

# Arkansas



**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair

**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

September 3, 2021

To the President and Board of Trustees  
South Arkansas Community College (College)

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College for the year ended June 30, 2020 and have issued our report thereon dated July 22, 2021. Ark. Code Ann. § 6-1-101(d) requires the College's board or governing body to review the audit report and any accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the audit report if the audit report is received by the board or governing body prior to 10 days before the regularly scheduled meeting. If the audit report is received by the board or governing body within 10 days before a regularly scheduled meeting, the audit report may be reviewed at the next regularly scheduled meeting after the 10 day period. The aforementioned Code also requires the board or governing body to take appropriate action relating to each finding and recommendation contained in the audit report and also requires documentation of this review and the action taken by the board or governing body in the minutes of the board or governing body. Audit findings are disclosed on page 4 in the enclosed audit report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated January 26, 2021. Professional standards also require that we provide you with the following information related in our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives in capital assets depreciation calculation is based on industry standards. Management's estimate of other postemployment benefits is a result of actuarial valuations calculated by a specialist. Estimates of the net pension liability and certain related deferred inflows and outflows were provided to management by personnel of the applicable retirement systems. We evaluated the key factors and assumptions used to develop the useful lives of capital assets, the other post-employment benefits liability, and pensions in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Material misstatements detected as a result of audit procedures and corrected by management are disclosed in the 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* in the enclosed audit report.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the Management Representation Letter dated July 22, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship.

*Other Matters*

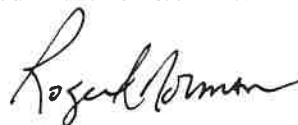
We applied certain limited procedures to the Management's Discussion and Analysis, certain information pertaining to pensions, and certain information pertaining to postemployment benefits other than pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Selected Information for the Last Five Years, which accompanies the financial statements but is not RSI. 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.

*Restriction on Use*

This information is intended solely for the information and use of the Board of Trustees and College management and is not intended to be, and should not be, used by anyone other than these specified parties.

ARKANSAS LEGISLATIVE AUDIT



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

**South Arkansas Community College**

**El Dorado, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2020**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTH ARKANSAS COMMUNITY COLLEGE  
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# Arkansas

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## 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, 2020, 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 represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Arkansas Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Arkansas Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior Year Comparative Information*

We have previously audited the College's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated May 27, 2020. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019, 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, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-12, 46-48, and 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
July 22, 2021  
EDHE19320

# Arkansas



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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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 22, 2021. Our report includes a reference to other auditors who audited the financial statements of 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report, that we consider to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the College in a separate letter dated July 22, 2021.

## AUDIT FINDINGS

### Material Weakness

Financial Statements are the responsibility of the College's management and should be presented in conformity with accounting principles generally accepted in the United States of America. The College has policies and procedures to properly record and classify transactions in the financial statements; however, a material misstatement in the financial statements was detected during the audit. This misstatement had no effect on the College's reported net position at June 30, 2020; and the financial statements were subsequently corrected by College personnel during audit fieldwork. Key errors in the Comparative Statement of Cash Flows and the Notes to the Financial Statements included:

### Comparative Statement of Cash Flows

Cash Flows from Operating Activities for Payments to Suppliers was overstated by \$574,916 and Cash Flows from Capital and Related Financing Activities for the Purchase of Capital Assets was understated by \$574,916.

### Notes to the Financial Statements

- a) The pension expense amount was overstated \$766,576. Deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date was overstated \$228,668.
- b) Cash on deposit in state treasury was understated \$559,578.
- c) Insured (FDIC) coverage was overstated and collateralized deposits were understated by \$250,000.
- d) Amounts reported for operating expenses by functional classifications included errors totaling \$245,968 and was not in agreement with the amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.
- e) Amount reported for county millage revenue source related to pledged revenues was overstated \$218,562 and was not in agreement with the amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.
- f) Bonds payable as of year-end was overstated \$110,000.

A similar finding was reported in the previous five audits.

Management Response: A change of controllers took place during the compilation of the end of year financial statements, delaying the final product. Due to the delay the CFO, who had taken on additional duties during the Pandemic, did not perform a scheduled thorough quality review with the Controller and Accounting Manager prior to finalizing financial statements. While the review would likely have not caught the misstatement found in Finding 1, the review should have caught all or most of the issues with the notes to the financial statements. Specifically:

- 1) The Cash Flows misstatement was due to putting the remaining Administration costs from a near catastrophic fire in the Administration Building in supplies instead of the capital assets line. This error occurred during the change of controllers.
- 2) Financial Notes:
  - a) The Controller pulled the wrong reports to update the note information from APERS and ATRS. There was information missing from the report and the update to the pension expense was, therefore, inaccurate. When Controller did a Journal Entry to record deferred inflows/outflows, one entry was booked, causing the error in the deferred outflows.
  - b) Cash on deposit was not listed properly in the notes and should have been listed as a separate line.
  - c) A correction was made in the last audit, but workpapers were not updated with corrected amount and the new controller was not aware of the change.
  - d) The primary difference in operating expenses occurred in fringe benefits and pension expense, which was not included in the functional classification total.
  - e) A prior year audit correction was not completed on SouthArk's books for Property Tax/county millage, causing this error. A correction made for this was included with FY 19-20 journal entry to record 19-20 adjustments.
  - f) Current year bond payment was included in the calculation and should not have been, overstating the amount.

The VPFA/Controller office will conduct a review of all prior year audit adjustments to be sure they were properly entered to adjust to the final audited financial statements. The VPFA/Controller office will reinstate a complete review after the books have been closed to review financial statement preparation and all notes there within for accuracy and completeness.



### College's Response to Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
July 22, 2021

# Arkansas

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## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

South Arkansas Community College  
Legislative Joint Auditing Committee

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, 2020, as reported to the Arkansas Division 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>2019</u>	<u>Fall Term</u> <u>2019</u>	<u>Spring Term</u> <u>2020</u>	<u>Summer I Term</u> <u>2020</u>
Student Headcount	254	1,412	1,300	494
Student Semester Credit Hours	1,015	12,425	11,528	3,523

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 Roger Norman in cursive.

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

Little Rock, Arkansas  
July 22, 2021

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

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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, 2020, with the fiscal year 2018/19 prior year data presented for comparative purposes. The Financial Report of the College is prepared following the financial statement model as developed and required by the Government Accounting Standards Board (GASB). GASB is the governing body over financial statements for public higher education and all state and local governments. The objectives of the reporting format is to enhance the understanding and usefulness of the external financial reports to all users of the statements including creditors, legislative and oversight bodies. In addition to the Management's Discussion and Analysis section, the Financial Report includes a Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Financial Statements.

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

***Statement of Net Position***

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

Net position divided into four major categories:

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

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

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

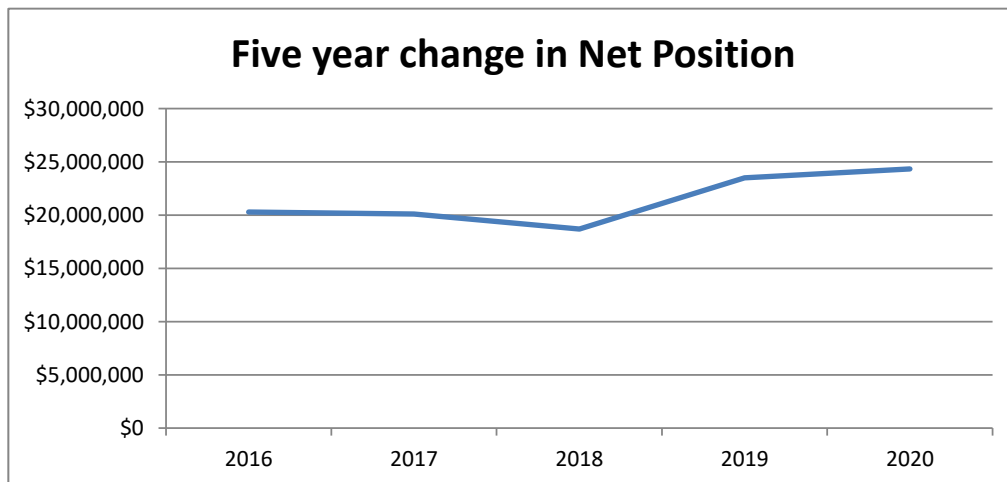
*Unrestricted net position -* net assets that are not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose in not limited by contractual agreements with outside parties.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

