

South Arkansas Community College

El Dorado, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2008

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTH ARKANSAS COMMUNITY COLLEGE
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Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College
Legislative Joint Auditing Committee

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, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. 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 represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for South Arkansas Community College Foundation, Inc., is based 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 of material misstatement. The financial statements of the South Arkansas Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of South Arkansas Community College as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

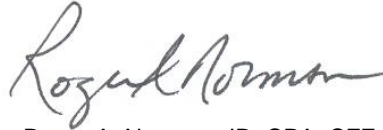
As discussed in Note 8 to the financial statements, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* on July 1, 2007. GASB Statement No. 45 requires the recognition of other postemployment benefit costs at the time the related services are rendered to the employer instead of recognition on a pay-as-you-go basis, and additional related disclosures. Additionally, as discussed in Note 15 to the financial statements, the College changed its classification of certain federal revenues from operating to non-operating to comply with GASB guidance.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being the most prominent.

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

Little Rock, Arkansas
August 6, 2009
EDHE19308

Sen. Bobby L. Glover
Senate Co-Chair
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Sen. Bill Pritchard
Senate Co-Vice Chair
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Arkansas



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF 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

South Arkansas Community College
Legislative Joint Auditing Committee

We have audited 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, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated August 6, 2009. Our report was modified to include a reference to 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. Other auditors 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, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

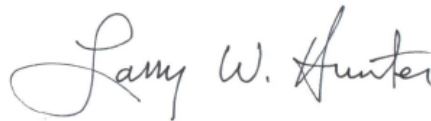
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 August 6, 2009.

This report 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 Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 6, 2009

Sen. Bobby L. Glover
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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF 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 expended funds totaling \$2,399 for an employee banquet in April 2008. Of this amount, \$1,000 was for the cost of nonemployee meals, which appears to conflict with Arkansas Constitution, art. 14, § 2 as interpreted by Attorney General's Opinion No. 91-411.

STUDENT ENROLLMENT DATA - In accordance with Arkansas Code Annotated § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2008, 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>2007</u> | <u>Fall Term</u> <u>2007</u> | <u>Spring Term</u> <u>2008</u> | <u>Summer I Term</u> <u>2008</u> |
|----------------------------------|--------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|
| Student Headcount | 262 | 1,420 | 1,434 | 738 |
| Student Semester Credit Hours | 1,075 | 13,669 | 13,219 | 4,586 |

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 Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 6, 2009



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

The Management's Discussion and Analysis provides an overview of the financial position and results of activities of South Arkansas Community College for the year ended June 30, 2008, with comparative information for the year ended June 30, 2007. 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.

OVERVIEW OF THE FINANCIAL REPORT

In addition to the Management's Discussion and Analysis section, the Financial Report includes a Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows, and the Notes to the Financial Statements. The South Arkansas Community College Office of Fiscal Affairs prepared the Financial Report.

FISCAL YEAR 2007-2008 HIGHLIGHTS

The following events or activities of financial significance occurred during the fiscal year ended June 30, 2008:

- Polk Stanley/Wilcox Design Team, PLLC has been selected to design the city's Multi-purpose Convention Center that will also include the College's one-stop student services center and bookstore. Construction on this project could begin in early 2009. The project is being funded by a one cent city sales tax and a \$5,000,000 contribution by Murphy Oil Corporation.
- Polk Stanley/Wilcox Design Team, PLLC was selected to plan and design a health and natural science building at the College's West Campus. Construction on the building could begin in early 2009.
- The College completed plans and began renovation of space on the East Campus to house a new cosmetology program to begin the fall term 2008. The program will include both secondary and post-secondary students.
- The College received a U. S. Department of Education, Upward Bound grant of \$250,000 per year for 4 years beginning September 1, 2007. The College is serving 50 high-risk El Dorado High School students, increasing their confidence and ability to succeed in college.
- The College purchased land and a small office building for \$161,618 adjacent to the West Campus. This additional space may be used for offices and/or programs. The college also purchased another lot with a total cost of \$25,350 adjacent to the land on West Campus where the new health and natural science building and parking will be located.



SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets (equity) of the College using the accrual basis of accounting as of June 30, 2008, with comparative information as of June 30, 2007. Net Assets is one indicator of the financial condition of the College and changes in the net assets that occur over time indicate improvements or deterioration in the College's financial condition.

Net assets are divided into three major categories. The first category, Invested in Capital Assets (net of debt and accumulated depreciation), provides the College's equity in property, plant and equipment owned by the institution. The next asset category is Restricted Net Assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable net assets are those that are required to be retained in perpetuity. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Assets. Unrestricted net assets are generally available to the College for any lawful purpose of the institution.

Readers of the Statement of Net Assets can determine answers to the following key questions as of June 30, 2008:

- ♦ Did the College have sufficient assets available to meet its existing obligations and continue operation?
- ♦ How much did the College owe to external parties including vendors and lending institutions?
- ♦ What resources did the College have available to make future investments and expenditures?

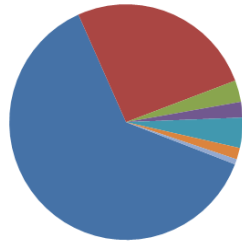
Condensed Statement of Net Assets

| | 2008 | 2007 | Change |
|---|----------------------|----------------------|--------|
| Assets: | | | |
| Current Assets | \$ 9,246,056 | \$ 7,924,781 | 16.67% |
| Capital Assets, Net | 11,054,819 | 11,498,244 | -3.86% |
| Other Noncurrent Assets | 191,956 | 170,158 | 12.81% |
| Total Assets | <u>20,492,831</u> | <u>19,593,183</u> | 4.59% |
| Liabilities: | | | |
| Current Liabilities | 425,307 | 438,324 | -2.97% |
| Noncurrent Liabilities | 740,962 | 793,475 | -6.62% |
| Total Liabilities | <u>1,166,269</u> | <u>1,231,799</u> | -5.32% |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Debt | 10,507,444 | 10,904,221 | -3.64% |
| Restricted | 674,522 | 553,263 | 21.92% |
| Unrestricted | <u>8,144,596</u> | <u>6,903,900</u> | 17.97% |
| Total Net Assets | <u>\$ 19,326,562</u> | <u>\$ 18,361,384</u> | 5.26% |



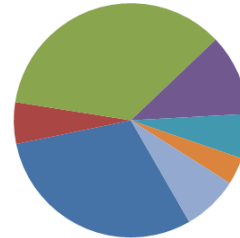
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

Current Assets \$9,246,056



| | |
|-----------------------------|-------------|
| ■ Cash and Cash Equivalents | \$5,775,848 |
| ■ Short-Term Investments | \$2,400,000 |
| ■ Accounts Receivable, Net | \$ 275,137 |
| ■ Property Taxes Receivable | \$ 198,365 |
| ■ Other Receivables | \$ 383,900 |
| ■ Inventories | \$ 147,043 |
| ■ Prepaid Expenses | \$ 65,703 |
| ■ Other Assets | \$ 60 |

Current Liabilities \$425,307



| | |
|--|-----------|
| ■ Accounts Payable and Accrued Liabilities | \$128,042 |
| ■ Refunds Payable | \$ 24,302 |
| ■ Deferred Revenue | \$150,730 |
| ■ Notes Payable, Current Portion | \$ 47,610 |
| ■ Compensated Absences, Current Portion | \$ 26,047 |
| ■ Net OPEB Obligation, Current Portion | \$ 15,869 |
| ■ Funds Held in Trust for Others | \$ 32,707 |

The College's current assets increased by \$1,321,275 or 16.67% during the fiscal year ended June 30, 2008, and its net capital assets decreased by \$443,425 or 3.86%. The increases and decreases to capital assets are shown in the notes to the financial statements. Overall, the College's total assets increased from \$19,593,183 at June 30, 2007, to \$20,492,831 at June 30, 2008, an increase of 4.59%.

