

**South Arkansas Community College**

**El Dorado, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2014**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTH ARKANSAS COMMUNITY COLLEGE  
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# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair



**Rep. Mary Broadaway**  
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**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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 19 to the financial statements, the 2013 financial statements have been restated due to the adoption of Governmental Accounting Standards Board Statement no. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Prior Year Comparative Information*

We have previously audited the College's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated August 18, 2014. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions on pages 6 through 11 and 33 through 39 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. Such information 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 September 22, 2015 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 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  
Legislative Auditor

Little Rock, Arkansas  
September 22, 2015  
EDHE19314

# Arkansas

Sen. Jimmy Hickey, Jr.  
Senate Chair  
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Senate Vice Chair



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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 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 22, 2015. 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. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

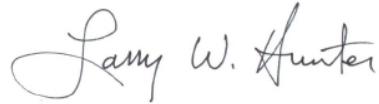
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which 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 September 22, 2015.

## 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 result 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 black ink that reads "Larry W. Hunter". The signature is written in a cursive style with a large, looping initial "L".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 22, 2015

# Arkansas

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## 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.

#### Internal Control Deficiencies

We noted the following internal control deficiencies:

- A. During our examination of Notes to the Financial Statements, errors were discovered in six of twenty financial statement notes.
- B. Five accounts payable general ledger accounts were not reconciled to the subsidiary records.

When these errors were brought to the attention of College personnel, the financial statements were corrected.

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, 2014, 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> 2013	<u>Fall Term</u> 2013	<u>Spring Term</u> 2014	<u>Summer I Term</u> 2014
Student Headcount	265	1,632	1,664	611
Student Semester Credit Hours	1,029	14,961	15,496	3,755

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

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 22, 2015

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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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, 2014, with the fiscal year 2012/13 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, liabilities 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 minus liabilities) and their availability for expenditure by the College.

Net position is divided into four major categories:

*Net investment in capital assets:* 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 position subject to externally-imposed stipulations that they be maintained permanently by the College.

*Restricted net position - expendable:* net position 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 position 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.

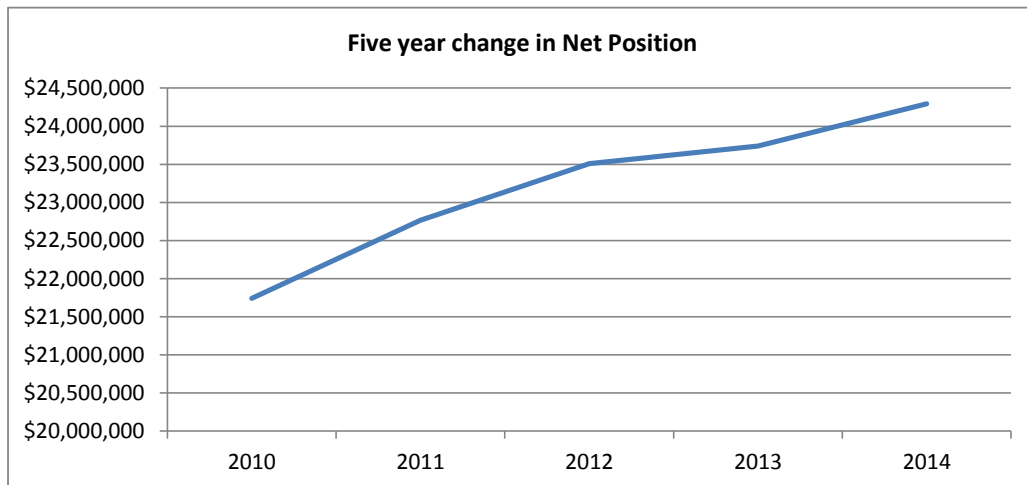


**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

*Statement of Net Position (Continued)*

	June 30, 2014	June 30, 2013
<b>ASSETS</b>		
Current assets	\$ 8,811,307	\$ 9,087,996
Capital assets, net	19,784,510	19,121,960
Other assets	614,685	272,378
Total Assets	<u>\$ 29,210,502</u>	<u>\$ 28,482,334</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 1,034,074	\$ 706,459
Noncurrent liabilities	3,883,477	4,038,027
Total Liabilities	<u>\$ 4,917,551</u>	<u>\$ 4,744,486</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 16,415,085	\$ 15,597,479
Restricted		
Non-Expendable	364,493	272,182
Expendable	1,183,103	889,348
Unrestricted	6,330,270	6,978,839
Total Net Position	<u>\$ 24,292,951</u>	<u>\$ 23,737,848</u>

The College's total assets increased \$728,168, total liabilities increased \$173,065, and net position increased \$555,103.