**Statement of Net Position (Continued)**

	June 30, 2020	June 30, 2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current assets	\$ 9,380,520	\$ 9,962,629
Capital assets, net	25,620,444	24,686,017
Other assets	439,251	430,660
Deferred outflows of resources	1,209,286	1,716,358
Total Assets and Deferred Outflows	<u>\$ 36,649,501</u>	<u>\$ 36,795,664</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current liabilities	\$ 998,722	\$ 1,518,261
Noncurrent liabilities	10,104,665	10,487,105
Deferred inflows related to pensions	1,213,063	1,302,029
Total Liabilities and Deferred Inflows	<u>\$ 12,316,450</u>	<u>\$ 13,307,395</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	\$ 19,415,911	\$ 19,415,911
Restricted		
Non-Expendable	425,013	430,956
Expendable	1,873,809	1,894,223
Unrestricted	2,618,318	1,747,179
Total Net Position	<u>\$ 24,333,051</u>	<u>\$ 23,488,269</u>

The College's total assets and deferred outflows of resources decreased \$146,163, total liabilities and deferred inflows of resources decreased \$990,945, and net position increased \$844,782. Deferred outflows and liabilities changed in 2019/2020 due the actuarial calculations of GASB 67 and GASB 75 for pension and other post employment benefits.



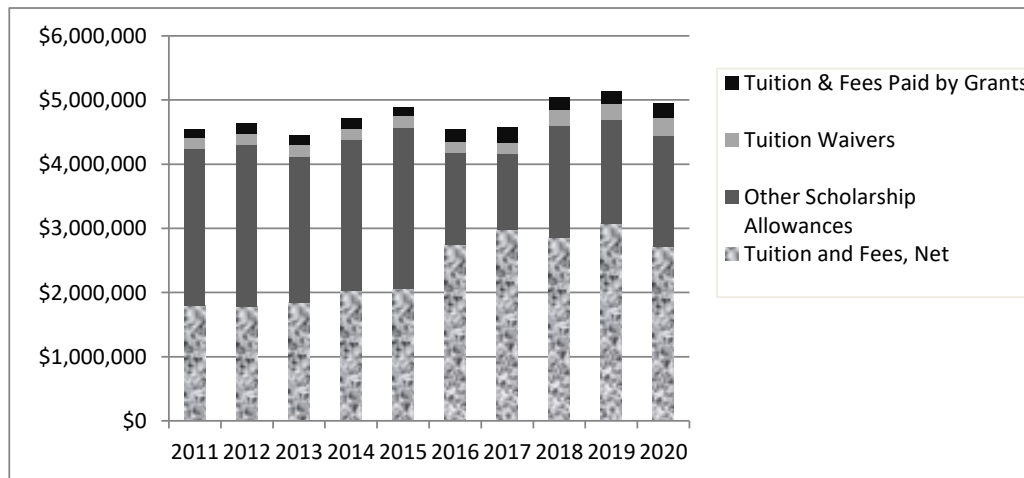
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

***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, 2020	June 30, 2019
Operating revenues	\$ 7,425,456	\$ 7,712,137
Operating expenses	18,762,863	18,327,047
Operating loss	(11,337,407)	(10,614,910)
Non-operating revenues and expenses	11,529,042	11,091,473
Income before other revenues and expenses	191,635	476,563
Other revenues and expenses	635,615	4,571,260
Increase in Net Position	827,250	5,047,823
Net Position, beginning of year	23,488,269	18,700,661
Restatement of prior year balance (Note 21)	17,532	(260,215)
Net Position, end of year	<u>\$ 24,333,051</u>	<u>\$ 23,488,269</u>

Gross tuition and fees revenues decreased \$248,225 which is a 5.3% decrease over the previous year. The following chart shows the history of gross tuition and fees revenues after 2011.

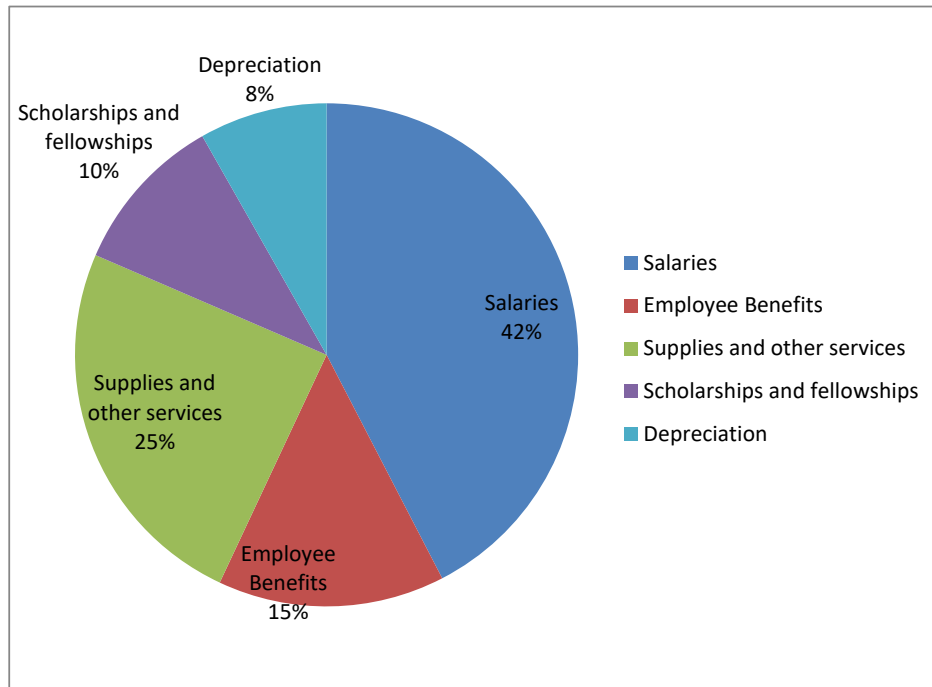


**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

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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 1.05% from the previous year, and accounted for 57% of the total operating expense of \$18,762,863. Supplies and other services decreased .35% from the previous year which is largely due to the decreases in expenses related to the decrease in spending for corporate education, adult education and the restricted grants. Scholarships expense increased 12.26% from the previous year due to a \$366,750 increase in our CARES Grant for Students.

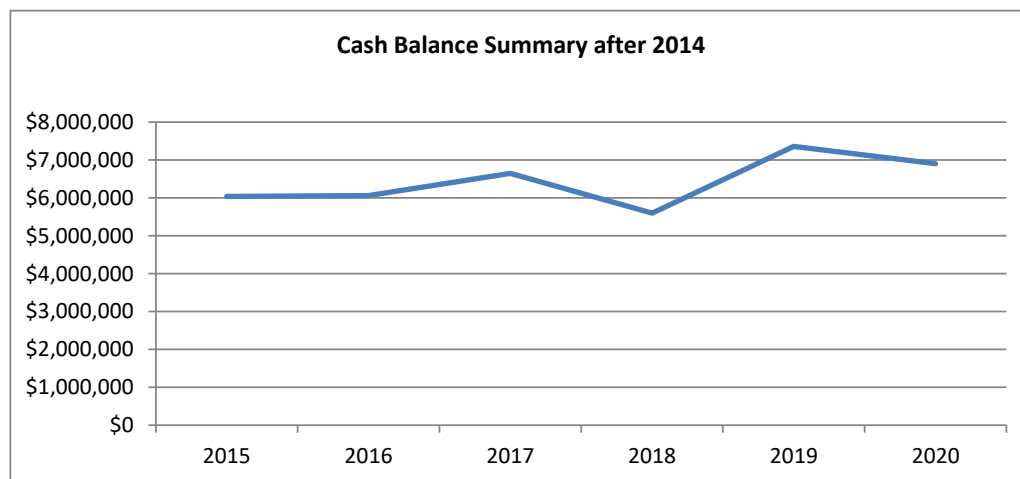
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

**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. The College experienced a fire in the Administration Building and resulting water damage April 2018, accounting for a receipt of \$1,162,336 from the insurance company and payment of restoration expenses and construction costs on the restoration of the building.

