			1,435,155
Scholarships				\$ 1,279,654		1,279,654
Depreciation					\$ 1,284,130	1,284,130
Subtotal	7,890,603	2,694,918	3,322,485	1,279,654	1,284,130	16,471,790
Auxiliary	263,394	92,547	1,461,293			1,817,234
Total	\$ 8,153,997	\$ 2,787,465	\$ 4,783,778	\$ 1,279,654	\$ 1,284,130	\$ 18,289,024

Total scholarships for fiscal year 2017/18 were \$3,558,072; however, \$2,278,418 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Position.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 13: Loan Funds**

Student/Employee Loan Fund

The College maintains two small loan funds that are available for students and employees. The student loan fund originated from an anonymous donation and was part of the funds received in the merger with Oil Belt Technical College, July 1, 1992. Students can request a loan of up to \$50, which is non-interest bearing, in hardship cases. The employee loan fund originated in February 1993 and consists of funds donated by college personnel for the purposes of making loans to employees. Employees can request an interest-bearing loan of up to 80% of earnings, including accrued compensated absences, for the current pay period, and not exceeding \$400. Repayment is made by payroll deduction from the next payroll, although the employee may repay earlier. An employee is also limited to no more than four loans per fiscal year.

	Balance as of June 30, 2018		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 607	\$ 717	\$ 1,324

**Note 14: South Arkansas Arboretum**

The College entered into an agreement with the State of Arkansas Department of Parks and Tourism (DPT) authorizing the College to operate and maintain the South Arkansas Arboretum. The property, on which the Arboretum is located, was leased by the DPT from the El Dorado School District. The operating agreement with the DPT was dated, May 20, 1994, for 20 years with an option to renew the term for an additional five years upon agreed conditions. The renewal for the additional five years was signed May 20, 2014. The College agrees to assume all costs necessary, except utilities, to construct, maintain and operate the Arboretum. The College is allowed to terminate the agreement should the institution be unable to meet its financial obligations as stated in the agreement.

**Note 15: Donor-Restricted Endowment**

The computations, of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure, are as follows:

Total Endowments at June 30, 2018	\$ 424,539
Less: Non-Expendable Portion of True Endowments	<u>417,236</u>
 Donor-Restricted Endowments Available for Expenditure	 <u>\$ 7,303</u>

Arkansas Code Annotated § 28-69-804 states "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

The College follows the Federal regulations relating to the Title III Endowment Fund.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Note 16: Risk Management**

The College is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters.

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Government Bonding Board. The fund provides coverage of actual losses incurred as a result of fraudulent or dishonest acts committed by state officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. The Department of Finance and Administration withholds the premium from the College's state treasury funds.

The College participates in the Arkansas Multi-Agency Insurance Trust Fund (AMAIT) for insurance coverage for property and vehicles. In its administrative capacity, AMAIT is responsible for monitoring, negotiating, and settling claims that have been filed against its members. The College pays annual premiums for buildings, contents, and vehicles.

The College also participates in the Arkansas Employees Claims Division – Worker's Compensation Program under the Arkansas Department of Insurance. The program is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Division is responsible for monitoring, negotiating, and settling claims that have been filed on behalf of and against the College. The College contributes quarterly to this program.

The College carries professional liability insurance to protect the trustees of the College. The limits of liability for each claim shall be not less than \$1,000,000 with a \$10,000 deductible. An annual premium is paid for this coverage.

The College carries commercial liability insurance for students participating in the Allied Health Professions instruction while in a clinical setting. The College pays an annual premium for this coverage, offset by a portion of the premium paid as a fee by these respective students.

Settled claims have not exceeded the insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

**Note 17: Convention Center/Student Services Building**

On February 22, 2010, the College entered into a lease and operating agreement with the City of El Dorado, Arkansas on a Convention Center/Student Services Building. The College is responsible for general and operating expenses of the Conference Center facility. If such expenses for the operation, less gross revenues from the conference center, exceed \$300,000, the City will also reimburse the College half of the amount over \$300,000 with certain limitations. The City will also reimburse the College for one half of the salary and related expenses of the employee designated to market and manage the conference center. The lease is for ten years with four, ten year renewal terms.

**Note 18: Title III Program Endowment Fund Campaign**

The Title III Grant Program included \$341,000 designated for the College to establish an endowment fund for expenditures related to educational purposes. The College has the opportunity to receive the funding if nonfederal contributions can be used to match the federal funding dollar-for-dollar during the five year Title III Grant period.