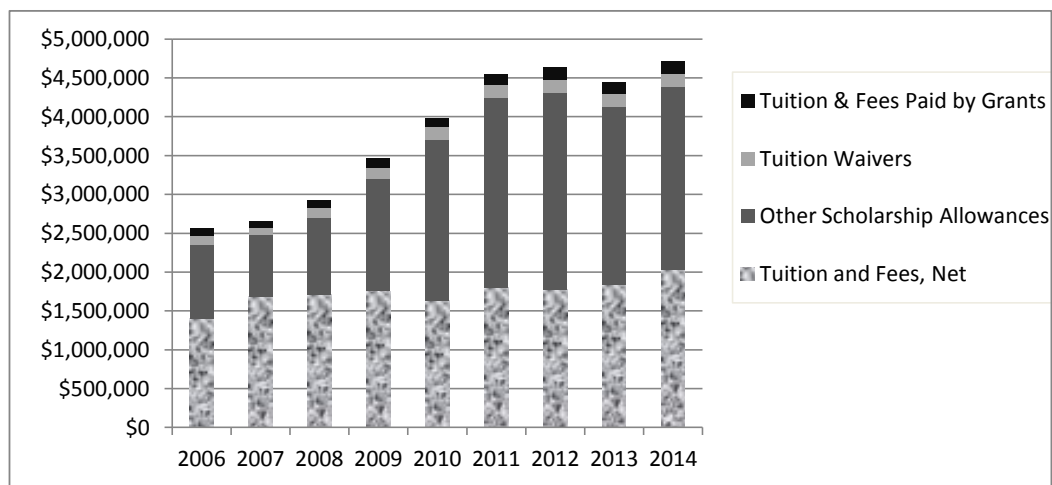
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

***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, 2014	June 30, 2013
Operating revenues	\$ 6,784,814	\$ 7,381,190
Operating expenses	18,628,387	18,671,821
Operating loss	(11,843,573)	(11,290,631)
Non-operating revenues and expenses	12,006,176	11,527,721
Income before other revenues and expenses	162,603	237,090
Other revenues and expenses	392,500	22,825
Increase in Net Position	555,103	259,915
Net Position, beginning of year	23,737,848	23,508,101
Restatement of prior year balance (Note 19)		(30,168)
Net Position, end of year	<u>\$ 24,292,951</u>	<u>\$ 23,737,848</u>

Gross tuition and fees revenues increased \$273,545 which is a 6.2% increase over the previous year. The following chart shows the history of gross tuition and fees revenues after 2006.

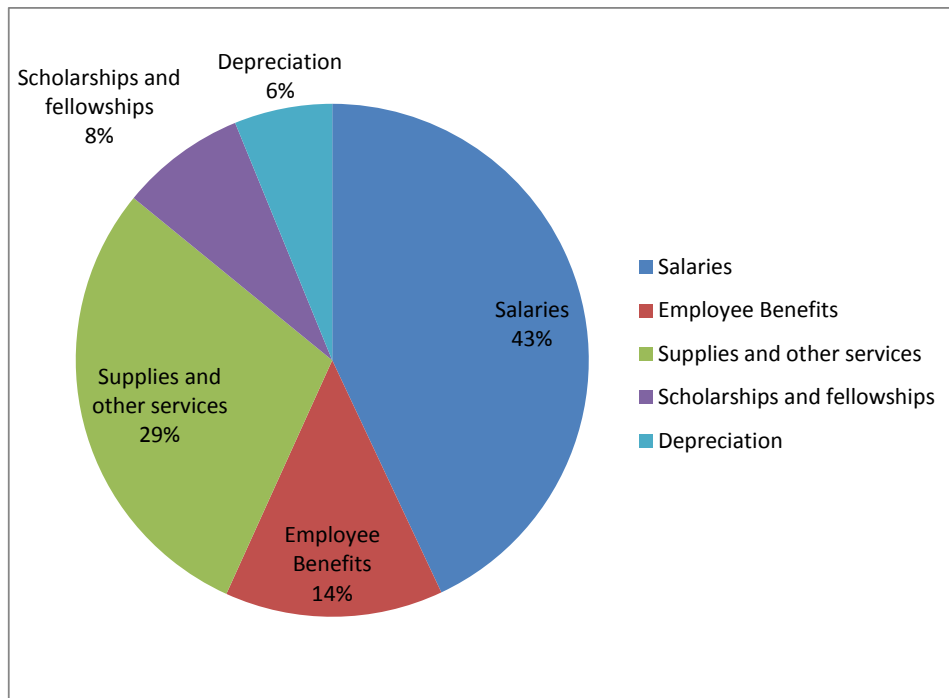


**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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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 decreased less than 1.1% over the previous year, and accounted for 57% of the total operating expense of \$18,628,387. Supplies and other services increased 3.3% from the previous year which is largely due to the increases in expenses related to the community education and grant operations. Scholarships expense declined 7.1% from the previous year. Total PELL awards increased \$128,505 from \$4,006,633 in FY 13 to \$4,135,138 in FY 14.

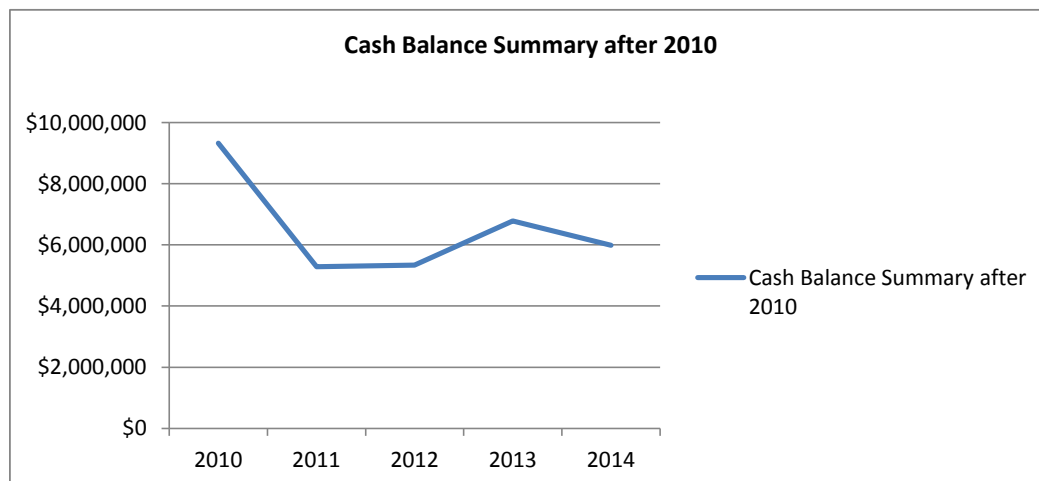
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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 positive amount of \$1,072,745 and \$1,110,671 for fiscal years ended June 30, 2014 and June 30, 2013, respectively, indicates that these activities contributed cash and liquidity for the year.