	Year Ended	
	June 30, 2020	June 30, 2019
Cash provided (used) by:		
Operating activities	\$ (9,311,254)	\$ (8,914,501)
Noncapital financing activities	12,256,665	15,778,431
Subtotal	2,945,411	6,863,930
Capital and related financing activities	(3,486,150)	(5,207,101)
Investing activities	111,351	80,085
Net change in cash	(429,388)	1,736,914
Cash, beginning of year	7,334,491	5,597,577
Cash, end of year	\$ 6,905,103	\$ 7,334,491



The increase in the cash balance between 2019 and 2020 is attributable to insurance proceeds received for the reconstruction of the administration building.

**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
JUNE 30, 2020**

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

At June 30, 2020, the College had \$25,620,444 of capitalized assets, net of depreciation of \$19,400,064. In April of 2018 there was a fire in the administration building, resulting in near catastrophic water damage. The building's interior is being rebuilt with \$1,041,160 being added to construction in progress. An additional \$1,090,108 was added to construction in progress for other improvements. In addition, \$5,722,867 in improvements is being transferred from construction in progress. During the fiscal year the college made the following additions and

Equipment	\$ 279,442
Library Holdings	7,752
Land	58,974
Improvements and Infrastructure	5,722,867
Construction in Progress	2,131,268
Total	<u>\$ 8,200,303</u>

More information on capital assets is presented in Note 5.

	Debt Balance 6/30/2019	Debt Balance 6/30/2020
General obligation bonds (2014)	\$ 2,990,000	\$ 2,880,000
Bank of America	2,154,393	2,022,314
Total	<u>\$ 5,144,393</u>	<u>\$ 4,902,314</u>

More information on the debt is presented in Note 6.

***Economic Outlook***

The College's financial position remained stable for fiscal year ended June 30, 2020 as evidenced by an increase in net position. The student headcount for fall year 2019 was 1,412 compared to fiscal year 2018's fall headcount of 1,445. Student semester credit hours for Fall 2019 decreased by 73. Enrollment is predicted to go down for fiscal year 20/21.

The College is in the ninth 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, 2020**  
*(With Comparative Figures as of June 30, 2019)*

Exhibit A

	June 30,	
	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 6,817,196	\$ 7,334,491
Short-term investments	827,196	820,216
Accounts receivable (less allowances of \$149,804 and \$230,411)	101,994	184,792
Property taxes receivable	273,532	342,326
Other receivables	714,245	699,281
Inventories	263,651	284,187
Deposits with trustees	370	272
Prepaid expenses	294,429	297,064
Total Current Assets	<u>9,292,613</u>	<u>9,962,629</u>
Noncurrent Assets		
Cash and cash equivalents	87,907	
Endowment investments	439,251	430,660
Capital assets, net of accumulated depreciation of \$19,400,064 and \$17,882,319 (Note 5)	25,620,444	24,686,017
Total Noncurrent Assets	<u>26,147,602</u>	<u>25,116,677</u>
Total Assets	<u>35,440,215</u>	<u>35,079,306</u>
Deferred Outflows of Resources		
Deferred outflows - pensions	1,103,355	1,611,260
Deferred outflows - other post employment benefits	20,692	15,313
Deferred loss on refunding	85,239	89,785
Total Deferred Outflows	<u>1,209,286</u>	<u>1,716,358</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 36,649,501</u>	<u>\$ 36,795,664</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 388,285	\$ 993,807
Refunds payable	11,735	18,988
Unearned revenue	213,990	162,660
Bonds and leases payable - current portion	243,147	241,593
Compensated absences	42,914	31,463
Other postemployment benefit obligation - current portion	40,082	27,051
Funds held in trust for others	58,569	42,699
Total Current Liabilities	<u>998,722</u>	<u>1,518,261</u>
Noncurrent Liabilities		
Bonds and leases payable	4,650,045	4,893,192
Compensated absences	523,970	520,778
Other postemployment benefit obligation	693,490	615,766
Net pension liability	4,237,160	4,457,369
Total Noncurrent Liabilities	<u>10,104,665</u>	<u>10,487,105</u>
TOTAL LIABILITIES	<u>11,103,387</u>	<u>12,005,366</u>
Deferred Inflows of Resources		
Deferred inflows - pensions	1,196,260	1,283,125
Deferred inflows - other post employment benefits	16,803	18,904
Total Deferred Inflows	<u>1,213,063</u>	<u>1,302,029</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>12,316,450</u>	<u>13,307,395</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	19,415,911	19,415,911
Restricted for:		
Non-expendable		
Scholarships	425,013	430,956
Expendable		
Scholarships	14,509	6,587
Loans	2,454	23,565
Capital Projects	2,253	935
Debt Service	1,618,495	1,618,495
Other	236,098	244,641
Unrestricted	<u>2,618,318</u>	<u>1,747,179</u>
TOTAL NET POSITION	<u>\$ 24,333,051</u>	<u>\$ 23,488,269</u>

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

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

Exhibit A-1

**Statement of Financial Position**  
*June 30, 2020*

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 154,595
Pledges receivable, current portion	50,000
Prepaid expenses	6,189
Investments	<u>3,048,001</u>

**Total Current Assets** 3,258,785

**Fixed Assets, at cost**

Computer Software	6,365
Property and equipment	<u>125</u>
	6,490
Less: accumulated depreciation and amortization	<u>(6,490)</u>

**Total Fixed Assets** 0

**Total Assets** \$ 3,258,785

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 2,397
Refundable advances	<u>10,800</u>

**Total Current Liabilities** 13,197

**Net Assets**

Without donor restrictions	2,350,514
With donor restrictions	<u>895,074</u>

**Total Net Assets** 3,245,588

**Total Liabilities and Net Assets** \$ 3,258,785



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
*(With Comparative Figures for the year ended June 30, 2019)*

Exhibit B

	2020	2019
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$1,728,969 and \$1,620,499)	\$ 2,716,163	\$ 3,072,858
Federal grants and contracts	1,780,107	1,709,306
State and local grants and contracts	1,906,388	1,769,263
Sales and services of educational departments	165,679	163,767
Auxiliary enterprises:		
Vending	8,323	8,989
Bookstore (net of scholarship allowances of \$449,022 and \$517,906)	321,918	358,610
Convention Center	424,886	551,371
Athletics	6,229	
Other operating revenues	95,763	77,973
<b>TOTAL OPERATING REVENUES</b>	<b>7,425,456</b>	<b>7,712,137</b>
<b>OPERATING EXPENSES</b>		
Salaries	7,955,693	8,095,353
Employee benefits	2,736,072	2,709,684
Supplies and other services	4,597,440	4,613,595
Scholarships and fellowships	1,930,650	1,719,829
Depreciation	1,543,008	1,188,586
<b>TOTAL OPERATING EXPENSES</b>	<b>18,762,863</b>	<b>18,327,047</b>
OPERATING INCOME (LOSS)	<b>(11,337,407)</b>	<b>(10,614,910)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State and Federal appropriations	7,310,943	7,068,245
Federal Grants and Contracts	3,772,071	3,426,615
County millage	352,434	570,996
Gifts	122,550	82,926
Interest income	126,785	93,246
Interest and other cost (on capital asset related debt)	(156,096)	(161,311)
Disposal of capital assets (net of accumulated depreciation of \$25,263 and \$27,416)	355	10,756
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>11,529,042</b>	<b>11,091,473</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>191,635</b>	<b>476,563</b>
<b>Other revenues, expenses, gains and losses</b>		
Administration building remediation costs (See Note 20)		(793,807)
Other Costs Associated with Building Fire	(526,721)	(95,745)
Administration building insurance proceeds	1,162,336	5,460,812
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<b>635,615</b>	<b>4,571,260</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
INCREASE (DECREASE) IN NET POSITION	827,250	5,047,823
NET POSITION - BEGINNING OF YEAR	23,488,269	18,700,661
Net position adjustments (Note 21)	17,532	(260,215)
<b>NET POSITION - END OF YEAR</b>	<b>\$ 24,333,051</b>	<b>\$ 23,488,269</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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
General contributions	\$ 41,699	\$ 21,110	\$ 62,809
Endowed contributions	33,016		33,016
Special Events	85,343	1,000	86,343
Investment income (loss)	(11,092)	(2,508)	(13,600)
Net assets released due to satisfaction of program restrictions	49,604	(49,604)	0
<b>Total revenues, gains and other support</b>	<b>198,570</b>	<b>(30,002)</b>	<b>168,568</b>
<b>Expenses</b>			
Program services			
Scholarships	81,827		81,827
Grants and awards	29,543		29,543
<b>Total program services</b>	<b>111,370</b>		<b>111,370</b>
Supporting services			
Management and general	65,880		65,880
Fund raising	50,288		50,288
<b>Total supporting services</b>	<b>116,168</b>		<b>116,168</b>
<b>Total expenses</b>	<b>227,538</b>		<b>227,538</b>
<b>Change in Net Assets</b>	<b>(28,968)</b>	<b>(30,002)</b>	<b>(58,970)</b>
<b>Net Assets - Beginning of Year</b>	<b>2,379,482</b>	<b>925,076</b>	<b>3,304,558</b>
<b>Net Assets - End of Year</b>	<b>\$ 2,350,514</b>	<b>\$ 895,074</b>	<b>\$ 3,245,588</b>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
*(With Comparative Figures for the year ended June 30, 2019)*