The College's total liabilities decreased from \$1,231,799 at June 30, 2007, to \$1,166,269 at June 30, 2008, a decrease of \$65,530 or 5.32% while its total net assets increased \$965,178 or 5.26% from \$18,361,384 to \$19,326,562 during the period.

Cash, cash equivalents, and investments as of June 30, 2008 and 2007, are shown below. Current short-term investments consist of certificates of deposit with an original maturity date of 91 days to one year. Non-current cash and cash equivalents are funds externally restricted for capital projects and endowment principal not invested.

Cash, Cash Equivalents, and Investments

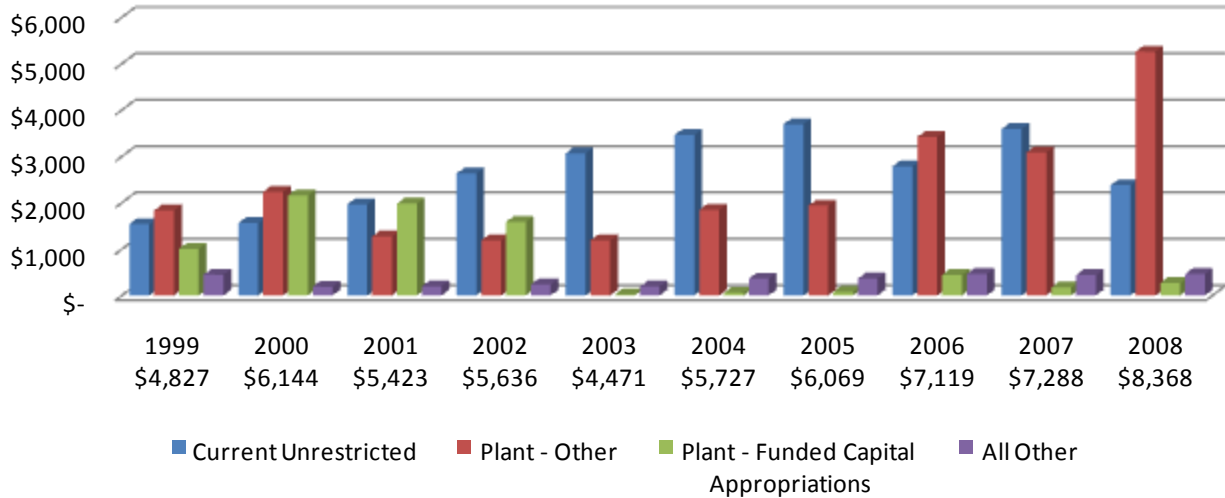
| | 2008 | 2007 |
|---------------------------------------|---------------------|---------------------|
| Current Cash and Cash Equivalents | \$ 5,775,848 | \$ 5,717,590 |
| Current Short Term Investments | 2,400,000 | 1,400,000 |
| Non-current Cash and Cash Equivalents | 181,955 | 160,156 |
| Endowment Investments | 10,000 | 10,000 |
| Total | \$ 8,367,803 | \$ 7,287,746 |



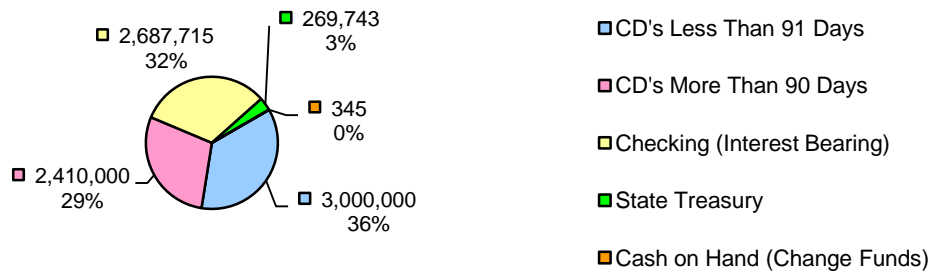
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

Funds designated by the Board for capital projects are unrestricted and are included in current cash and cash equivalents and current short term investments.

**Cash, Cash Equivalents & Investments Components
(in Thousands)**



**Cash, Cash Equivalents & Investments by Type of Account
At June 30, 2008**





**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The total net assets as presented on the Statement of Net Assets are based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses and Changes in Net Assets. This statement's purpose is to present the revenues generated and received by the College and the expenses incurred, both operating and non-operating, and all other financial gains and losses experienced by the College during the fiscal year ended June 30, 2008.

Generally, revenues from operations are received in exchange for the College providing services or products to students and other constituencies. Operating expenses are those costs paid or incurred in providing those services or products, or in carrying out the mission of the College. Non-operating revenues are financial inflows to the College resulting from nonexchange transactions; that is, the College does not provide a specific service or product in exchange for them. For example, appropriations from the state are considered non-operating revenue because the legislature does not receive a direct and commensurate benefit from the College in exchange for providing the appropriation. Revenues and expenses are recognized when earned or incurred regardless of when cash is received or disbursed.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

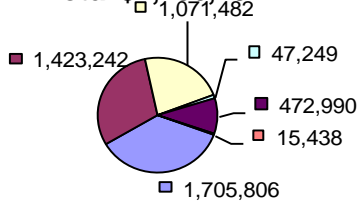
| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------|
| Operating Revenues | \$ 4,736,207 | \$ 4,213,071 | 12.42% |
| Operating Expenses | <u>13,218,935</u> | <u>12,531,169</u> | 5.49% |
| Operating Loss | (8,482,728) | (8,318,098) | 1.98% |
| Non-operating Revenues and Expenses (Net) | <u>9,439,648</u> | <u>8,632,681</u> | 9.35% |
| Income Before Other Revenues, Expenses, Gains or Losses | 956,920 | 314,583 | 204.19% |
| Other Revenues, Expenses, Gains and Losses | <u>8,258</u> | <u>22,461</u> | -63.23% |
| Increase in Net Assets | 965,178 | 337,044 | 186.37% |
| Net Assets, Beginning of Year | <u>18,361,384</u> | <u>18,024,340</u> | |
| Net Assets, End of Year | <u>\$ 19,326,562</u> | <u>\$ 18,361,384</u> | |





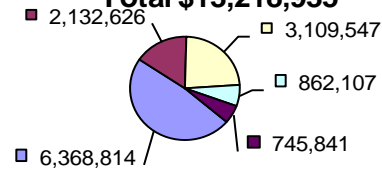
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

**Operating Revenues
Total \$4,736,207**



- Tuition and Fees, Net
- Federal Grants and Contracts
- State and Local Grants and Contracts
- Sales and Services
- Auxiliary, Net
- Other Operating Revenues