Title III endowment funds can be used for educational purposes. For the year ended June 30, 2018, endowment funds were deposited in an interest-bearing account. Contributions, matching, and investment income are as follows:

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 18: Title III Program Endowment Fund Campaign (Continued)**

	Interest	Contribution	Matching	Total	Expendable Interest 50%
6/30/2011	\$ 391	\$ 28,000	\$ 28,000	\$ 56,391	\$ 196
6/30/2012		79,991		79,991	
6/30/2013		46,005	79,991	125,996	
6/30/2014	262	46,004	46,004	92,270	131
6/30/2015	3,114		46,004	49,118	1,557
6/30/2016	2,648			2,648	1,324
6/30/2017	3,402			3,402	1,701
6/30/2018	4,580			4,580	2,290
<b>Total</b>	<b>\$ 14,397</b>	<b>\$ 200,000</b>	<b>\$ 199,999</b>	<b>\$ 414,396</b>	<b>\$ 7,199</b>

**The College's spending policy is:**

As set forth in the Department of Education's Endowment Grant program, the College must invest and may not spend the endowment corpus for the 20 year grant period (at the conclusion of the grant period the College may use endowment fund corpus and all of the endowment fund income for any educational purposes). During the 20-year grant period the College may spend up to 50% of the endowment fund income prior to the date of expenditure. Allowable expenditures include costs necessary to operate the Institution, costs to administer and manage the endowment fund and costs associated with buying and selling securities.

For purposes of calculating the amount that may be expended, endowment fund income is determined by subtracting the total value of the endowment fund from the endowment fund corpus and the aggregate amount of the previously withdrawn endowment fund income.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document state otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

**Note 19: Related Party Transaction**

Ms. Melissa Jerry is a member of the Board of Trustees of South Arkansas Community College through December 31, 2022. Ms. Jerry is the current Chief Financial Officer of First Financial Bank of El Dorado. In December, 2012 deposited substantially all of its operational deposits into First Financial Bank of El Dorado.

**Note 20: Administration Building Fire**

On April 13, 2018, the College had a fire in the administration building due to a lightning strike. The fire was limited to the attic area of the building, but the remainder of the building was damaged by water. Building additions done in 2002 and 2006 with a cost basis of \$1,125,851 (cost \$3,147,277 and accumulated depreciation of \$2,021,426) were totally destroyed. The College has received \$1,000,000 from the insurance carrier as of June 30, 2018. Thus the impairment loss for the year ending June 30, 2018 was \$125,851. The College has spent \$582,848 in extraordinary item related expenses as of June 30, 2018. The impairment loss and extraordinary item related expenses are being treated as extraordinary items in the financial statements.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Note 21: Restatement of Beginning Net Position**

Due to the implementation of GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position was restated by a decrease of \$279,966.

**Note 22: Subsequent Events**

On September 1, 2018, the College entered into a contract with an architect in the amount of \$414,500. On December 6, 2018, the College entered into a construction contract in the amount of \$3,634,000. Both contracts related to the reconstruction of administration offices that were destroyed in a building fire. Subsequently, the College has received insurance proceeds totaling \$5,460,812 to pay for the reconstruction and loss of contents.

## REQUIRED SUPPLEMENTARY INFORMATION - OPEB

### General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The College provided actual per-participant premiums for 2017.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Service Cost	52,396									
Interest	17,174									
Benefit Changes										
Difference between actual & expected experience				7,370						
Assumption changes				(11,880)						
Benefit payments										
Net Change in Total OPEB Liability				65,060						
OPEB Liability - Beginning	528,420									
OPEB Liability - Ending	\$ 593,480	\$ 528,420								

**Plan Fiduciary Net Position**

Contributions - Employee										
Contributions - Employer	\$ 11,880	\$ 12,684	\$ 6,182	\$ 7,271	\$ 25,167	\$ 26,429				
Net Investment Income										
Benefit payments	(11,880)	(12,684)	(6,182)	(7,271)	(25,167)	(26,429)				
Administrative expense										
Other										
Net Change	0	0	0	0	0	0	0	0	0	0

OPEB Liability - Ending 593,480 528,420

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability 0% 0%

Covered Employee Payroll 7,785,736

Total OPEB Liability as a Percentage of Covered Employee Payroll 7.62%

Notes to Schedule: Changes in assumptions: The assumed single discount rate was changed from 3.13% to 2.98% at 6/30/18  
 No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75 (Per GASB 75 Paragraph 165 (d)).