Exhibit C

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,834,191	\$ 3,134,262
Grants and contracts	3,693,759	3,740,313
Sales and services of educational activities	82,527	144,850
Auxiliary enterprise revenues		
Vending	8,323	8,989
Bookstore	337,921	442,816
Convention Center	437,450	454,230
Athletics	6,229	
Other receipts	95,763	77,973
Payments to employees	(7,959,320)	(8,099,486)
Payments of employee benefits	(2,388,816)	(2,516,026)
Payments to suppliers	(4,528,631)	(4,582,593)
Scholarships	(1,930,650)	(1,719,829)
Net cash provided (used) by operating activities	(9,311,254)	(8,914,501)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	7,310,943	7,068,245
Federal grants and gifts received	3,772,071	3,426,615
Loans to Students - Direct Loans & Private (Inflows)	1,774,631	1,983,660
County millage	426,364	460,290
Gifts	122,550	151,095
Agency funds - net	(10,878)	100,926
Loans to Students - Direct Loans & Private (Outflows)	(1,774,631)	(1,983,660)
Cash receipts from insurance provider - Extraordinary (Fire)	1,162,336	5,460,812
Extraordinary expense (Fire)	(526,721)	(889,552)
Net cash provided (used) by non-capital financing activities	12,256,665	15,778,431
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	355	10,756
Purchase of capital assets	(3,092,759)	(4,807,179)
Principal Paid on Certificate of Indebtedness		(24,620)
Interest and Fees Paid on Certificate of Indebtedness		(252)
Principal Paid on Capital Lease	(132,079)	(124,372)
Interest and Fees Paid on Capital Lease	(42,823)	(45,439)
Principal paid on capital debt	(110,000)	(105,000)
Interest and service fees paid on capital debt	(108,844)	(110,995)
Net cash provided (used) by capital and related financing activities	(3,486,150)	(5,207,101)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	111,351	80,085
Proceeds from sales and maturities of investments	1,250,876	1,237,926
Purchase of investments	(1,250,876)	(1,237,926)
Net cash provided by investing activities	111,351	80,085
Net increase (decrease) in cash and cash equivalents	(429,388)	1,736,914
Cash and cash equivalents-beginning of year	7,334,491	5,597,577
Cash and cash equivalents-end of year	\$ 6,905,103	\$ 7,334,491

(Continued on next page)



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
*(With Comparative Figures for the year ended June 30, 2019)*

Exhibit C

	2020	2019
<b>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (11,337,407)	\$ (10,614,910)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,543,008	1,188,586
Changes in assets and liabilities:		
(Increase) Decrease in Accounts receivables, net	82,797	148,805
(Increase) Decrease in Employee and Student loans receivable, net	(1,255)	1,105
(Increase) Decrease in Other receivables	25,201	163,965
(Increase) Decrease in Inventories	20,535	115,139
(Increase) Decrease in Prepaid expenses	2,633	(11,329)
(Increase) Decrease in Deferred Outflows	502,525	754,030
Increase (Decrease) in Accounts payable and accrued liabilities net of payables for capital assets (0 and 0)	10,409	(86,893)
Increase (Decrease) in Refunds payable	(7,253)	(6,217)
Increase (Decrease) in Deferred revenue	51,330	(10,217)
Increase (Decrease) in Compensated absences	14,643	12,406
Increase (Decrease) in Deferred Inflows	(88,966)	394,536
Increase (Decrease) in OPEB/Pension obligation	(129,454)	(963,507)
Net cash provided (used) by operating activities	\$ (9,311,254)	\$ (8,914,501)
 <b>Non-cash transactions:</b>		
Noncash transactions		
Amortization of 2014 revenue bond discount	\$ 486	\$ 510
Amortization of 2014 revenue bond deferred loss	4,546	4,766
	\$ 5,032	\$ 5,276

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, 2020*

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**Cash Flows from Operating Activities**

Change in net assets	\$ (58,970)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Unrealized (gain) loss on investments	177,074
Amortization of discount on promises to give	(2,400)
(Increase) decrease in current assets:	
Accounts receivables	500
Pledge receivable	50,000
Prepaid expenses	(875)
Increase (decrease) in current liabilities:	
Accounts payable	(2,694)
Refundable advances	(16,380)
<b>Net cash provided by operating activities</b>	<u>146,255</u>

**Cash Flows from Investing Activities**

Proceeds from sale of investments	221,029
Purchases in investments	(402,359)
<b>Net cash used in investing activities</b>	<u>(181,330)</u>

**Net Increase in Cash** (35,075)

**Cash and Cash Equivalents at Beginning of Year** 189,670

**Cash and Cash Equivalents at End of Year** 154,595

**Supplemental disclosures of cash flow information:**

The Organization received in-kind contributions for their fundraising events during the year ended June 30, 2020 in the amount of \$11,857.

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

**Reporting Entity**

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

**Component Unit**

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

During the year ended June 30, 2020, the Foundation transferred the following amounts to the College:

For scholarships	\$ 81,827
For reimbursements of expenses	<u>96,670</u>
Total	<u>\$178,497</u>

The College had a receivable from the Foundation on June 30, 2020, in the amount of \$42,866 for operations. Complete financial statements for the Foundation may be obtained from the Foundation office at P.O. Box 7010, El Dorado, AR 71731-7010 or viewed online at <http://www.southark.edu/financial-reports>.

The Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements presented within the College's financial statements.



**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, deferred outflows liabilities, deferred inflows net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

**Basis of Accounting**

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

**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.

**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 ninety days or less to be cash equivalents (such as certificates of deposit).

**Accounts Receivable**

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

**Investments**

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

**Inventories**

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

**Non-current Cash and Investments**

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

**Restricted/Unrestricted Resources**

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

**Unearned Revenues**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

**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, 2020 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.

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, 2020, for full-time classified and non-classified employees. The amount is based on a percentage of the number of hours accumulated, and the employee's current daily rate of pay not to exceed \$7,500 paid to the employee or beneficiary of an employee.

**Non-current Liabilities**

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

**Property Taxes**

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

**Scholarship Discounts and Allowances**

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

**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>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 318,418	\$ 326,455
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	<u>7,546,753</u>	<u>7,285,542</u>
Total Deposits	<u>\$ 7,865,171</u>	<u>\$ 7,611,997</u>

The above deposits do not include cash on deposit in state treasury in the amount of \$559,578 and cash on hand in the amount of \$345 for change funds as of June 30, 2020. The above total deposits include certificates of deposit of \$1,266,447 and deposits with trustees of \$370 as of June 30, 2020.

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

The accounts receivable of \$101,994 at June 30, 2020, consisted of student accounts receivable of \$251,798 which was reduced by an allowance for doubtful accounts of \$149,804.