**Operating Expenses
Total \$13,218,935**



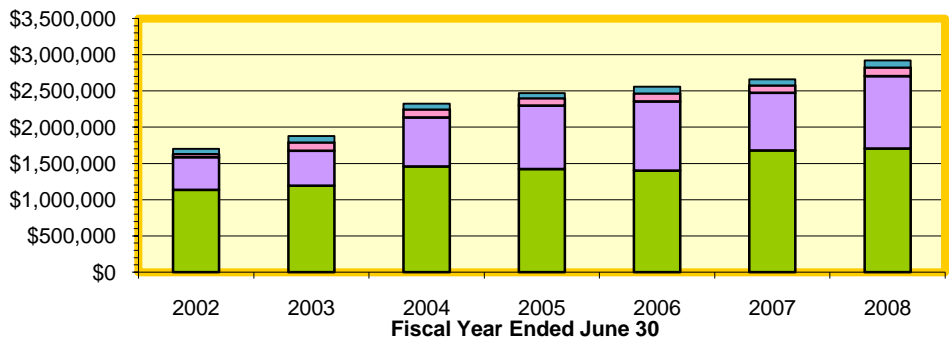
- Salaries
- Employee Benefits
- Supplies and Services
- Scholarships
- Depreciation

The Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year ended June 30, 2008, reflects an increase in the net assets of the College of \$965,178 compared with an increase of \$337,044 for the year ended June 30, 2007. Highlights from the information presented in the Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year ended June 30, 2008 include the following:

- ◆ Tuition and fees, shown net of institutional waivers, Secondary Career Center and Career Pathways tuition, and scholarship allowances, amounted to \$1,705,806 or 36.02% of total operating revenues.

Tuition and Fees

- Secondary Career Center & Career Pathways
- Tuition Waivers
- Scholarship Allowances
- Tuition and Fees, Net



- ◆ Personal services (salaries and benefits) expenses totaled \$8,501,440 or 64.31% of total operating expenses.
- ◆ Scholarships expenses totaled \$862,107 or 6.52% of total operating expenses.
- ◆ The College's loss from operations amounted to \$8,482,728. State appropriations which are classified as non-operating revenues amounted to \$6,864,780. Non-operating revenues and expenses are shown below.



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)**

Non-operating Revenues and Expenses

| | 2008 | 2007 | Change |
|-----------------------------------|---------------------|---------------------|--------------|
| State Funded Appropriations | \$ 6,864,780 | \$ 6,501,875 | 5.58% |
| Federal grants | 1,956,119 | 1,571,670 | 24.46% |
| County Millage | 324,714 | 269,875 | 20.32% |
| Gifts | 21,810 | 49,008 | -55.50% |
| Interest Income | 282,735 | 371,564 | -23.91% |
| Disposal of Capital Assets | 1,191 | (118,664) | -101.00% |
| Interest on Indebtedness | (11,701) | (12,647) | -7.48% |
| Net Non-operating Revenues | \$ 9,439,648 | \$ 8,632,681 | 9.35% |

- ◆ Total other revenues, expenses, gains and losses amounted to \$8,258. Of this amount, \$166,533 was derived from capital appropriations which included the following funded appropriations:

Capital Appropriations

| | 2008 | 2007 |
|---|-------------------|------------------|
| General Improvement Funds | | |
| Critical Maintenance, Library, Technology | \$ 100,000 | |
| Construction, Maintenance & Operation | 50,000 | |
| State Motor Vehicle | 16,533 | |
| College Savings Bonds | | \$ 21,459 |
| | \$ 166,533 | \$ 21,459 |





SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007)

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the College's financial results by reporting the major sources and uses of cash. The Statement classifies sources and uses into four categories as presented in the comparative summary below:

| | <u>2008</u> | <u>2007</u> |
|---|----------------------------|----------------------------|
| Cash provided (used) by: | | |
| Operating activities | \$ (7,885,811) | \$ (7,633,604) |
| Non-capital financing activities | 9,016,143 | 8,366,653 |
| Capital and related financing activities | (336,687) | (935,570) |
| Investing activities | <u>(713,588)</u> | <u>314,556</u> |
| Net change in cash and cash equivalents | 80,057 | 112,035 |
| Cash and cash equivalents - beginning of year | <u>5,877,746</u> | <u>5,765,711</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 5,957,803</u></u> | <u><u>\$ 5,877,746</u></u> |

Cash flows associated with the College's expendable net assets appear in the operating and non-capital financing categories. Capital financing activities include payments for capital assets and debt repayments. Purchases and sales of investments, and interest earned on bank accounts are reflected as investing activities.

ECONOMIC OUTLOOK

The College's economic outlook is largely dependent upon ongoing financial support from State government. State general revenues are directly connected to the global economy. Fiscal year 2007-2008 saw a decline in interest rates and in the economy.

In fiscal year 2006-2007 the state issued bonds for various projects. The College's share of the proceeds is \$1,500,000 and will be used toward the construction of the health and natural science building (HNS Bldg). The College will receive the monies as they are expended. The College has also set aside approximately \$3.5 million from net assets for the HNS Bldg. Construction is expected to start in early 2009.

The site for the new multi-purpose convention center was chosen and the architect was selected. The city is in the process of acquiring the land and the architect has begun the plans for the building. The building will include space for the college bookstore, a one-stop enrollment services area and a food court. Construction could start in early 2009.

The College also plans to continue its strategy of seeking grants and private gifts to supplement scholarships, capital projects, and academic needs of the institution.

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**SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Exhibit A

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 5,775,848 | \$ 5,717,590 |
| Short-term investments | 2,400,000 | 1,400,000 |
| Accounts receivable (less allowances of \$69,854 and \$77,180) | 275,137 | 272,095 |
| Employee and student loans receivable (less allowance of \$50 and \$50) | 0 | 50 |
| Property taxes receivable | 198,365 | 177,546 |
| Other receivables | 383,900 | 172,564 |
| Inventories | 147,043 | 85,640 |
| Deposits with trustees (market value) | | 12,566 |
| Prepaid expenses | 65,703 | 86,670 |
| Other assets | 60 | 60 |
| Total Current Assets | <u>9,246,056</u> | <u>7,924,781</u> |
| Noncurrent Assets: | | |
| Cash and cash equivalents | 181,955 | 160,156 |
| Endowment investments | 10,000 | 10,000 |
| Accrued interest receivable | 1 | 2 |
| Capital assets, net of accumulated depreciation of \$9,259,379 and \$8,633,697 (Note 5) | <u>11,054,819</u> | <u>11,498,244</u> |
| Total Noncurrent Assets | <u>11,246,775</u> | <u>11,668,402</u> |
| TOTAL ASSETS | <u>20,492,831</u> | <u>19,593,183</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 128,042 | 181,164 |
| Refunds payable | 24,302 | 23,853 |
| Deferred revenue | 150,730 | 129,839 |
| Note payable - current portion | 47,610 | 46,648 |
| Compensated absences | 26,047 | 22,423 |
| Net other postemployment benefit obligation | 15,869 | |
| Funds held in trust for others | 32,707 | 34,397 |
| Total Current Liabilities | <u>425,307</u> | <u>438,324</u> |
| Noncurrent Liabilities: | | |
| Accounts payable | | 21,459 |
| Notes payable | 499,765 | 547,375 |
| Compensated absences | 231,742 | 224,641 |
| Net other postemployment benefit obligation | 9,455 | |
| Total Noncurrent Liabilities | <u>740,962</u> | <u>793,475</u> |
| TOTAL LIABILITIES | <u>1,166,269</u> | <u>1,231,799</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 10,507,444 | 10,904,221 |
| Restricted for: | | |
| Non-expendable | | |
| Scholarships | 10,894 | 10,821 |
| Expendable | | |
| Scholarships | 12,993 | 12,338 |
| Loans | 2,093 | 2,113 |
| Capital projects | 185,959 | 155,579 |
| Other | 462,583 | 372,412 |
| Unrestricted | <u>8,144,596</u> | <u>6,903,900</u> |
| TOTAL NET ASSETS | <u>\$ 19,326,562</u> | <u>\$ 18,361,384</u> |