	Year Ended	
	June 30, 2014	June 30, 2013
Cash provided (used) by:		
Operating activities	\$ (10,654,265)	\$ (10,568,387)
Noncapital financing activities	11,727,010	11,679,058
Subtotal	1,072,745	1,110,671
Capital and related financing activities	(1,593,404)	(838,704)
Investing activities	(272,007)	1,175,653
Net change in cash	(792,666)	1,447,620
Cash, beginning of year	6,784,846	5,337,226
Cash, end of year	<u>\$ 5,992,180</u>	<u>\$ 6,784,846</u>



The decrease in the cash balance between 2010 and 2011 is attributable to construction outlays for the Health Science Classroom Building.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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

At June 30, 2014, the College had \$19,784,510 of capitalized assets, net of depreciation of \$13,202,213. During the fiscal year the College made the following additions and improvements in capital assets.

Equipment	\$ 132,170
Buildings	137,912
Library holdings	36,243
Land	64,039
Intangibles - software	448,994
Construction in progress	992,841
Total	<u>\$ 1,812,199</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, 2014 as evidenced by an increase in net position of \$555,103. The student headcount for fall year 2014 was 1,632 which was 6.2% lower than fiscal year 2013's headcount of 1,740. Enrollment is predicted to be flat for fiscal year 2014/15.

The College is in the fourth 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**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
*(With Comparative Figures as of June 30, 2013)*

Exhibit A

	2014	2013 (Restated)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,650,134	\$ 6,512,468
Short-term investments	800,798	800,000
Accounts receivable (less allowances of \$102,461 and \$68,517)	390,668	193,316
Employee and student loans receivable (less allowance of \$0 and \$0)	200	
Property taxes receivable	210,270	246,957
Other receivables	998,567	940,549
Inventories	453,204	271,916
Deposits with trustees	5	4
Prepaid expenses	307,461	122,786
Total Current Assets	8,811,307	9,087,996
Noncurrent Assets		
Cash and cash equivalents	342,046	272,378
Endowment investments	272,639	
Capital assets, net of accumulated depreciation of \$13,202,213 and \$12,324,834 (Note 5)	19,784,510	19,121,960
Total Noncurrent Assets	20,399,195	19,394,338
 TOTAL ASSETS	 29,210,502	 28,482,334
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	501,403	331,149
Refunds payable	52,975	27,661
Unearned revenue	269,042	146,079
Bonds and certificate of indebtedness payable - current portion	127,104	126,017
Compensated absences	43,785	41,296
Funds held in trust for others	39,766	34,257
Total Current Liabilities	1,034,075	706,459
Noncurrent Liabilities		
Accounts payable	26,250	39,375
Bonds and certificate of indebtedness payable	3,242,320	3,369,425
Compensated absences	466,826	493,439
Net other postemployment benefit obligations	148,080	135,788
Total Noncurrent Liabilities	3,883,476	4,038,027
 TOTAL LIABILITIES	 4,917,551	 4,744,486
<b>NET POSITION</b>		
Net investment in capital assets	16,415,085	15,597,479
Restricted for:		
Non-expendable		
Scholarships	364,493	272,182
Expendable		
Scholarships	20,252	20,791
Loans	2,266	2,257
Capital projects	4,301	4,258
Debt service	366,833	256,416
Other	789,451	605,626
Unrestricted	6,330,270	6,978,839
 TOTAL NET POSITION	 \$ 24,292,951	 \$ 23,737,848

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, 2014*

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 1,307,150
Pledges receivable, current portion	55,551
Accrued interest receivable	174
Prepaid expenses	2,762
Investments	<u>1,692,557</u>
<b>Total Current Assets</b>	<u>3,058,194</u>

**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>
<b>Total Fixed Assets</b>	<u>0</u>

**Other Assets**

Antique furniture	2,410
Pledges receivable	<u>31,820</u>
<b>Total Other Assets</b>	<u>34,230</u>

<b>Total Assets</b>	<u><u>\$ 3,092,424</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 470,580
Scholarships payable	7,127
Refundable advances	<u>9,725</u>
<b>Total Current Liabilities</b>	<u>487,432</u>

**Net Assets**

Unrestricted	1,721,868
Unrestricted - Board designated	30,000
Temporarily restricted	<u>853,124</u>
<b>Total Net Assets</b>	<u>2,604,992</u>

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,092,424</u></u>
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**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**Comparative STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
*(With Comparative Figures for the year ended June 30, 2013)*