Other receivables of \$714,245 at June 30, 2020, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 365,477
Vendor Refunds	28,201
Conference Center refunds	130,616
Sales and service receivable	144,977
Accrued interest receivable	463
Due from Foundation	42,866
Due from employees and employee organizations	1,645
Total	<u>\$ 714,245</u>

The accounts payable and accrued liabilities of \$388,285 at June 30, 2020, consisted of:

	<u>Current</u>
Due to Vendors	\$ 215,345
Salaries and benefits payable	131,603
Accrued interest receivable	26,032
Unclaimed property payable to the state	15,305
Total	<u>\$ 388,285</u>

**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, 2020:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,975,056	\$ 58,974		\$ 2,034,030
Construction-in-progress	5,157,743	2,131,268	\$ 5,722,867	1,566,144
Total capital assets not depreciated	<u>\$ 7,132,799</u>	<u>\$ 2,190,242</u>	<u>\$ 5,722,867</u>	<u>\$ 3,600,174</u>
<b>Other capital assets:</b>				
Improvements and infrastructure	\$ 4,730,801	\$ 5,722,867		\$ 10,453,668
Buildings	26,085,284			26,085,284
Equipment	3,362,103	279,442		3,641,545
Library holdings	298,450	7,752	25,263	280,939
Intangibles - software	958,898			958,898
Total other capital assets	<u>35,435,537</u>	<u>6,010,061</u>	<u>25,263</u>	<u>41,420,334</u>
Less accumulated depreciation for:				
Improvements and infrastructure	1,243,904	532,290		1,776,194
Buildings	12,836,637	727,819		13,564,456
Equipment	2,931,513	149,623		3,081,136
Library Holdings	186,216	26,961	25,263	187,914
Intangibles - Software*	684,049	106,315		790,364
Total accumulated depreciation	<u>17,882,319</u>	<u>1,543,008</u>	<u>25,263</u>	<u>19,400,064</u>
Other capital assets, net	<u>\$ 17,553,218</u>	<u>\$ 4,467,053</u>	<u>\$ 0</u>	<u>\$ 22,020,270</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 7,132,799	\$ 2,190,242	\$ 5,722,867	\$ 3,600,174
Other capital assets at cost	<u>35,435,537</u>	<u>6,010,061</u>	<u>25,263</u>	<u>41,420,334</u>
Total cost of capital assets	42,568,336	8,200,303	5,748,130	45,020,508
Less accumulated depreciation	<u>17,882,319</u>	<u>1,543,008</u>	<u>25,263</u>	<u>19,400,064</u>
Capital assets, net	<u>\$ 24,686,017</u>	<u>\$ 6,657,295</u>	<u>\$ 5,722,867</u>	<u>\$ 25,620,444</u>

**Note 6: Long-term Liabilities**

The general obligation bonds series 2009 were retired July 1, 2014 by the issuance of the series 2014 bonds. The retirement of the 2014 bond issue is secured by a pledge of millage receipts.

Changes in long-term liabilities are as follows:

	<u>Balance 6/30/2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2020</u>	<u>Principal due within one year</u>
Bank of America - Capital Lease payable (2017)	\$ 2,154,393		\$ 132,079	\$ 2,022,314	\$ 128,633
General obligation bonds payable (2014)	2,990,000		110,000	2,880,000	115,000
Discount on bonds	(9,608)		(486)	(9,122)	(486)
Compensated absences payable - other than sick leave	442,022	\$ 298,728	287,276	453,474	36,109
Compensated absences payable - sick leave	110,219	14,100	10,909	113,410	6,805
Totals	<u>\$ 5,687,026</u>	<u>\$ 312,828</u>	<u>\$ 539,778</u>	<u>\$ 5,460,076</u>	<u>\$ 286,061</u>

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2020</u>	<u>Payments made as of June 30, 2020</u>
7/1/2014	4/1/39	2-4%	\$ 3,330,000	\$ 2,880,000	\$ 450,000
10/28/2016	6/30/32	2.05%	2,406,172	2,022,314	383,858
			<u>\$ 5,736,172</u>	<u>\$ 4,902,314</u>	<u>\$ 833,858</u>

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

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

2014 General Obligation Bonds			
Year Ended	Principal	Interest	Total
June 30	Principal	Interest	Total
2021	\$ 115,000	\$ 104,127	\$ 219,127
2022	110,000	101,310	211,310
2023	115,000	98,340	213,340
2024	120,000	95,062	215,062
2025	125,000	91,463	216,463
2026-2030	695,000	388,713	1,083,713
2031-2035	820,000	252,688	1,072,688
2036-2039	780,000	79,200	859,200
Total	<u>\$2,880,000</u>	<u>\$1,210,903</u>	<u>\$ 4,090,903</u>

Bank of America Capital Lease			
Year Ended	Principal	Interest	Total
June 30	Principal	Interest	Total
2021	\$ 128,634	\$ 40,155	\$ 168,789
2022	136,400	37,452	173,852
2023	135,805	34,668	170,473
2024	143,770	31,817	175,587
2025	152,055	28,799	180,854
2026-2030	896,537	92,450	988,987
2031-2032	429,113	9,267	438,380
Total	<u>\$2,022,314</u>	<u>\$ 274,608</u>	<u>\$ 2,296,922</u>

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

A. Bonds payable consisted of the following at June 30, 2020:

Union County Community College District General Obligation Bonds (South Arkansas Community College), Series 2014, issued in the original amount of \$3,330,000 and maturing in varying amounts to April 1, 2039, with variable interest rates from 2% to 4% \$2,880,000

B. Pledged Revenues consisted of the following at June 30, 2020:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2020 Prin + Interest	Revenue Source	FY 2020 Revenue	% of Rev Pledged in FY 20
2014	2039	Refinance of Series 2009 bond issue	\$ 4,090,903	\$ 216,548	County Millage	\$ 352,434	61.4%

**Note 8: Capital Lease**

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
Energy Performance Contract	\$ 2,280,094	\$ 278,678	\$ 2,001,416
Fiscal Year Ending June 30,			
	2021		\$ 168,789
	2022		173,852
	2023		170,473
	2024		175,587
	2025		180,854
	2026-2030		988,988
	2031-2032		438,379
Total minimum lease payments			2,296,922
Less: Amount representing interest			(274,608)
Total Present Value of Net Minimum Lease Payments			<u>\$ 2,022,314</u>



**Note 9: Commitments**

The College was contractually obligated on the following at June 30, 2020:

A. Construction Contracts

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance</u>
ARState Construction - Gym Restoration	September 30, 2020	\$ 49,557
Master Roof & Remodel - Welding Building Roof	July 31, 2020	5,503
Total Construction Obligations		<u>\$ 55,060</u>

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

Copier/mail machine/Valley services Leases	Amount
2021	\$ 41,386
2022	26,825
2023	16,258
Total	<u>\$ 84,469</u>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2020, were \$40,298.

**Note 10: Other Post-Employment Benefits**

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

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

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

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

This report covers the plan fiscal year ended June 30, 2020, and the sponsor’s fiscal year ended June 30, 2020, using an actuarial valuation date of June 30, 2019. The results for June 30, 2020, and the expense for 2019-20, are based on a “roll forward” of the June 30, 2019 valuation. The measurement date is June 30, 2020. Your plan is a “single-employer” defined benefit OPEB program under GASB 74 and 75.

The College’s employees covered by the benefits terms at June 30, 2020 were as follows:

Active employees	151
Inactive employees receiving benefit payments	<u>3</u>
Totals	154

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

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

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and cost methods:

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

**DISCOUNT RATE:** A single discount rate of:  
3.13% at 6/30/2017  
2.98% at 6/30/2018  
2.79% at 6/30/2019  
2.66% at 6/30/2020

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

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

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

	<u>Member</u>
Premium	\$495.00
Implicit Subsidy	\$353.43

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

**ADMINISTRATIVE COSTS:** None assumed.

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

**SELECTION OF COVERAGE:** We 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.

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

**DATA USED:** We received a census listing from the employer. The data is summarized above.

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

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

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

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

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

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

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

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

Changes in the total OPEB liability for the year ending June 30, 2020 are as follows:

1	Service Cost change	\$ 70,297
2	Interest on Total OPEB Obligation	18,828
3	Benefit payments	<u>(6,237)</u>
4	Annual OPEB Cost (1)+(2)-(3)	82,888
5	Plan assumption changes	<u>7,867</u>
6	Increase in Total OPEB Obligation (4)-(5)	90,755
7	Total OPEB Obligation Beginning of Year	<u>642,817</u>
8	Total OPEB Obligation End of Year	<u><u>\$ 733,572</u></u>

Changes in assumptions and other inputs reflect a change in the discount. The prior full valuation used a discount rate of 2.79 percent. The current full valuation uses a discount rate of 2.66 percent as of June 30, 2020.