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
SCHEDULE OF SPONSER CONTRIBUTIONS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Actuarially determined contributions	79,395									
Contributions in relation to the actuarially determined contributions	11,880									
Contribution deficiency (excess)	67,515									
Covered Employee Payroll	7,785,736									
Contributions as a Percentage of Covered Employee Payroll	0.15%									

**Notes to Schedule**

Valuation date	Actuarially determined contributions are calculated as of the June 30 after the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level dollar over 30 years from July 1, 2017
Remaining amortization period	29 years
Asset valuation method	Market value
Assumed inflation	3.00% per year
Assumed single discount rate	3.13% at 6/30/17; 2.98% at 6/30/18
Assumed retirement age	
Mortality	RB 2014 Table

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
SCHEDULE OF INVESTMENT RETURNS**

FY ending June 30,	Annual Money- weighted rate of return
2009	0.00%
2010	0.00%
2011	0.00%
2012	0.00%
2013	0.00%
2014	0.00%
2015	0.00%
2016	0.00%
2017	0.00%
2018	0.00%

The amounts shown are net of investment expense.

The actuary calculated these rates with the information that was provided, therefore, these rates are annual money-weighted. Monthly money-weighted return are not available, and the difference between the above and monthly money-weighted returns is estimated to be insignificant.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**

	ATRS Pension Plan 10 Fiscal Years									
	*2018	*2017	*2016	*2015	2014	2013	2012	2011	2010	2009
College's proportion of the net pension liability (asset)	0.05090%	0.05916%	0.07065%	0.0772%						
College's proportionate share of the net pension liability (asset)	\$ 2,139,363	\$ 2,609,650	\$ 2,301,092	\$ 2,025,580						
College's covered payroll	\$ 1,492,334	\$ 1,733,202	\$ 2,031,910	\$ 2,237,531						
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.36%	150.57%	113.25%	90.53%						
Plan fiduciary net position as a percentage of total pension liability	79.48%	76.75%	82.20%	84.98%						

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

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**

	APERS Pension Plan 10 Fiscal Years									
	*2018	*2017	*2016	*2015	2014	2013	2012	2011	2010	2009
College's proportion of the net pension liability (asset)	0.1289%	0.1189%	0.1038%	0.0732%						
College's proportionate share of the net pension liability	\$ 3,330,850	\$ 2,842,671	\$ 1,912,605	\$ 1,038,860						
College's covered payroll	\$ 2,316,072	\$ 2,153,777	\$ 1,823,825	\$ 1,294,076						
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.81%	131.99%	104.87%	80.28%						
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%	84.21%						

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

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE CONTRIBUTIONS**

	ATRS Pension Plan 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 222,250	\$ 211,172	\$ 242,648	\$ 288,125						
Contribution in relation to the contractually required contribution	222,250	211,172	242,648	288,125						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
College covered payroll	\$ 1,587,497	\$ 1,492,334	\$ 1,733,202	\$ 2,068,340						
Contribution as a percentage of covered payroll	14.00%	14.15%	14.00%	13.93%						

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE CONTRIBUTIONS**

APERS Pension Plan  
10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 323,542	\$ 335,830	\$ 312,325	\$ 272,111						
Contribution in relation to the contractually required contribution	323,542	335,830	312,325	272,111						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
College covered payroll	\$ 2,193,508	\$ 2,316,072	\$ 2,153,777	\$ 1,843,160						
Contribution as a percentage of covered payroll	14.75%	14.50%	14.50%	14.76%						

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SOUTH ARKANSAS COMMUNITY COLLEGE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets and Deferred Outflows	\$ 32,351,891	\$ 33,423,564	\$ 30,176,797	\$ 29,715,390	\$ 29,210,502
Total Liabilities and Deferred Inflows	13,651,230	13,319,260	9,899,906	9,336,000	4,917,551
Total Net Position	18,700,661	20,104,304	20,276,891	20,379,390	24,292,951
Total Operating Revenues	7,489,209	8,072,672	7,712,168	6,560,648	6,784,814
Total Operating Expenses	18,289,024	18,416,231	18,798,365	18,315,296	18,628,387
Total Net Non-Operating Revenues	10,384,837	10,039,267	11,089,873	11,840,514	12,006,176
Total Other Revenues, Expenses, Gains or Losses	(708,699)	131,705	(106,175)	35,000	392,500