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



SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
June 30, 2008

ASSETS**Current Assets:**

| | |
|-------------------------------------|----------------|
| Cash and cash equivalents | \$ 559,360 |
| Pledges receivable, current portion | 42,307 |
| Accrued interest receivable | 1,083 |
| Prepaid expenses | 1,879 |
| Investments | <u>529,231</u> |

Total Current Assets 1,133,860

Fixed Assets, at cost:

| | |
|---|----------------|
| Computer software | 6,365 |
| Property and equipment | <u>209,558</u> |
| | 215,923 |
| Less: accumulated depreciation and amortization | <u>136,673</u> |

Total Fixed Assets 79,250

Other Assets:

| | |
|--------------------|----------------|
| Antique furniture | 2,410 |
| Pledges receivable | <u>115,379</u> |

Total Other Assets 117,789

TOTAL ASSETS \$ 1,330,899

LIABILITIES AND NET ASSETS**Current Liabilities:**

| | |
|----------------------|--------------|
| Accounts payable | \$ 1,645 |
| Scholarships payable | <u>7,859</u> |

Total Current Liabilities 9,504

Net Assets:

| | |
|---------------------------------|----------------|
| Unrestricted | 657,353 |
| Unrestricted - Board designated | 229,543 |
| Temporarily restricted | <u>434,499</u> |

Total Net Assets 1,321,395

TOTAL LIABILITIES AND NET ASSETS \$ 1,330,899



SOUTH ARKANSAS COMMUNITY COLLEGE
Comparative STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Student tuition and fees (net of scholarship allowances of \$1,000,453 and \$792,267) | \$ 1,705,806 | \$ 1,680,452 |
| Federal grants and contracts | 1,423,242 | 968,255 |
| State and local grants and contracts | 1,055,075 | 973,518 |
| Non-governmental grants and contracts | 16,407 | 1,999 |
| Sales and services of educational departments | 47,249 | 39,051 |
| Auxiliary enterprises: | | |
| Vending | 8,898 | 8,895 |
| Bookstore (net of scholarship allowances of \$308,106 and \$242,823) | 464,092 | 526,168 |
| Other operating revenues | 15,438 | 14,733 |
| TOTAL OPERATING REVENUES | <u>4,736,207</u> | <u>4,213,071</u> |
| OPERATING EXPENSES: | | |
| Salaries | 6,368,814 | 5,782,643 |
| Employee benefits | 2,132,626 | 1,915,168 |
| Supplies and other services | 3,109,547 | 3,350,474 |
| Scholarships and fellowships | 862,107 | 767,083 |
| Depreciation | 745,841 | 715,801 |
| TOTAL OPERATING EXPENSES | <u>13,218,935</u> | <u>12,531,169</u> |
| OPERATING INCOME (LOSS) | <u>(8,482,728)</u> | <u>(8,318,098)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| State and Federal appropriations | 6,864,780 | 6,501,875 |
| Federal grants | 1,956,119 | 1,571,670 |
| County millage | 324,714 | 269,875 |
| Gifts | 21,810 | 49,008 |
| Interest income | 282,735 | 371,564 |
| Interest expense (on capital asset related debt) | (11,701) | (12,647) |
| Disposal of capital assets (net of accumulated depreciation of \$120,159 and \$63,422) | 1,191 | (118,664) |
| NET NON-OPERATING REVENUES (EXPENSES) | <u>9,439,648</u> | <u>8,632,681</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | <u>956,920</u> | <u>314,583</u> |
| OTHER REVENUES, EXPENSES, GAINS AND LOSSES: | | |
| Capital appropriations | 166,533 | 21,459 |
| Interest earned on endowment funds | 73 | 92 |
| Market value adjustment of deposits with trustees | 644 | 910 |
| Adjustments to prior year capital assets | (158,992) | 0 |
| TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES | <u>8,258</u> | <u>22,461</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>965,178</u> | <u>337,044</u> |
| NET ASSETS - BEGINNING OF YEAR | <u>18,361,384</u> | <u>18,024,340</u> |
| NET ASSETS - END OF YEAR | <u>\$ 19,326,562</u> | <u>\$ 18,361,384</u> |

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



SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2008

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|---------------------|
| Revenues, Gains and Other Support: | | | |
| Contributions | \$ 123,623 | \$ 333,398 | \$ 457,021 |
| Special fundraising events | 64,304 | | 64,304 |
| Investment income | (20,990) | (5,281) | (26,271) |
| Impairment charge | (9,500) | | (9,500) |
| Net assets released from restrictions | <u>121,646</u> | <u>(121,646)</u> | |
| Total revenues, gains and other support | <u>279,083</u> | <u>206,471</u> | <u>485,554</u> |
| Expenses: | | | |
| Program services | | | |
| Scholarships | 43,714 | | 43,714 |
| Grants and awards | <u>33,119</u> | | <u>33,119</u> |
| Total program services | <u>76,833</u> | | <u>76,833</u> |
| Supporting services: | | | |
| Management and general | 20,033 | | 20,033 |
| Fund raising | <u>128,810</u> | | <u>128,810</u> |
| Total supporting services | <u>148,843</u> | | <u>148,843</u> |
| Total expenses | <u>225,676</u> | | <u>225,676</u> |
| Change in Net Assets | 53,407 | 206,471 | 259,878 |
| Net Assets - Beginning of Year | <u>833,489</u> | <u>228,028</u> | <u>1,061,517</u> |
| Net Assets - End of Year | <u>\$ 886,896</u> | <u>\$ 434,499</u> | <u>\$ 1,321,395</u> |



**SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 1,724,957 | \$ 1,687,013 |
| Grants and contracts | 2,456,660 | 1,852,534 |
| Sales and services of educational activities | 47,822 | 39,388 |
| Collection of student and employee loans including interest | 4,872 | 6,000 |
| Auxiliary enterprise revenues | | |
| Vending | 8,898 | 8,895 |
| Bookstore | 463,800 | 521,017 |
| Other receipts | 15,423 | 14,720 |
| Payments to employees | (6,368,754) | (5,784,983) |
| Payments of employee benefits | (2,104,640) | (1,919,784) |
| Payments to suppliers | (3,267,835) | (3,285,733) |
| Loans issued to students and employees | (4,907) | (5,588) |
| Scholarships | (862,107) | (767,083) |
| Net cash provided (used) by operating activities | <u>(7,885,811)</u> | <u>(7,633,604)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 6,864,780 | 6,501,875 |
| Federal grants | 1,814,099 | 1,583,160 |
| County millage | 303,895 | 269,546 |
| Gifts | 21,810 | 53,758 |
| Agency funds - net | (1,651) | 8,062 |
| Other | 13,210 | (49,748) |
| Net cash provided (used) by non-capital financing activities | <u>9,016,143</u> | <u>8,366,653</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital appropriations | 150,000 | 21,459 |
| Proceeds from sale of capital assets | 1,191 | (14,600) |
| Purchase of capital assets | (429,290) | (883,841) |
| Principal paid on capital debt | (46,648) | (45,707) |
| Interest paid on capital debt | (11,940) | (12,881) |
| Net cash provided (used) by capital and related financing activities | <u>(336,687)</u> | <u>(935,570)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 286,412 | 370,992 |
| Proceeds from sales and maturities of investments | | 1,053,564 |
| Purchase of investments | (1,000,000) | (1,110,000) |
| Net cash provided (used) by investing activities | <u>(713,588)</u> | <u>314,556</u> |
| Net increase (decrease) in cash and cash equivalents | 80,057 | 112,035 |
| Cash and cash equivalents - beginning of year | <u>5,877,746</u> | <u>5,765,711</u> |
| Cash and cash equivalents - end of year | <u>\$ 5,957,803</u> | <u>\$ 5,877,746</u> |

SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

| | 2008 | 2007 |
|---|----------------|----------------|
| Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (8,482,728) | \$ (8,318,098) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 745,841 | 715,801 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in Receivables, net | (75,952) | (128,918) |
| (Increase) Decrease in Inventories | (61,402) | (21,821) |
| (Increase) Decrease in Prepaid expenses | 20,968 | (28,975) |
| Increase (Decrease) in Accounts payable and accrued liabilities | (64,154) | 109,208 |
| Increase (Decrease) in Deferred revenue | 20,891 | 43,487 |
| Increase (Decrease) in Compensated absences | 10,725 | (4,288) |
| Net cash provided (used) by operating activities | \$ (7,885,811) | \$ (7,633,604) |

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



SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows from Operating Activities:

| | |
|--|-----------------|
| Change in net assets | \$ 259,878 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Net realized and unrealized gain on investments | 69,716 |
| Depreciation | 27,448 |
| Noncash contributions | (32,949) |
| Impairment charge | 9,500 |
| Capital campaign contributions | (143,412) |
| Increase in pledge receivables | (144,051) |
| Increase in accrued interest receivable | (187) |
| Increase in prepaid expenses | (1,879) |
| Decrease in accounts payable | 1,356 |
| Decrease in scholarships payable | 3,223 |
| Increase in refundable advances | <u>(15,950)</u> |
| Net cash provided by operating activities | <u>32,693</u> |

Cash Flows from Investing Activities:

| | |
|--|----------------|
| Purchases of fixed assets | (1,131) |
| Purchases of investments | (58,370) |
| Sale of investments | 50,949 |
| Capital campaign contributions | <u>143,412</u> |
| Net cash provided by investing activities | <u>134,860</u> |

Net Increase in Cash 167,553

**Cash and Cash Equivalents at
Beginning of Year** 391,807

**Cash and Cash Equivalents at
End of Year** \$ 559,360

Supplemental disclosures of cash flow information:

Cash paid during the year for:
 Interest \$ 318

Noncash activities:

During the year ended June 30, 2008, South Arkansas Community College Foundation, Inc. received a gift of an airplane hanger which was recorded at the fair market value of \$22,000 and 125 shares of Exxon stock with a fair market value of \$10,949. The Foundation also received in-kind contributions during the year ended June 30, 2008 in the amount of \$26,000.



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 is the level of government which 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.

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, 2008, the Foundation transferred the following amounts to the College:

| | |
|-------------------------------|-------------------------|
| For scholarships | \$ 16,964 |
| For reimbursement of expenses | 14,925 |
| For student organizations | <u>100</u> |
| Total | <u><u>\$ 31,989</u></u> |

The College had a receivable from the Foundation on June 30, 2008, in the amount of \$239 and on June 30, 2007, in the amount of \$289 for reimbursement of expenses. Complete financial statements for the Foundation may be obtained from the Foundation at P. O. Box 7010, El Dorado, AR 71731-7010.

The Foundation reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement Number 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements in the College’s financial statements.





Note 1: Summary of Significant Accounting Policies (Continued)

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, liabilities, net assets, revenues, expenses, changes in net assets, 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.

The College has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued since November 30, 1989, unless they are adopted by the Governmental Accounting Standards Board (GASB).

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, library holdings, 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 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 years for library holdings, 5 years for vehicles, and 3 to 10 years for equipment.

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) certain 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.



Note 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the Statement of Cash Flows, South Arkansas Community College considers all highly liquid investments with an original maturity of 90 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.

Investments

Investments are stated at cost under the provisions of Statement No. 31 of the Governmental Accounting Standards Board. Investments consist of certificates of deposit classified as nonparticipating contracts.

Inventories

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

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking, endowment, or reserve funds, or to purchase or construct capital or other nonrecurring assets, are classified as non-current assets in the Statement of Net Assets. Investments consist of certificates of deposit with an original maturity date of greater than 90 days.

Restricted/Unrestricted Resources

The College has no 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.

Deferred Revenues

Deferred 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. Deferred 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, 2008 for full-time employees. Accumulated unpaid annual leave and holidays are accrued at the employee's current hourly rate of pay up to a maximum of 240 hours.



Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable (Continued)

Act 1288 of 2005, allowed compensation for unused sick leave at retirement or death to two year college classified employees. Accrued compensated absences payable – sick leave reflects accumulated sick leave and required employer contributions at June 30, 2008, for full-time 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 a note 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; and (3) non-current portion of the net OPEB obligation.

Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 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 10 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 Assets. 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, the 60 and over waiver and the concurrent enrollment waiver. Pell, Supplemental Education Opportunity Grant (SEOG) and other grants and scholarships are reported as revenues in the Statement of Revenues, Expenses and Changes in Net Assets. The portion of students' scholarships used to satisfy tuition and fees and other charges, is recorded as scholarship allowances.

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) | \$ 100,000 | \$ 100,000 |
| Collateralized: | | |
| Collateral held by the pledging bank or pledging bank's trust department in the College's name | <u>7,997,715</u> | <u>8,122,735</u> |
| Total Deposits | <u>\$ 8,097,715</u> | <u>\$ 8,222,735</u> |



Note 2: Public Fund Deposits and Investments (Continued)

The above deposits do not include cash on deposit in the state treasury or cash on hand (i.e., change funds) maintained by the College in the amounts of \$269,743 and \$345, respectively, at June 30, 2008. The above total deposits include certificates of deposit of \$2,410,000 at June 30, 2008, reported as investments and classified as nonparticipating contracts.

Note 3: Disaggregation of Receivable and Payable Balances

The accounts receivable of \$275,137 at June 30, 2008, consisted of student accounts receivable of \$344,991, which was reduced by an allowance for doubtful accounts of \$69,854.

Other receivables of \$383,900 at June 30, 2008, consisted of interest receivable of \$4,519, reimbursements of \$295,074 from federal and state agencies for grants and contracts and the remaining balance of \$84,307 represented amounts due for miscellaneous charges and vendor refunds.

The accounts payable and accrued liabilities of \$128,042 at June 30, 2008, consisted of \$109,954 due to vendors, \$13,553 for salaries and benefits, accrued interest payable of \$2,805 and unclaimed property payable to the state of \$1,730.