**Single Discount Rate**

A single discount rate of 2.66% was used to measure the Total OPEB Liability.

Regarding the sensitivity of the Total OPEB Liability to changes in the single discount rate, and changes in the assumed health care cost trend rate, the following presents the total OPEB liability, calculated using a single discount rate of 2.66%, as well as what the total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher, or using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease to <u>1.66%</u>	Current Single Discount Rate of <u>2.66%</u>	1% Increase to <u>3.66%</u>
Total OPEB Liability	798,224	733,572	673,593
	1% decrease in <u>HCCTR</u>	Assumed <u>HCCTR</u>	1% increase in <u>HCCTR</u>
Total OPEB Liability	<u>627,802</u>	733,572	865,194

For the year ended June 30, 2020, the sponsor recognized OPEB expense of \$89,512. At June 30, 2020, the sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	0	16,803
Changes of assumptions	20,692	
Net difference between projected and actual earnings on OPEB plan investments	0	0
<b>Total</b>	<b>20,692</b>	<b>16,803</b>

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

	Net deferred Outflow of Resources
2021	387
2022	387
2023	387
2024	387
2025	387
Thereafter	1,954
<b>Total</b>	<b>3,889</b>

Detail of OPEB expense is as follows:

Description	Year	Original Amount	Recognition Period	Outflow(Inflow) in Current Expense	Deferred Outflow(Inflow) 7/1/20
Actual vs. Expected	2017-18	0		0	0
Assumption Change	2017-18	7,370	11	670	5,360
Projected vs Actual Earnings	2017-18	0		0	0
Actual vs. Expected	2018-19	(21,005)		(2,101)	(16,803)
Assumption Change	2018-19	10,314		1,031	8,252
Projected vs Actual Earnings	2018-19	0			
Actual vs. Expected	2019-20	0			
Assumption Change	2019-20	7,867	10	787	7,080
Projected vs Actual Earnings	2019-20	0			
<b>Total</b>				<b>387</b>	<b>3,889</b>
Due to Liabilities				(387)	(3,889)
Due to Assets				0	0

**Note 11: Retirement Plans**

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

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

Funding Policy. TIAA/CREF offers contributory plans and members may contribute 6 – 10% of their gross earnings to the plan. The College contributes 10% of employees' earnings for contributory members. Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participant's contributions for the year ended June 30, 2020 were \$421,296 and \$294,381 and for the year ended June 30, 2019, were \$386,568 and \$374,248, respectively.

Arkansas Teacher Retirement System

Summary of Significant Accounting Policies

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

Plan Description. South Arkansas Community College contributes to the Arkansas Teacher Retirement System (ATRS), a cost sharing multiple-employer defined benefit pension plan for certain employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for 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.

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

Arkansas Teacher Retirement System (Continued)

Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

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

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2020, the employer contribution rate was 14.25% of covered employee payroll. Contributions to ATRS from the College were \$227,257 for the year ended June 30, 2020 and \$223,718 for the year ended June 30, 2019.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 6.25% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as noncontributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

Arkansas Public Employees Retirement System

Summary of Significant Accounting Policies

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



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

Arkansas Public Employees Retirement System (Continued)

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

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

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2020, the employer contribution rate, as a percentage of active member payrolls, was 15.32%. Contributions to APERS from the College were \$210,087 for the year ended June 30, 2020 and \$278,226 for the year ended June 30, 2019.

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

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

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

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

At June 30, 2020, the College reported liabilities of \$4,237,160 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. The College proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2019, the College's proportion was .0517% for ATRS and .0862% for APERS.

For the year ended June 30, 2020, the College recognized pension expense of \$638,175. For the year ended June 30, 2020, South Arkansas Community College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	ATRS		APERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 57,910	\$ 22,570	\$ 56,612	\$ 3,090
Net Changes in Assumptions	320,604		112,903	79,963
Net difference between projected and actual earnings on pension plan investments		151,955		15,800
Changes in proportion and differences between College contributions and proportionate share of contributions	31,726	305,185	86,256	617,697
College contributions subsequent to the measurement date	227,257		210,087	
Total	\$ 637,497	\$ 479,710	\$ 465,858	\$ 716,550

\$437,344 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ATRS	APERS
2021	\$ (40,590)	\$ (47,809)
2022	(105,336)	(257,593)
2023	22,317	(162,467)
2024	51,331	7,090
2025	2,808	

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	ATRS	APERS
Date of Actuarial Valuation	6/30/2019	6/30/2019
Inflation Rate	2.75%	3.25%
Salary Increases	2.75% - 7.75%	3.25% - 9.85%
Investment rate of return	7.50%	7.15%
Mortality rates	RP-2014 Healthy Annuitant, Disabled Annuitant and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.	RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service as acceptable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017
Actuarial experience study dates	July 1, 2010 through June 30, 2015	July 1, 2012 through June 30, 2017

**ATRS**

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

**APERS**

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019-2028 were provided by the plan investment consultant.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For each major asset class that is included in each pension plans' target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

	ATRS	
	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	53.00%	5.10%
Fixed Income	15.00%	1.40%
Alternatives	5.00%	4.20%
Real Assets	15.00%	5.00%
Private Equity	12.00%	6.30%
Cash Equivalents	0.00%	0.60%

	APERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.20%
International Equity	24.00%	6.33%
Real Estate	16.00%	3.32%
Absolute Return	5.00%	3.56%
Domestic Fixed	18.00%	1.54%

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

**APERS**

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

**ATRS**

The single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14.25% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

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

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

	1% Decrease	Current Discount Rate	1% Increase
ATRS - Current Discount Rate 7.50%	3,546,374	2,157,043	1,004,798
APERS - Current Discount Rate 7.15%	3,333,909	2,080,117	1,045,682

*Pension plan fiduciary net position.* Detailed information about each pension plan's fiduciary net position is available in the separately issued financial report of each plan. The total pension expense for both plans, recorded in personal services expenditures, for the fiscal year ended June 30, 2020, recorded as individual plan expense was \$193,917 for APERS and \$6,914 for ATRS.

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

The operating expenses by functional classification were as follows:

	For the Year Ended June 30, 2020					Total
	Salaries	Fringe Benefits	Supplies & Services	Scholarships	Depreciation	
Instruction	\$ 4,304,985	\$ 1,448,531	\$ 1,057,358			\$ 6,810,874
Public Service	67,479	27,823	21,815			117,117
Academic Support	209,788	73,871	66,377			350,036
Student Support	1,059,110	399,298	305,174			1,763,582
Institutional Support	1,545,930	551,759	1,035,050			3,132,740
M & O	479,564	154,908	604,374			1,238,846
Scholarships				\$ 1,930,650		1,930,650
Depreciation					\$ 1,543,008	1,543,008
Subtotal	7,666,856	2,656,190	3,090,148	1,930,650	1,543,008	16,886,853
Auxiliary	288,836	79,882	1,507,292			1,876,010
Total	\$ 7,955,693	\$ 2,736,072	\$ 4,597,440	\$ 1,930,650	\$ 1,543,008	\$ 18,762,863

Total scholarships for fiscal year 2019/2020 were \$4,108,641; however, \$2,177,991 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Position.

**Note 13: Loan Funds**

Student/Employee Loan Fund

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

	Balance as of June 30, 2020		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 607	\$ 2,394	\$ 3,001

**Note 14: South Arkansas Arboretum**

The College entered into an agreement with the State of Arkansas Department of Parks and Tourism (DPT) authorizing the College to operate and maintain the South Arkansas Arboretum. The property, on which the Arboretum is located, was leased by the DPT from the El Dorado School District. The operating agreement with the DPT was dated, May 20, 1994, for 20 years with an option to renew the term for an additional five years upon agreed conditions. The first renewal for the additional five years was signed May 20, 2014. The second renewal was signed April 18, 2019 for an additional three 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 15: Donor-Restricted Endowment**

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

Total Endowments at June 30, 2020	\$ 439,522
Less: Non-Expendable Portion of True Endowments	425,013
Donor-Restricted Endowments Available for Expenditure	<u>\$ 14,509</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.