Exhibit B

	2014	2013 (Restated)
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$2,685,310 and \$2,600,419)	\$ 2,029,772	\$ 1,841,118
Federal grants and contracts	2,063,811	3,077,362
State and local grants and contracts	1,406,352	1,167,984
Sales and services of educational departments	90,540	90,207
Auxiliary enterprises:		
Vending	9,270	10,472
Bookstore (net of scholarship allowances of \$781,340 and \$809,399)	651,397	656,013
Convention Center	497,014	498,622
Other operating revenues	36,658	39,412
<b>TOTAL OPERATING REVENUES</b>	<b>6,784,814</b>	<b>7,381,190</b>
<b>OPERATING EXPENSES</b>		
Salaries	8,011,246	8,025,460
Employee benefits	2,564,328	2,666,027
Supplies and other services	5,426,705	5,251,806
Scholarships and fellowships	1,474,734	1,588,220
Depreciation	1,151,374	1,140,308
<b>TOTAL OPERATING EXPENSES</b>	<b>18,628,387</b>	<b>18,671,821</b>
 OPERATING INCOME (LOSS)	 <b>(11,843,573)</b>	 <b>(11,290,631)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,012,864	6,967,269
Federal grants and contracts	4,135,138	4,006,633
County millage	293,163	302,248
Gifts	711,473	427,462
Interest income	1,530	13,453
Interest and other cost (on capital asset related debt)	(152,003)	(155,424)
Disposal of capital assets (net of accumulated depreciation of \$273,995 and \$360,084)	4,011	(33,920)
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>12,006,176</b>	<b>11,527,721</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>162,603</b>	<b>237,090</b>
 Other revenues, expenses, gains and losses		
Capital appropriations	392,500	
Capital grants and gifts		22,825
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<b>392,500</b>	<b>22,825</b>
 INCREASE (DECREASE) IN NET POSITION	 <b>555,103</b>	 <b>259,915</b>
NET POSITION - BEGINNING OF YEAR	23,737,848	23,508,101
Restatement of prior year balance (Note 19)		(30,168)
NET POSITION - END OF YEAR	<b>\$ 24,292,951</b>	<b>\$ 23,737,848</b>

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, 2014*

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
General contributions	\$ 25,221	\$ 73,673	\$ 98,894
Endowed contributions	132,465	3,329	135,794
Capital campaign		192,116	192,116
Special events	117,021	48,722	165,743
Investment income (loss)	154,890	61,903	216,793
Rent income	1,563		1,563
Gains (loss) on disposal of assets	3,467	(1,085)	2,382
Net assets released due to satisfaction of program restrictions	589,085	(589,085)	
<b>Total revenues, gains and other support</b>	<u>1,023,712</u>	<u>(210,427)</u>	<u>813,285</u>
<b>Expenses</b>			
Program services			
Scholarships	67,207		67,207
Grants and awards	528,644		528,644
<b>Total program services</b>	<u>595,851</u>		<u>595,851</u>
Supporting services			
Management and general	46,052		46,052
Fund raising	53,746		53,746
<b>Total supporting services</b>	<u>99,798</u>		<u>99,798</u>
<b>Total expenses</b>	<u>695,649</u>		<u>695,649</u>
<b>Change in Net Assets</b>	328,063	(210,427)	117,636
<b>Net Assets - Beginning of Year</b>	<u>1,423,805</u>	<u>1,063,551</u>	<u>2,487,356</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,751,868</u>	<u>\$ 853,124</u>	<u>\$ 2,604,992</u>

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
*(With Comparative Figures for the year ended June 30, 2013)*

Exhibit C

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 1,968,481	\$ 1,839,403
Grants and contracts	3,874,212	3,929,936
Sales and services of educational activities	92,009	84,281
Auxiliary enterprise revenues		
Vending	9,270	10,472
Bookstore	630,195	654,967
Convention Center	499,654	476,526
Other receipts	36,658	39,412
Payments to employees	(7,954,196)	(8,038,483)
Payments of employee benefits	(2,581,166)	(2,731,455)
Payments to suppliers	(5,754,448)	(5,245,226)
Loans issued to students and employees	(200)	
Scholarships	(1,474,734)	(1,588,220)
Net cash provided (used) by operating activities	(10,654,265)	(10,568,387)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	7,012,864	6,967,269
Federal grants and contracts	4,135,138	4,006,633
Loans to students - Direct Loans & Private (Inflows)	4,802,417	5,417,953
County millage	329,850	286,041
Gifts	243,689	427,463
Agency funds - net	5,469	(8,348)
Loans to students - Direct Loans & Private (Outflows)	(4,802,417)	(5,417,953)
Net cash provided (used) by non-capital financing activities	11,727,010	11,679,058
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	392,500	
Proceeds from sale of capital assets	2,451	2,303
Purchase of capital assets	(1,709,455)	(564,798)
Principal paid on certificate of indebtedness	(52,721)	(51,657)
Interest and fees paid on certificate of indebtedness	(5,867)	(6,931)
Principal paid on capital debt	(75,000)	(70,000)
Interest and service fees paid on capital debt	(145,312)	(147,621)
Net cash provided (used) by capital and related financing activities	(1,593,404)	(838,704)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,430	14,728
Proceeds from sales and maturities of investments		1,160,925
Purchase of investments	(273,437)	
Net cash provided by investing activities	(272,007)	1,175,653
Net increase (decrease) in cash and cash equivalents	(792,666)	1,447,620
Cash and cash equivalents-beginning of year	6,784,846	5,337,226
Cash and cash equivalents-end of year	\$ 5,992,180	\$ 6,784,846

(Continued on next page)

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
*(With Comparative Figures for the year ended June 30, 2013)*