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, 2008

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2008:

| | Balance June 30, 2007 | Additions | Retirements | Balance June 30, 2008 |
|--|-----------------------------|---------------------|-------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,090,898 | \$ 100,350 | | \$ 1,191,248 |
| Construction-in-progress | 158,992 | 40,945 | \$ 158,992 | 40,945 |
| Total capital assets not depreciated | <u>\$ 1,249,890</u> | <u>\$ 141,295</u> | <u>\$ 158,992</u> | <u>\$ 1,232,193</u> |
| Other capital assets: | | | | |
| Improvements and infrastructure | \$ 409,024 | \$ 15,000 | | \$ 424,024 |
| Buildings | 15,163,170 | 69,618 | | 15,232,788 |
| Equipment | 2,476,470 | 192,394 | \$ 88,374 | 2,580,490 |
| Library holdings | 833,387 | 43,101 | 31,785 | 844,703 |
| Total other capital assets | <u>18,882,051</u> | <u>320,113</u> | <u>120,159</u> | <u>19,082,005</u> |
| Less accumulated depreciation for: | | | | |
| Improvements and infrastructure | 324,416 | 9,026 | | 333,442 |
| Buildings | 5,901,400 | 476,840 | | 6,378,240 |
| Equipment | 1,988,126 | 179,675 | 88,374 | 2,079,427 |
| Library holdings | 419,755 | 80,300 | 31,785 | 468,270 |
| Total accumulated depreciation | <u>8,633,697</u> | <u>745,841</u> | <u>120,159</u> | <u>9,259,379</u> |
| Other capital assets, net | <u>\$ 10,248,354</u> | <u>\$ (425,728)</u> | <u>\$ 0</u> | <u>\$ 9,822,626</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 1,249,890 | \$ 141,295 | \$ 158,992 | \$ 1,232,193 |
| Other capital assets at cost | 18,882,051 | 320,113 | 120,159 | 19,082,005 |
| Total cost of capital assets | 20,131,941 | 461,408 | 279,151 | 20,314,198 |
| Less accumulated depreciation | <u>8,633,697</u> | <u>745,841</u> | <u>120,159</u> | <u>9,259,379</u> |
| Capital assets, net | <u>\$ 11,498,244</u> | <u>\$ (284,433)</u> | <u>\$ 158,992</u> | <u>\$ 11,054,819</u> |





SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 6: Long-term Liabilities

COLLEGE SAVINGS BOND LOAN

In October 2003, the College obtained a \$750,000 loan from the Arkansas Development Finance Authority and the Arkansas Higher Education Coordinating Board. These were used for renovations to the Billy McGehee Classroom Building.

Debt payments on bonds amounted to \$46,648 for the fiscal year ended June 30, 2008. Debt service interest payments totaled \$11,940 for the fiscal year ended June 30, 2008.

| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Rate of Interest</u> | <u>Total Loan Amount</u> | <u>Debt Outstanding June 30, 2008</u> | <u>Principal Payments Made Thru June 30, 2008</u> |
|----------------------|-------------------------------|-------------------------|--------------------------|---------------------------------------|---|
| 10/28/03 | 10/1/18 | 2.05% | <u>\$ 750,000</u> | <u>\$ 547,375</u> | <u>\$ 202,625</u> |

Changes in long-term liabilities are as follows:

| | <u>Balance July 1, 2007</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2008</u> | <u>Principal due within one year</u> |
|--|-----------------------------|-------------------|-------------------|------------------------------|--------------------------------------|
| College savings bonds loan payable (2003) | \$ 594,023 | | \$ 46,648 | \$ 547,375 | \$ 47,610 |
| Compensated absences payable - other than sick leave | 239,201 | \$ 234,322 | 225,833 | 247,690 | 22,984 |
| Compensated absences payable - sick leave | 7,863 | 4,716 | 2,480 | 10,099 | 3,063 |
| Totals | <u>\$ 841,087</u> | <u>\$ 239,038</u> | <u>\$ 274,961</u> | <u>\$ 805,164</u> | <u>\$ 73,657</u> |





SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 6: Long-term Liabilities (Continued)

Long-term debt principal and interest scheduled payments for the 2003 loan are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2009 | \$ 47,610 | \$ 10,978 * | \$ 58,588 |
| 2010 | 48,591 | 9,997 | 58,588 |
| 2011 | 49,592 | 8,996 | 58,588 |
| 2012 | 50,614 | 7,974 | 58,588 |
| 2013 | 51,657 | 6,931 | 58,588 |
| 2014-2018 | 274,693 | 18,247 | 292,940 |
| 2019 | 24,618 | 254 | 24,872 |
| Total | <u>\$ 547,375</u> | <u>\$ 63,377</u> | <u>\$ 610,752</u> |

* Includes interest payable of \$2,805 recorded as a current liability at June 30, 2008.

Note 7: Commitments

The College was contractually obligated on the following at June 30, 2008:

A. Architect Contract

Health and Natural Science Building Planning, West Campus

| | Total |
|---------------------------------|-------------------|
| Architect Fees | \$ 241,690 |
| Architect Reimbursable Expenses | <u>40,000</u> |
| Total | <u>\$ 281,690</u> |

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

Various leases for copiers with terms of 36 months.

| | 2009 | 2010 | 2011 | Total |
|--------------------|------------------|------------------|-----------------|------------------|
| Scheduled Payments | <u>\$ 26,298</u> | <u>\$ 12,917</u> | <u>\$ 3,149</u> | <u>\$ 42,364</u> |

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2008, were \$25,179.



Note 8: Other Postemployment Benefits

The College adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the fiscal year 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services.

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%, and so on, 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.

Funding Policy: The authority under which the obligations to contribute to the plan of the plan members, the College, and other contributing entities is established or may be amended is the College Board of Trustees. The required contribution rates of active plan members and the employer is an average of \$83 and \$368, respectively.





SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 8: Other Postemployment Benefits (Continued)

Annual OPEB Cost: For fiscal year ended June 30, 2008, the College's annual OPEB cost (expense) of \$41,193 was equal to the ARC.

Reconciliation of Net Other Post-Employment Benefits Obligation (Net OPEB):

| | |
|--|-----------------|
| 1. Actuarially Required Contribution | \$41,193 |
| 2. Interest on Net OPEB Obligation | 0 |
| 3. Adjustment to (1) | <u>0</u> |
| 4. Annual OPEB Cost (1) + (2) - (3) | \$41,193 |
| 5. Actual Contribution Made | <u>15,869</u> |
| 6. Increase in Net OPEB Obligation (4) – (5) | \$25,324 |
| 7. Net OPEB Obligation Beginning of Year | <u>0</u> |
| 8. Net OPEB Obligation End of Year | <u>\$25,324</u> |

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year, were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|--|------------------------|
| 6/30/2008 | \$ 41,193 | 38.52% | \$ 25,324 |

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2008, was as follows:

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$ 262,712 |
| Actuarial value of plan assets | <u>0</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 262,712</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0 % |
| Covered payroll | \$ 6,368,814 |
| UAAL as a percentage of covered payroll | 4.12 % |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



Note 8: Other Postemployment Benefits (Continued)

In the July 1, 2007, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 6 percent discount rate and an annual healthcare cost trend rate of 10 percent initially, 9 percent the second year, 8 percent the third year with the rate decreasing by 0.5 percent each year to an ultimate rate of 5 percent in the ninth year. The College's unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at July 1, 2007, was 30 years.

Detailed information pertaining to actuarial methods and assumptions are presented as required supplementary information.