**Note 16: Risk Management**

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

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

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

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

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

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

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

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

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

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

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

Title III endowment funds can be used for educational purposes. For the year ended June 30, 2020, endowment funds were deposited in an interest-bearing account. Contributions, matching, and investment income are as follows:

	<u>Interest</u>	<u>Contribution</u>	<u>Matching</u>	<u>Total</u>	<u>Expendable Interest 50%</u>
6/30/2011	\$ 391	\$ 28,000	\$ 28,000	\$ 56,391	\$ 196
6/30/2012		79,991		79,991	
6/30/2013		46,005	79,991	125,996	
6/30/2014	262	46,004	46,004	92,270	131
6/30/2015	3,114		46,004	49,118	1,557
6/30/2016	2,648			2,648	1,324
6/30/2017	3,402			3,402	1,701
6/30/2018	4,580			4,580	2,290
6/30/2019	7,066			7,066	3,533
6/30/2020	8,488			8,488	4,244
Total	<u>\$ 29,951</u>	<u>\$ 200,000</u>	<u>\$ 199,999</u>	<u>\$ 429,950</u>	<u>\$ 14,976</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 19: Related Party Transaction**

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

**Note 20: Administration Building Fire**

On April 13, 2018, the College had a fire in the administration building due to a lightning strike. The fire was limited to the attic area of the building, but the remainder of the building was damaged by water. Building additions done in 2002 and 2006 with a cost basis of \$1,125,850 (cost \$3,147,277 and accumulated depreciation of \$2,021,427) were totally destroyed. The college has received \$1,162,336 from the insurance carrier for the year ending June 30, 2020, \$5,460,812 for the year ending June 30, 2019 and \$1,000,000 for the year ending June 30, 2018. The insurance proceeds and remediation expenditures are being treated as extraordinary items in the financial statements.

**Note 21: Adjustments to Net Position**

The following adjustments were made to the June 30, 2019 net position:

Adult Education grant receivable/payable adjustments	\$ 59,503
Admin Building energy performance improvement adjustment	126,028
Adjustment for supplies and services 2018 expenditures	74,684
Total	\$ 260,215

The following adjustments were made to the June 30, 2020 net position:

Adult Education Carryover Budget	\$ 12,396
Property Tax Receivable Revenue Adjustment	5,136
Total	\$ 17,532

**Note 22: Financial Impact from Coronavirus (COVID-19)**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent to the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the College is uncertain as of the audit report date.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service Cost	\$ 70,297	\$ 53,601	\$ 52,396							
Interest	18,828	18,307	17,174							
Benefit Changes	-	-	-							
Difference between actual & expected experience	-	(21,005)	-							
Assumption changes	7,867	10,314	7,370							
Benefit payments	(6,237)	(11,880)	(11,880)							
Net Change in Total OPEB Liability	90,755	49,337	65,060							
OPEB Liability - Beginning	642,817	593,480	528,420							
OPEB Liability - Ending	\$733,572	\$642,817	\$593,480	\$528,420						
<b>Plan Fiduciary Net Position</b>										
Contributions - Employee										
Contributions - Employer	\$ 6,237	\$ 11,880	\$ 11,880	\$ 12,684	\$ 6,182	\$ 7,271	\$ 25,167	\$ 26,429		
Net Investment Income		-	-							
Benefit payments	(6,237)	(11,880)	(11,880)	(12,684)	(6,182)	(7,271)	(25,167)	(26,429)		
Administrative expense										
Other										
Net Change in Total OPEB Liability	0	0	0	0	0	0	0	0	0	0
OPEB Liability - Ending	\$733,572	\$642,817	\$593,480	\$528,420						
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0%	0%	0%	0%						
Covered Payroll	7,955,693	7,669,555	7,785,736							
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.22%	8.38%	7.62%							

Notes to Schedule: Changes in assumptions: The assumed single discount rate was changed from 3.13% to 2.98% at 6/30/18, 2.79% at 6/30/19, and 2.66% at 6/30/20.

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

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)**  
**SCHEDULE OF SPONSOR CONTRIBUTIONS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Actuarially determined contributions	\$ 103,228	\$ 84,005	\$ 79,395							
Contributions in relation to the actuarially determined contributions	6,237	11,880	11,880							
Contribution deficiency (excess)	96,991	72,125	67,515							
 Covered Payroll	 7,955,693	 7,669,555	 7,785,736							
 Contributions as a Percentage of Covered Employee Payroll	 0.08%	 0.15%	 0.15%							

**Notes to Schedule**

Valuation date	Actuarially determined contributions are calculated as of the June 30 after the valuation date
Actuarial cost method	Entry age normal
Amortization method	Level dollar over 30 years from July 1, 2017
Remaining amortization period	28 years
Asset valuation method	Market value
Assumed inflation	3.00% per year
Assumed single discount rate	3.13% at 6/30/17; 2.98% at 6/30/18; 2.79% at 6/30/19; 2.66% at 6/30/2020.
Assumed retirement age	See exhibit 10
Mortality	RP 2014 Table

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)**  
**SCHEDULE OF INVESTMENT RETURNS**

FY ending June 30,	Annual Money- weighted rate of return
2010	0.00%
2011	0.00%
2012	0.00%
2013	0.00%
2014	0.00%
2015	0.00%
2016	0.00%
2017	0.00%
2018	0.00%
2019	0.00%
2020	0.00%

The amounts shown are net of investment expense.

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

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

	APERS Pension Plan 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
College's proportion of the net pension liability (asset)	0.0862%	0.1157%	0.1289%	0.1189%	0.1038%	0.0732%				
College's proportionate share of the net pension liability	\$2,080,117	\$2,552,115	\$3,330,850	\$2,842,671	\$1,912,605	\$1,038,860				
College's covered payroll	\$1,816,099	\$2,193,508	\$2,316,072	\$2,153,777	\$1,823,825	\$1,294,078				
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	114.54%	116.35%	143.81%	131.99%	104.87%	80.28%				
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.21%				

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

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

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

	ATRS Pension Plan 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
College's proportion of the net pension liability (asset)	0.05170%	0.05240%	0.05090%	0.05916%	0.07065%	0.0772%				
College's proportionate share of the net pension liability (asset)	\$2,157,043	\$1,905,254	\$2,139,363	\$2,609,650	\$2,301,092	\$2,025,580				
College's covered payroll	\$1,597,986	\$1,587,497	\$1,492,334	\$1,733,202	\$2,031,910	\$2,237,531				
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	134.99%	120.02%	143.36%	150.57%	113.25%	90.53%				
Plan fiduciary net position as a percentage of total pension liability	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%				

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

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

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE CONTRIBUTIONS (UNAUDITED)**

APERS Pension Plan  
10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 210,087	\$ 278,226	\$ 323,542	\$ 335,830	\$ 312,325	\$ 272,111				
Contribution in relation to the contractually required contribution	210,087	278,226	323,542	335,830	312,325	272,111				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
College covered payroll	\$1,371,322	\$1,816,099	\$2,193,508	\$2,316,072	\$2,153,777	\$1,843,160				
Contribution as a percentage of covered payroll	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%				

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

**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE CONTRIBUTIONS (UNAUDITED)**

ATRS Pension Plan  
10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 227,257	\$ 223,718	\$ 222,250	\$ 211,172	\$ 242,648	\$ 288,125				
Contribution in relation to the contractually required contribution	227,257	223,718	222,250	211,172	242,648	288,125				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
College covered payroll	\$ 1,594,760	\$ 1,597,986	\$ 1,587,497	\$ 1,492,334	\$ 1,733,202	\$ 2,068,340				
Contribution as a percentage of covered payroll	14.25%	14.00%	14.00%	14.15%	14.00%	13.93%				