Exhibit C

	<b>2014</b>	<b>2013</b>
<b>Reconciliation of net operating revenues (expenses)</b>		
<b>to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (11,843,573)	\$ (11,290,631)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,151,374	1,140,308
Changes in assets and liabilities:		
(Increase) Decrease in Accounts receivables, net	(197,352)	35,340
(Increase) Decrease in Employee and Student loans receivable, net	(200)	
(Increase) Decrease in Other receivables	409,743	(224,273)
(Increase) Decrease in Inventories	(181,289)	(28,591)
(Increase) Decrease in Prepaid expenses	(184,675)	(11,452)
Increase (Decrease) in Accounts payable and accrued liabilities net of payables for capital assets (\$102,745 and \$55,394)	55,262	(193,174)
Increase (Decrease) in Refunds payable	25,313	(19,057)
Increase (Decrease) in Unearned revenue	122,963	(15,807)
Increase (Decrease) in Compensated absences	(24,123)	32,865
Increase (Decrease) in OPEB obligation	12,292	6,085
Net cash provided (used) by operating activities	\$ (10,654,265)	\$ (10,568,387)
 <b>Non-cash transactions:</b>		
State of Arkansas vehicle replacement program		\$ 22,825

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, 2014**

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**Cash Flows from Operating Activities**

Change in net assets	\$ 117,636
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(176,106)
Depreciation	1,365
Capital campaign contributions	(192,116)
Gain on sale of fixed assets	(2,382)
Decrease in pledge receivables	39,115
Increase in accrued interest receivable	(1)
Decrease in prepaid expenses	159
Decrease in accounts payable	459,096
Increase in scholarships payable	(3,318)
Increase in refundable advances	(27,005)
	<hr/>
<b>Net cash provided by operating activities</b>	<b>216,443</b>

**Cash Flows from Investing Activities**

Proceeds from sale of fixed assets	17,510
Proceeds from sale of investments	254,529
Purchases of investments	(428,103)
	<hr/>
<b>Net cash used in investing activities</b>	<b>(156,064)</b>

**Cash Flows from Financing Activities**

Contributions for capital campaign	192,116
	<hr/>
<b>Net cash provided by financing activities</b>	<b>192,116</b>

**Net Increase in Cash** 252,495

**Cash and Cash Equivalents at  
Beginning of Year** 1,054,655

**Cash and Cash Equivalents at  
End of Year** \$ 1,307,150

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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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 no. 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 no. 39.

During the year ended June 30, 2014, the Foundation transferred the following amounts to the College:

For scholarships	\$ 37,703
For reimbursement of expenses	<u>37,601</u>
Total	<u>\$ 75,304</u>

The College had a receivable from the Foundation on June 30, 2014, in the amount of \$468,148 which consists of \$466,876 for the Heritage Plaza project, \$908 for operations, and \$364 for an endowed scholarship. 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 statement 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 Statement no. 34 and no. 35 provides a comprehensive, entity-wide perspective of South Arkansas Community College's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**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.

**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.

**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.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**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 assets. Investments consist of certificates of deposit with an original maturity date of greater than ninety days.

**Restricted/Unrestricted Resources**

The College does not have a formal policy addressing which resources to use when both restricted and unrestricted net position 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, 2014 for full-time benefits eligible 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. Compensatory accrued time is limited to 240 hours per federal regulations.

**Compensated Absences Payable**

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, 2014, 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; and (3) other postemployment benefits payable (Note 9).

**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 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 15 of the same calendar year.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**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.

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

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 750,005	\$ 750,005
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	6,065,235	6,575,843
Total Deposits	\$ 6,815,240	\$ 7,325,848

The above deposits do not include cash on deposit in the state treasury in the amount of \$250,037 or cash on hand in the amount of \$345 for change funds as of June 30, 2014. The above total deposits include certificates of deposit of \$1,073,437 as of June 30, 2014, reported as investments and classified as nonparticipating contracts and deposits with trustees of \$5.

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

The accounts receivable of \$390,668 at June 30, 2014, consisted of student accounts receivable of \$493,129, which was reduced by an allowance for doubtful accounts of \$102,461.

Other receivables of \$998,767 at June 30, 2014, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 422,024
Vendor refunds	74,750
Conference Center receivable	33,437
Accrued interest receivable	168
Due from Foundation	468,148
Due from employees and employee organization	240
Total	\$ 998,767



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 3: Disaggregation of Receivable and Payable Balances (Continued)**

The accounts payable and accrued liabilities of \$527,653 at June 30, 2014, consisted of:

	Current	Non-Current
Due to vendors	\$ 353,801	\$ 26,250
Salaries and benefits	107,920	
Accrued interest payable	36,378	
Unclaimed property payable to the state	3,304	
Total	\$ 501,403	\$ 26,250