Note 9: 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.

Funding Policy. TIAA/CREF offers contributory plans and members may contribute 6 – 8% of their gross earnings to the plan. The College contributes 10% of employees' earnings for contributory members. A few employees were grandfathered in who continued to contribute 4 – 5% with the College contributing 6 – 8 %. Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participants' contributions for the year ended June 30, 2008, were \$332,649 and \$246,574, respectively.

Arkansas Teacher Retirement System

Plan Description. South Arkansas Community College contributes to the Arkansas Teacher Retirement System (ATRS), a cost sharing multiple-employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. 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 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 ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at the rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The College's contributions to ATRS for the year ended June 30, 2008, 2007, and 2006 were \$235,354, \$193,309, and \$152,780, respectively, equal to the required contributions for each year.



Note 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System

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 writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory (not available to new enrollees until July 1, 2005) and non-contributory plans. Since July 1, 2005, all new participants have been required to contribute 5% and current participants had until December 31, 2005, to elect to change from non-contributory to contributory. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for higher education entities is 12.54% of covered salaries. The College's contributions to APERS for the years ended June 30, 2008, 2007, and 2006, were \$98,449, \$90,175, and \$89,686 respectively, equal to the required contributions for each year.

Summary of employer contributions:

| <u>Retirement Plan</u> | Institutional Contributions for the Years Ended June 30, | | |
|--------------------------------|--|-------------------|-------------------|
| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Alternate Retirement Plan | \$ 332,649 | \$ 299,981 | \$ 292,327 |
| AR Public Employees Retirement | 98,449 | 90,175 | 89,686 |
| AR Teachers Retirement | <u>235,354</u> | <u>193,309</u> | <u>152,780</u> |
| Total | <u>\$ 666,452</u> | <u>\$ 583,465</u> | <u>\$ 534,793</u> |





SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 10: Natural Classifications with Functional Classifications

The operating expenses by functional classification were as follows:

| | For the Year Ended June 30, 2008 | | | | | Total |
|-----------------------|----------------------------------|---------------------|---------------------|-------------------|-------------------|----------------------|
| | Salaries | Fringe Benefits | Supplies & Services | Scholarships | Depreciation | |
| Instruction | \$ 3,646,873 | \$ 1,145,748 | \$ 1,013,260 | | | \$ 5,805,881 |
| Public Service | 145,781 | 53,608 | 34,733 | | | 234,122 |
| Academic Support | 333,107 | 125,881 | 264,759 | | | 723,747 |
| Student Support | 764,268 | 268,213 | 249,762 | | | 1,282,243 |
| Institutional Support | 1,032,611 | 365,191 | 390,825 | | | 1,788,627 |
| M & O | 391,018 | 159,497 | 589,058 | | | 1,139,573 |
| Scholarships | | | | \$ 862,107 | | 862,107 |
| Depreciation | | | | | \$ 745,841 | 745,841 |
| Subtotal | 6,313,658 | 2,118,138 | 2,542,397 | 862,107 | 745,841 | 12,582,141 |
| Auxiliary | 55,156 | 14,488 | 567,150 | | | 636,794 |
| Total | <u>\$ 6,368,814</u> | <u>\$ 2,132,626</u> | <u>\$ 3,109,547</u> | <u>\$ 862,107</u> | <u>\$ 745,841</u> | <u>\$ 13,218,935</u> |

Total scholarships for fiscal year 07-08 were \$2,170,666; however, \$1,308,559 was reported as scholarship allowances on the Statement of Revenues, Expenditures and Changes in Net Assets.

Note 11: 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.

| Balances as of: | June 30, 2008 | | |
|-----------------|-------------------|--------------------|-----------------|
| | Student Loan Fund | Employee Loan Fund | Total |
| Cash in Bank | \$ 655 | \$ 1,438 | \$ 2,093 |
| Loans, Net | 0 | 0 | 0 |
| Fund Balance | <u>\$ 655</u> | <u>\$ 1,438</u> | <u>\$ 2,093</u> |



Note 12: 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 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 13: 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, 2008 | \$ 11,550 |
| Less: Non-Expendable Portion of True Endowments | <u>10,894</u> |
| Donor-Restricted Endowments Available for Expenditure | <u><u>\$ 656</u></u> |

Arkansas Code Annotated § 28-69-603 states “The governing board may expend so much of the endowment fund or an aggregation of the endowment fund as the governing body determines to be prudent under the standard established by Arkansas Code Annotated § 28-69-607 for the uses and purposes for which an endowment fund is established.”

The College restricts expenditures according to donor requests. The O. B. Clark endowment restricts expenditures to 90% of the earnings on the endowment investment.

Note 14: 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.



Note 14: Risk Management (Continued)

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 \$250,000 with a \$1,000 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 directors and officers professional liability insurance through National Union Fire Insurance Company of Pittsburg, PA. Losses carry a \$1,000,000 limit 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.

The College also carries commercial property insurance on properties not eligible for coverage with AMAIT. The policy on a property with a life estate is paid annually, and the other policies have quarterly premiums.

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 15: Restatement of Prior Year Amounts

For comparative purposes, the College reclassified certain federal grants and contracts of \$1,571,670 from operating to non-operating revenues for the 2007 year of the Statement of Revenues, Expenses and Changes in Net Assets. The 2007 year of the Statement of Cash Flows was amended for the same reclassification in addition to other minor reclassifications.



**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Determination of Annual Required Contribution (ARC) and End of Year Accrual

| Cost Element | Fiscal Year Ended Amount | June 30, 2008 % of Payroll ² |
|---|-----------------------------|--|
| 1 Unfunded actuarial accrued liability at July 1, 2007 | \$ 262,712 | 4.12% |
| Annual Required Contribution (ARC) | | |
| 2 Normal Cost | \$ 20,856 | |
| 3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years | 18,005 | |
| 4 Interest | 2,332 | |
| 5 Annual Required Contribution (ARC = 2 + 3 + 4) | <u>\$ 41,193</u> | 0.65% |
| Annual OPEB Cost (Expense) | | |
| 6 ARC | \$ 41,193 | |
| 7 Interest on beginning of year accrual ¹ | - | |
| 8 Amortization of beginning of year accrual ¹ | - | |
| 9 Fiscal 2008 OPEB cost (6 + 7 - 8) | <u>\$ 41,193</u> | 0.65% |
| End of Year Accrual (Net OPEB Obligation) | | |
| 10 Beginning of year accrual ¹ | \$ - | |
| 11 Annual OPEB Cost | 41,193 | |
| 12 Employer contribution (benefit payments) ³ | 15,869 | |
| 13 End of year accrual (10 + 11 - 12) | <u>\$ 25,324</u> | 0.40% |

¹ No accrual is required at the adoption of the GASB Statement.

² Annual payroll for the plan participants as of July 1, 2007 is \$6,368,814.

³ Actual contributions paid in fiscal year 2008 of \$11,925 plus implicit subsidy of \$3,944.

Schedule of Employer Contributions

| <u>Fiscal Year Ended</u> | <u>Annual Required Contributions</u> | <u>Actual Contributions⁴</u> | <u>Percentage Contributed</u> |
|------------------------------|--|---|-----------------------------------|
| June 30, 2008 | \$41,193 | \$15,869 | 38.52% |

⁴ Since there is no funding, these are actual payments of \$11,925 plus implicit subsidy of \$3,944.