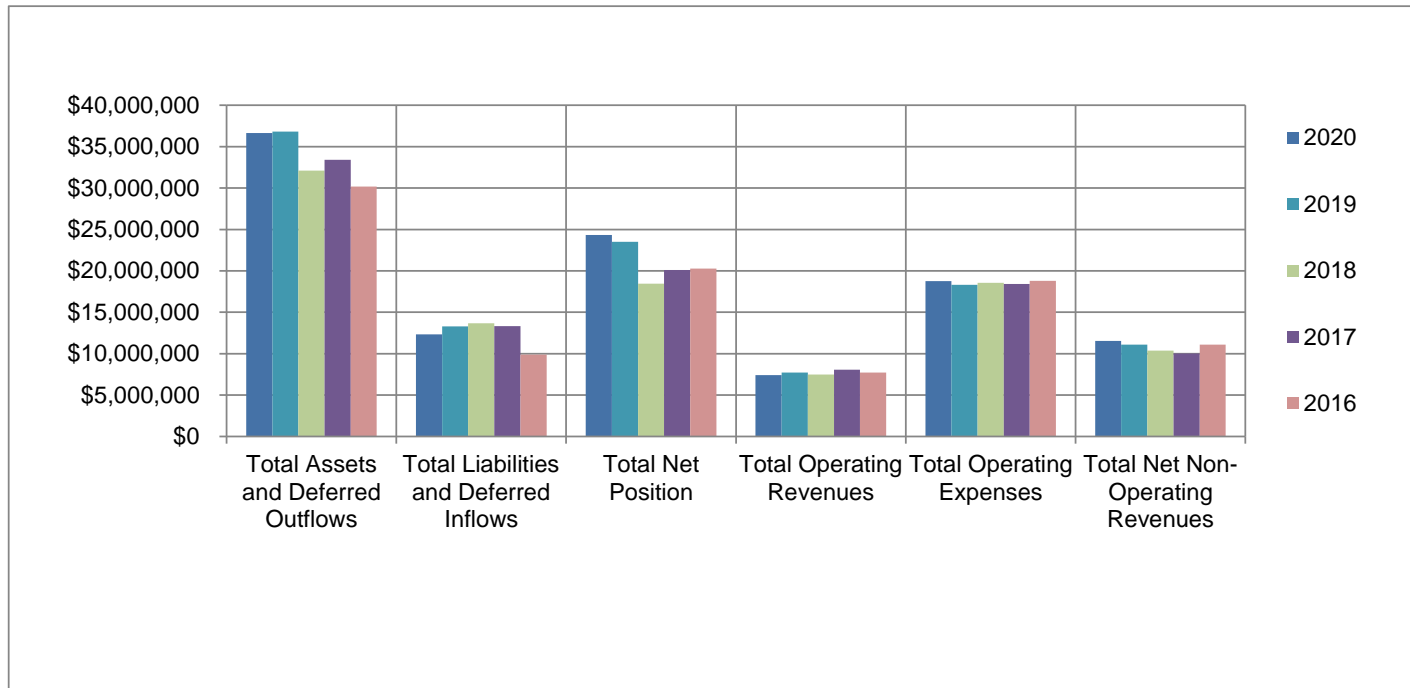
Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



SOUTH ARKANSAS COMMUNITY COLLEGE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Unaudited)

Schedule 1

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets and Deferred Outflows	\$ 36,649,501	\$ 36,795,664	\$ 32,116,877	\$ 33,423,564	\$ 30,176,797
Total Liabilities and Deferred Inflows	12,316,450	13,307,395	13,676,431	13,319,260	9,899,906
Total Net Position	24,333,051	23,488,269	18,440,446	20,104,304	20,276,891
Total Operating Revenues	7,425,456	7,712,137	7,489,209	8,072,672	7,712,168
Total Operating Expenses	18,762,863	18,327,047	18,549,239	18,416,231	18,798,365
Total Net Non-Operating Revenues	11,529,042	11,091,473	10,384,837	10,039,267	11,089,873
Total Other Revenues, Expenses, Gains or Losses	635,615	4,571,260	(708,699)	131,705	(106,175)



South Arkansas Community College  
Response to June 30, 2020 Reportable Audit Findings

1. Comparative Statement of Cash Flows  
Cash Flows from Operating Activities for Payments to Suppliers was overstated by \$574,916 and Cash Flows from Capital and Related Financing Activities for the Purchase of Capital Assets was understated by \$574,916.
2. Notes to the Financial Statements
  - a) The pension expense amount was overstated \$766,576 and deferred outflows overstated \$228,668.
  - b) Cash on deposit in state treasury was understated \$559,578.
  - c) Insured (FDIC) coverage was overstated by \$250,000.
  - d) Amounts reported for operating expenses by functional classifications included errors totaling \$245,968 and was not in agreement with the amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.
  - e) Amount reported for county millage revenue was overstated \$218,562 and was not in agreement with the amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.
  - f) Bonds payable as of year-end was overstated \$110,000.

**Response:** A change of controllers took place during the compilation of the end of year financial statements, delaying the final product. Due to the delay the CFO, who had taken on additional duties during the Pandemic, did not perform a scheduled thorough quality review with the Controller and Accounting Manager prior to finalizing financial statements. While the review would likely have not caught the misstatement found in Finding 1, the review should have caught all or most of the issues with the notes to the financial statements. Specifically:

- 1) The Cash Flows misstatement was due to putting the remaining Administration costs from a near catastrophic fire in the Administration Building in supplies instead of the capital assets line. This error occurred during the change of controllers.
- 2) Financial Notes:
  - a) The Controller pulled the wrong reports to update the note information from APERS and ATRS. There was information missing from the report and the update to the pension expense was, therefore, inaccurate. When Controller did a Journal Entry to record deferred inflows/outflows, one entry was booked, causing the error in the deferred outflows.
  - b) Cash on deposit was not listed properly in the notes and should have been listed as a separate line.
  - c) A correction was made in the last audit, but workpapers were not updated with corrected amount and the new controller was not aware of the change.
  - d) The primary difference in operating expenses occurred in fringe benefits and pension expense, which was not included in the functional classification total.
  - e) A prior year audit correction was not completed on SouthArk's books for Property Tax/county millage, causing this error. A correction made for this was included with FY 19-20 journal entry to record 19-20 adjustments.
  - f) Current year bond payment was included in the calculation and should not have been, overstating the amount.

South Arkansas Community College  
Response to June 30, 2020 Reportable Audit Findings

The VPFA/Controller office will conduct a review of all prior year audit adjustments to be sure they were properly entered to adjust to the final audited financial statements. The VPFA/Controller office will reinstate a complete review after the books have been closed to review financial statement preparation and all notes there within for accuracy and completeness.

**South Arkansas Community College  
Plant Fund Project Budgets  
For The Year 2021-22 Fiscal Year**

ACCOUNT PROJECTS	Balance June 30, 2021	New/Add	Budget FY 21/22
Beginning Balance	2,037,843.81	31,068.67	2,068,912.48
Millage Income	118,072.17	131,927.83	250,000.00
Health Science Cap. Campaign-Foundation	191,891.00		191,891.00
HEERF Lost Revenue	441,364.00	841,364.00	841,364.00
ARPA Facilities Upgrade Funds	208,109.00		208,109.00
Interest Income Plant Cert of Deposit	-	1,500.00	1,500.00
ANCRC 314 Summit TGT2212	-	680,095.00	680,095.00
AMTC Gifts from Foundation	89,072.44		89,072.44
<b>Total Beginning Balance &amp; Income</b>	<b>3,086,352.42</b>	<b>1,244,591.50</b>	<b>4,330,943.92</b>
Campus Maintenance Projects			967,060.27
Campus Furnishings			72,745.00
Campus Housing - Feasibility			52,500.00
Motor Pool Equipment			110,000.00
314 Summit - ANCRC TGT 2212			680,095.00
AMTC Gifts Foundation			89,072.44
<b>Total Expense</b>			<b>1,971,472.71</b>
Unallocated Cash			2,109,471.21
Unallocated Millage			250,000.00
<b>Total Unallocated Cash</b>			<b>2,359,471.21</b>
<b>Expense + Unallocated Cash</b>			<b>4,330,943.92</b>