**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.

**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,588,169	\$ 64,039		\$ 1,652,208
Construction-in-progress	49,693	992,841		1,042,534
Total capital assets not depreciated	\$ 1,637,862	\$ 1,056,880	\$ 0	\$ 2,694,742
<b>Other capital assets:</b>				
Improvements and infrastructure	\$ 917,361			\$ 917,361
Buildings	25,341,630	\$ 137,912		25,479,542
Equipment	2,829,967	132,170	\$ 199,280	2,762,857
Library holdings	504,840	36,243	72,990	468,093
Intangibles - software	215,134	448,994		664,128
Total other capital assets	29,808,932	755,319	272,270	30,291,981
Less accumulated depreciation for:				
Improvements and infrastructure	417,701	40,722		458,423
Buildings	9,282,071	778,780	1,556	10,059,295
Equipment	2,173,293	260,951	199,448	2,234,796
Library Holdings	300,764	42,953	72,990	270,727
Intangibles - software	151,005	27,967		178,972
Total accumulated depreciation	12,324,834	1,151,373	273,994	13,202,213
Other capital assets, net	\$ 17,484,098	\$ (396,054)	\$ (1,724)	\$ 17,089,768
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 1,637,862	\$ 1,056,880		\$ 2,694,742
Other capital assets at cost	29,808,932	755,319	\$ 272,270	30,291,981
Total cost of capital assets	31,446,794	1,812,199	272,270	32,986,723
Less accumulated depreciation	12,324,834	1,151,373	273,994	13,202,213
Capital assets, net	\$ 19,121,960	\$ 660,826	\$ (1,724)	\$ 19,784,510

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 6: Long-term Liabilities**

The retirement of the 2009 bond issue is secured by a pledge of millage receipts. Debt service payments on existing bonds amounted to \$217,893 for the fiscal year ended June 30, 2014. Debt service payments on the certificate of indebtedness, 2003, amounted to \$58,588 for the fiscal year ended June 30, 2014.

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2014	Principal Payments Made Thru June 30, 2014
10/28/2003	10/1/2018	2.05%	\$ 750,000	\$ 246,591	\$ 503,409
10/1/2009	4/1/2039	3.25 - 5%	3,590,000	3,165,000	425,000
Totals			<u>\$ 4,340,000</u>	<u>\$ 3,411,591</u>	<u>\$ 928,409</u>

Changes in long-term liabilities are as follows:

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014	Principal due within one year
Certificate of indebtedness payable (2003)	\$ 299,312		\$ 52,721	\$ 246,591	\$ 53,807
General obligation bonds payable (2009)	3,240,000		75,000	3,165,000	75,000
Discount on bonds	(43,870)		(1,703)	(42,167)	(1,703)
Compensated absences payable - other than sick leave	353,130	\$ 339,701	339,820	353,011	34,329
Compensated absences payable - sick leave	181,605	1,696	25,701	157,600	9,456
Totals	<u>\$ 4,030,177</u>	<u>\$ 341,397</u>	<u>\$ 491,539</u>	<u>\$ 3,880,035</u>	<u>\$ 170,889</u>

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

Year Ended June 30	Principal	Interest	Total
2015	\$ 128,807	\$ 145,235 *	\$ 274,042
2016	134,916	141,690	276,606
2017	136,047	137,958	274,005
2018	142,202	134,203	276,405
2019	109,619	130,307	239,926
2020-2024	485,000	605,125	1,090,125
2025-2029	595,000	497,862	1,092,862
2030-2034	740,000	346,394	1,086,394
2035-2039	940,000	145,250	1,085,250
Total	<u>\$ 3,411,591</u>	<u>\$ 2,284,024</u>	<u>\$ 5,695,615</u>

\* Includes interest payable of \$36,378 recorded as a current liability at June 30, 2014.

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

A. Bonds payable consisted of the following at June 30, 2014:

Union County Community College District General Obligation Bonds  
(South Arkansas Community College), Series 2009, issued in the  
original amount of \$3,590,000 and maturing in varying amounts to  
April 1, 2039, with variable interest rates from 3.25% to 5% \$3,165,000

B. Pledged Revenues consisted of the following at June 30, 2014:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2014 Prin + Interest	Revenue Source	FY 2014 Revenue	% of Rev Pledged in FY 14
2009	2039	Construction- Health Science Building	\$ 5,436,393	\$ 217,893	County Millage	\$ 293,163	74.3%

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**Note 8: Commitments**

The College was contractually obligated on the following at June 30, 2014:

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
On-call professional service		
On call Architect Contract	June 30, 2015	\$ 200,792
Construction - Heritage Plaza	September 30, 2014	408,129
Construction - McWilliams House	December 31, 2014	43,988
Total Construction Obligations		<u>\$ 652,909</u>

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

Copier Leases	Amount
2015	\$ 49,432
2016	27,541
2017	13,314
2018	1,430
Total	<u>\$ 91,717</u>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2014, were \$49,473.

**Note 9: 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%, 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, 2014**

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**Note 9: Other Postemployment Benefits (Continued)**

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 employee and employer contribution rates of active plan members were an average of \$140 and \$419, respectively.

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

1. Actuarially Required Contribution	\$46,937
2. Interest on Net OPEB Obligation	6,450
3. Adjustment to (1)	<u>-8,583</u>
4. Annual OPEB Cost (1) + (2) - (3)	\$44,804
5. Actual Contribution Made	<u>32,512</u>
6. Increase in Net OPEB Obligation (4) – (5)	\$12,292
7. Net OPEB Obligation Beginning of Year	<u>135,788</u>
8. Net OPEB Obligation End of Year	<u>\$148,080</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 and the preceding fiscal years, were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2014	\$ 44,804	72.6%	\$ 148,080
6/30/2013	42,852	85.8%	135,788
6/30/2012	43,109	58.6%	129,703

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 326,530
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 326,530</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll	\$ 8,011,246
UAAL as a percentage of covered payroll	4.1 %

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.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**Note 9: Other Postemployment Benefits (Continued)**

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.

In the July 1, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.75 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, 2013, was thirty years.