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Schedule of Funding Progress for SACC OPEB

The schedule of funding progress presents multi-year information comparing the actuarial value of plan assets to the actuarial accrued liability.

| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|--------------------------|-----------------------------|-----------------------------|---|------------------------|-------------------------------------|--|
| Actuarial Valuation Date | Market Value of Plan Assets | Actuarial Accrued Liability | Unfunded Accrued Liability (UALL) (c) - (b) | Funded Ratio (b) / (c) | Annual Covered Payroll ⁵ | UAAL as a % of Covered Payroll (d) / (f) |
| 7/1/2008 | \$ 0 | \$ 262,712 | \$ 262,712 | 0.0% | \$6,368,814 | 4.12% |

⁵ Payroll as of July 1, 2007, includes only plan participants.

The annual required contribution (ARC) of \$41,193 for fiscal year 2008 and accrual of \$25,324 as of June 30, 2008, are based on a current decision not to fund in a segregated GASB qualified trust.

Three-Year Schedule of Percentage of OPEB Cost Contributed

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|-------------------------------------|---------------------|
| June 30, 2008 | \$41,193 | 38.52% | \$25,324 |
| June 30, 2007 | N/A | N/A | N/A |
| June 30, 2006 | N/A | N/A | N/A |

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 2008.

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.



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

Valuation year: July 1, 2007 – June 30, 2008

Actuarial Cost Method: Projected Unit Credit

Amortization Method: 30 years, level dollar open amortization
Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Discount Rate: 6%

Projected Payroll Growth Rate: N/A

Health Care Cost Trend Rate: 10% in fiscal year 2008, 9% in fiscal year 2009, 8% in fiscal year 2010, and then decreasing by one half percentage point per year to an ultimate rate of 5% in fiscal year 2016, and after.

| <u>Year</u> | <u>Rate</u> |
|-------------|-------------|
| 2008 | 10.0% |
| 2009 | 9.0% |
| 2010 | 8.0% |
| 2011 | 7.5% |
| 2012 | 7.0% |
| 2013 | 6.5% |
| 2014 | 6.0% |
| 2015 | 5.5% |
| 2016 | 5.0% |

Base Claim Costs: Most retirees pay the same premium as an active employee. But since health care for a retired group is higher than the average for the employees, this results in a subsidy for the retiree.

The following subsidy was assumed:

| | <u>Implicit Subsidy</u> | <u>Maximum Explicit Subsidy*</u> | <u>MAX TOTAL NET</u> | <u>Minimum Retiree Payment</u> |
|------------------------|-----------------------------|--|------------------------------|--|
| Retiree, no Medicare | \$127.21 | \$450.00 | \$577.21 | \$0.00 |
| Retiree, with Medicare | 0.00 | 0.00 | 0.00 | 0.00 |

*College pays a percentage of this maximum (individual premium, based on the person's age plus service when they retire).



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

| <u>Age plus service</u> | <u>College Pays</u> |
|-------------------------|---------------------|
| 70 | 25% |
| 71 | 30% |
| 72 | 35% |
| 73 | 40% |
| 74 | 45% |
| 75 | 50% |
| 76 | 55% |
| 77 | 60% |
| 78 | 65% |
| 79 | 70% |
| 80 | 75% |
| 81 | 80% |
| 82 | 85% |
| 83 | 90% |
| 84 | 95% |
| 85+ | 100% |

Source of Claim Costs: The medical cost for retirees equals the explicit subsidy paid by the College at the beginning of the year. This was increased by the implicit subsidy contained in such rates for a retiree. This subsidy was assumed to be \$127.21 for retirees under age 65 and was developed from retiree claim costs from other public entities in Arkansas.

Administrative Costs: None assumed.

Selection of Coverage: It was 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.

Data Used: The College provided a census listing which is summarized below:

| | <u>July 1, 2007</u> |
|----------------------------|---------------------|
| Number of Active Employees | 146 |
| Number of Retirees Covered | |
| Under 65 | 3 |
| Over 65 | 0 |

Pre-Retirement Mortality: Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table.



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Post-Retirement Mortality: The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

| <u>Age</u> | <u>Males</u> | <u>Females</u> |
|------------|--------------|----------------|
| 55 | 25.49 years | 29.53 years |
| 65 | 17.26 years | 20.69 years |

Voluntary Terminations: Generally the voluntary termination assumptions used by the Arkansas Teachers Retirement System were used. Termination at some sample ages are:

| <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, a multiple of the above rates was used. The multiples used were:

| | |
|---------------------|------|
| 1st year of service | 4.00 |
| 2nd year of service | 2.50 |
| 3rd year of service | 2.00 |
| 4th year of service | 1.50 |

Expected Retirement Pattern: Employees are assumed to retire according to the following schedule:

| <u>Age</u> | <u>Retirement Rate per 100 Members</u> |
|------------|--|
| 55 - 59 | 5.0 |
| 60 | 15.0 |
| 61 | 14.0 |
| 62 | 25.0 |
| 63 | 15.0 |
| 64 | 15.0 |
| 65 | 35.0 |
| 66 | 30.0 |
| 67 | 30.0 |
| 68 | 30.0 |
| 69 | 100.0 |



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Disability Rates:

Employees are assumed to become disabled based on the disability rates assumed by Arkansas Teacher Retirement System. Rates at some sample ages are:

| <u>Age</u> | <u>Retirement Rate Per 100 Members</u> |
|------------|--|
| 20 | 0.10 |
| 25 | 0.10 |
| 30 | 0.08 |
| 35 | 0.08 |
| 40 | 0.14 |
| 45 | 0.24 |
| 50 | 0.53 |
| 55 | 0.88 |
| 60 | 1.00 |

Cash Flow Projection

The following table shows the projected premium payments on behalf of retirees, and the subsidized claim costs for the next several years. The projections are net of the retiree's own payments.

| <u>Year</u> | <u>Estimated Payment</u> |
|-------------|--------------------------|
| 1 | \$20,000 |
| 2 | 36,000 |
| 3 | 32,000 |
| 4 | 30,000 |
| 5 | 32,000 |
| 6 | 36,000 |
| 7 | 50,000 |
| 8 | 36,000 |
| 9 | 37,000 |
| 10 | 47,000 |

SOUTH ARKANSAS COMMUNITY COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2008
(Unaudited)

Schedule 1

| | Year Ended June 30, | | | | |
|---|---------------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Total Assets | \$ 20,492,831 | \$ 19,593,183 | \$ 19,192,863 | \$ 17,531,201 | \$ 17,099,704 |
| Total Liabilities | 1,166,269 | 1,231,799 | 1,168,523 | 1,453,427 | 1,459,456 |
| Total Net Assets | 19,326,562 | 18,361,384 | 18,024,340 | 16,077,774 | 15,640,248 |
| Total Operating Revenues | 4,736,207 | 4,213,071 | 5,233,360 | 5,191,745 | 4,725,337 |
| Total Operating Expenses | 13,218,935 | 12,531,169 | 11,280,149 | 11,272,701 | 10,643,702 |
| Total Net Non-Operating Revenues | 9,439,648 | 8,632,681 | 6,800,318 | 6,396,685 | 6,299,196 |
| Total Other Revenues, Expenses, Gains or Losses | 8,258 | 22,461 | 1,193,037 | 121,797 | 482,286 |