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

**Note 10: 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 – 10% 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 participant's contributions for the year ended June 30, 2014 were \$332,004 and \$283,203 and for the year ended June 30, 2013, were \$328,340 and \$279,657, 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 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 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 contacting the 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 Trustee, based on the annual actuarial valuation. The 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, 2014, 2013, and 2012 were \$287,437, \$348,707, and \$383,893, respectively.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 10: 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 contacting the 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 fiscal 13/14 employer rate for higher education entities was 14.88% of covered salaries. The College's contributions to APERS for the years ended June 30, 2014, 2013, and 2012, were \$192,407, \$174,708, and \$130,008, respectively, equal to the required contributions for each year.

Summary of employer contributions:

<u>Retirement Plan</u>	<u>Institutional Contributions for the Years Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Alternate Retirement Plan	\$ 332,004	\$ 328,340	\$ 340,916
AR Public Employees Retirement	192,407	174,708	130,008
AR Teachers Retirement	<u>287,437</u>	<u>348,707</u>	<u>383,893</u>
 Total	 <u>\$ 811,848</u>	 <u>\$ 851,755</u>	 <u>\$ 854,817</u>

**Note 11: Natural Classifications with Functional Classifications**

The operating expenses by functional classification were as follows:

	<u>For the Year Ended June 30, 2014</u>					
	<u>Salaries</u>	<u>Fringe Benefits</u>	<u>Supplies &amp; Services</u>	<u>Scholarships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 4,356,289	\$ 1,317,210	\$ 1,270,268			\$ 6,943,767
Public Service	173,439	57,612	86,900			317,951
Academic Support	404,340	142,042	49,393			595,775
Student Support	1,217,337	396,470	438,629			2,052,436
Institutional Support	1,129,808	352,133	834,066			2,316,007
M & O	545,378	230,915	964,636			1,740,929
Scholarships				\$ 1,474,734		1,474,734
Depreciation					\$ 1,151,374	1,151,374
Subtotal	<u>7,826,591</u>	<u>2,496,382</u>	<u>3,643,892</u>	<u>1,474,734</u>	<u>1,151,374</u>	<u>16,592,973</u>
Auxiliary	184,655	67,946	1,782,813			2,035,414
Total	<u>\$ 8,011,246</u>	<u>\$ 2,564,328</u>	<u>\$ 5,426,705</u>	<u>\$ 1,474,734</u>	<u>\$ 1,151,374</u>	<u>\$ 18,628,387</u>

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
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**Note 11: Natural Classifications with Functional Classifications (Continued)**

Total scholarships for fiscal year 13/14 were \$4,941,384; however, \$3,466,650 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Position.

**Note 12: 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, 2014		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	<u>\$ 707</u>	<u>\$ 1,559</u>	<u>\$ 2,266</u>

**Note 13: 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. On May 20, 2014, the agreement was renewed for an additional five years. 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 14: 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, 2014	\$ 365,299
Less: Non-Expendable Portion of True Endowments	<u>364,321</u>
Donor-Restricted Endowments Available for Expenditure	<u>\$ 978</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, 2014**

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**Note 15: 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 \$250,000 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 coverage of 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 16: 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 17: 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.

**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**Note 17: Title III Program Endowment Fund Campaign (Continued)**

Title III endowment funds can be used for educational purposes. For the year ended June 30, 2014, endowment funds were deposited in an interest-bearing account. Contributions, matching, and investment income are as follows:

	<u>6/30/2014</u>		<u>6/30/2013</u>		<u>6/30/2012</u>		<u>6/30/2011</u>		<u>Total</u>
<b>Interest</b>	\$ 262						\$ 391	\$	653
<b>Contribution</b>	46,004	\$	46,005	\$	79,991		28,000		200,000
<b>Matching</b>	46,004		79,991				28,000		153,995
<b>Total</b>	<u>\$ 92,270</u>	<u>\$</u>	<u>125,996</u>	<u>\$</u>	<u>79,991</u>	<u>\$</u>	<u>56,391</u>	<u>\$</u>	<u>354,648</u>
<b>Expendable Interest 50%</b>	<u>\$ 131</u>					<u>\$</u>	<u>196</u>	<u>\$</u>	<u>327</u>

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 18: Related Party Transaction**

Mr. Stephen Cameron is a member of the Board of Trustees of South Arkansas Community College through December 31, 2016. Mr. Stephen Cameron is the CEO of First Financial Bank of El Dorado. In December, 2012, the College deposited substantially all of its operational deposits into First Financial Bank of El Dorado.

**Note 19: Restatement of Prior Year Financial Statements**

Certain adjustments have been made to the June 30, 2013 financial statement amounts. These adjustments were made to conform to GASB Statement no. 65, *Items Previously Reported as Assets and Liabilities*, which covers, but is not limited to, the accounting treatment of bond issuance costs and debt refunding transactions. Specifically, the Statement of Net Position was restated to eliminate, as an asset, unamortized bond issuance costs of \$29,040 and reduce the net position by the same amount. The Statement of Revenues, Expenses, and Changes in Net Position was restated to reduce the 2013 interest and other cost by \$1,128 and to reduce the beginning net position by \$30,168.

**Note 20: Subsequent Events**

The College issued refunding bonds, dated July 1, 2014, in the amount of \$3,330,000 bearing interest from 2% to 4% to advance refund series 2009 bonds that bore interest from 3.25% to 5%. The refunding issue reduced the College's debt service by approximately \$258,443 over a period of 25 years.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Cost Element	Fiscal Year Ended Amount	June 30, 2014 % of Payroll <sup>1</sup>
1 Unfunded actuarial accrued liability at July 1, 2013	\$ 326,530	4.1%
Annual Required Contribution (ARC)		
2 Normal Cost	\$ 25,105	
3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years	19,704	
4 Interest	2,128	
5 Annual Required Contribution (ARC = 2 + 3 + 4)	<u>\$ 46,937</u>	0.6%
Annual OPEB Cost (Expense)		
6 ARC	\$ 46,937	
7 Interest on beginning of year accrual	6,450	
8 Amortization of beginning of year accrual	8,583	
9 Fiscal 2008 OPEB cost (6 + 7 - 8)	<u>\$ 44,804</u>	0.6%
End of Year Accrual (Net OPEB Obligation)		
10 Beginning of year accrual	\$ 135,788	
10a Actuarial adjustment	0	
11 Annual OPEB Cost	44,804	
12 Employer contribuion (benefit payments) <sup>2</sup>	32,512	
13 End of year accrual (10 + 10a + 11 - 12)	<u>\$ 148,080</u>	1.8%

<sup>1</sup> Annual payroll for the plan participants for fiscal year 2014 was \$8,011,246.

<sup>2</sup> Actual contributions paid in fiscal year 2014 of \$25,167 plus implicit subsidy of \$7,345.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions <sup>3</sup>	Percentage Contributed
June 30, 2014	\$44,804	\$32,512	72.6%
June 30, 2013	42,852	36,767	85.8%
June 30, 2012	43,109	25,262	58.6%

<sup>3</sup> Since there is no funding, these are actual payments plus implicit subsidy.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**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 <sup>4</sup>	UAAL as a % of Covered Payroll (d) / (f)
7/1/2013	\$ 0	\$326,530	\$326,530	0.0%	\$8,045,268	4.1%
7/1/2011	0	292,085	292,085	0.0%	7,869,280	3.7%
7/1/2009	0	276,633	276,633	0.0%	6,915,539	4.0%
7/1/2007	0	262,712	262,712	0.0%	5,782,643	4.5%

<sup>4</sup> Payroll as of July 1, 2013, 2011, 2009, and 2007 includes only plan participants.

The annual OPEB cost of \$44,804 for fiscal year 2014 and accrual of \$148,080 as of June 30, 2014, 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, 2014	\$44,804	72.6%	\$148,080
June 30, 2013	42,852	85.8%	135,788
June 30, 2012	43,109	58.6%	129,703

**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 2014.

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.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Actuarial Methods and Assumptions**

Valuation year: July 1, 2013 – June 30, 2014

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: 4.75%

Projected Payroll Growth Rate: N/A

Health Care Cost Trend Rate: 10% in fiscal year 2015, 9% in fiscal year 2016, 8% in fiscal year 2017, and then decreasing by one half percentage point per year to an ultimate rate of 5% in fiscal year 2023, and after.

<u>Year</u>	<u>Rate</u>
2015	10.0%
2016	9.0%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023	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.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Actuarial Methods and Assumptions (Continued)**

Base Claim Costs (Con't):                      The following subsidy was assumed:

	Implicit Subsidy	Maximum Explicit Subsidy*	MAX TOTAL NET	Minimum Retiree Payment
Retiree, no Medicare	\$122.41	\$495.00	\$617.41	\$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.)

<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 \$122.41 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.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Actuarial Methods and Assumptions (Continued)**

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

	<u>July 1, 2013</u>
Number of Active Employees	158
Number of Retirees Covered	
Under 65	5
Over 65	0

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

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 assumption used by the Arkansas Teachers Retirement System was used. Termination at some sample ages are:

	Termination Rate Per
<u>Age</u>	<u>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

**SOUTH ARKANSAS COMMUNITY COLLEGE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Actuarial Methods and Assumptions (Continued)**

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

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

**Consideration of Future  
 Mortality Improvements**

Future mortality improvements were not considered in developing the results in the report.

A change in the life expectancy table would normally have the greatest impact on current retirees. However, the bulk of the cost impact of this program is incurred before a person reaches age 65. Thus, liabilities are significantly more volatile with regards to the other assumptions (i.e., discount rate, retirement age, turnover, health care trend rate) than mortality.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Actuarial Methods and Assumptions (Continued)**

**Change to Assumptions**                      The assumed discount rate was lowered from 5.25% (7/1/11 valuation) to 4.75%. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2013, by \$15,082, and the ARC and Annual OPEB cost for 2013-14 by \$1,775.

**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.

1	\$40,000
2	62,000
3	41,000
4	44,000
5	41,000
6	34,000
7	25,000
8	35,000
9	22,000
10	32,000

SOUTH ARKANSAS COMMUNITY COLLEGE  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2014	2013	2012	2011	2010
Total Assets and Deferred Outflows	\$ 29,210,502	\$ 28,482,334	\$ 28,515,416	\$ 27,808,455	\$ 27,349,834
Total Liabilities and Deferred Inflows	4,917,551	4,744,486	5,007,315	5,041,423	5,610,035
Total Net Position	24,292,951	23,737,848	23,508,101	22,767,032	21,739,799
Total Operating Revenues	6,784,814	7,381,190	7,156,320	6,521,772	5,340,511
Total Operating Expenses	18,628,387	18,671,821	18,777,536	18,413,774	15,859,177
Total Net Non-Operating Revenues	12,006,176	11,527,721	12,384,672	12,602,866	1,403,653
Total Other Revenues, Expenses, Gains or Losses	392,500	22,825	(22,387)	316,369	1,451,052