

South Arkansas Community College

El Dorado, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTH ARKANSAS COMMUNITY COLLEGE
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Sen. Lance Eads
Senate Vice Chair



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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2017, 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 2016 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 September 21, 2017. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, 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 6-11, 41-48, 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 August 8, 2018 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
August 8, 2018
EDHE19317

Arkansas

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



Rep. Richard Womack
House Chair
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House Vice Chair

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 8, 2018. Our report includes a reference to other auditors who audited the financial statements of the South Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the South Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated August 8, 2018.

AUDIT FINDINGS

Material Weakness

Financial statements are the responsibility of the College's management and should be presented in conformity with accounting principles generally accepted in the United States of America. The College has policies and procedures to properly record and classify transactions in the financial statements; however, material misstatements in the financial statements were detected during the audit. These misstatements had no effect on the College's reported net position at June 30, 2017; and the financial statements were subsequently corrected by College personnel during audit fieldwork. Key errors in the Comparative Statement of Revenues, Expenses, and Changes in Net Position, Comparative Statement of Cash Flows, and the Notes to the Financial Statements included:

Comparative Statement of Net Position

- a) Due to the recording of incorrect amounts, deposits with trustees were understated by \$492,096.
- b) Bonds, certificates of indebtedness, and capital leases payable were understated by \$492,096.
- c) Accounts receivable and unearned revenue for student tuition and fees were overstated by \$746,603.

Comparative Statement of Cash Flows

The proceeds related to the capital lease payable – energy savings contract of \$2,406,172 deposited with a trustee was not reported in the noncash transactions section.

Notes to the Financial Statements

- a) The amount reported for net pension liability was understated by \$1,238,624 and was not in agreement with the amount reported on the Comparative Statement of Net Position.
- b) The amount reported for commitments was understated by \$2,079,960 due to incorrect contract balances reported and the omission of an architect contract and a construction contract.

A similar finding was reported in the previous two audits.

Management Response: Deposits with trustees and bonds, certificates of indebtedness and capital leases were understated because the amount on the Comparative Statement of Net Position included only the amount drawn from the financial institution at June 30, 2017 and not the total available in the contract between the College and the financial institution. A journal entry has been done to record the additional funds available in the contract. Accounts receivable and deferred revenue were overstated for the fall 2017 students that had registered before June 30, 2017. It was our first full new year on our new software. We made the adjustments in our system to not record registrations until the new fiscal year. The Net Pension error was due to the prior year amount not being updated for current year changes. The VPFA and Controller's office now reviews the footnotes to the financial statements in more detail to ensure that the footnotes accurately support the information reported in the financial statements.

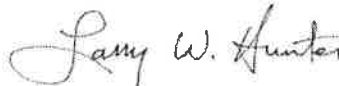
College's Response to Findings

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



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 8, 2018

Arkansas



Sen. Jimmy Hickey, Jr.
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

South Arkansas Community College
Legislative Joint Auditing Committee

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

The College discovered, and we confirmed, four fraudulent charges on College purchasing card (P-card) accounts by online hackers who had obtained account information. During October 2016, three payments totaling \$3,998 were made to Blading Landscaping, and one payment of \$3,266 was made to a Red Seal Meal PayPal account. All charges were reversed, and the College was reimbursed by the next billing cycle dated November 15, 2016.

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, 2017, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2016</u>	<u>Fall Term</u> <u>2016</u>	<u>Spring Term</u> <u>2017</u>	<u>Summer I Term</u> <u>2017</u>
Student Headcount	206	1,529	1,411	515
Student Semester Credit Hours	838	13,042	12,215	3,448

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 8, 2018

**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

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, 2017, with the fiscal year 2015/16 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.

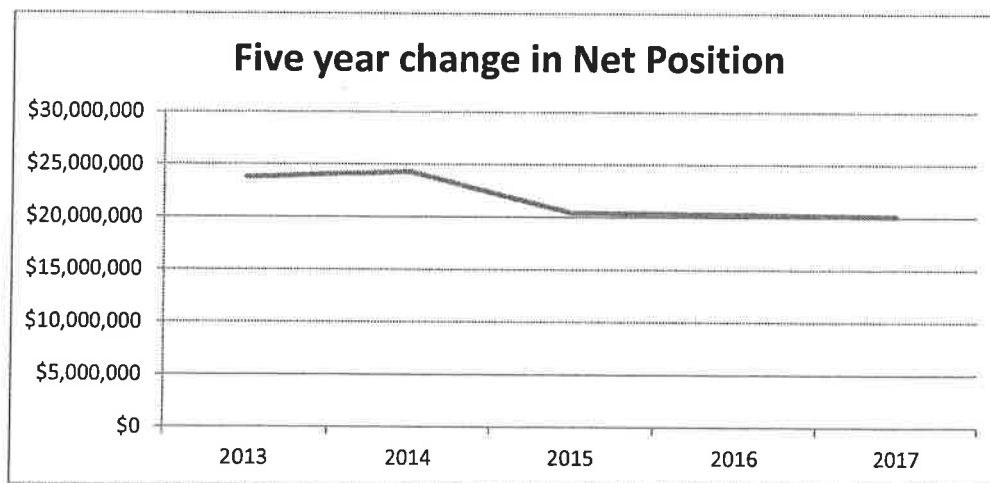
Unrestricted net position - net assets that are not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose in not limited by contractual agreements with outside parties.

**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

Statement of Net Position (Continued)

	June 30, 2017	June 30, 2016
ASSETS AND DEFERRED OUTFLOWS		
Current assets	\$ 9,706,726	\$ 8,749,683
Capital assets, net	20,635,533	19,257,552
Other assets	747,428	719,052
Deferred outflows of resources	2,333,877	1,450,510
Total Assets and Deferred Outflows	<u>\$ 33,423,564</u>	<u>\$ 30,176,797</u>
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	\$ 1,100,505	\$ 983,307
Noncurrent liabilities	11,573,816	8,149,416
Deferred inflows related to pensions	644,939	767,183
Total Liabilities and Deferred Inflows	<u>\$ 13,319,260</u>	<u>\$ 9,899,906</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 15,549,279	\$ 16,105,839
Restricted		
Non-Expendable	419,192	415,749
Expendable	1,376,966	973,665
Unrestricted	2,758,867	2,781,638
Total Net Position	<u>\$ 20,104,304</u>	<u>\$ 20,276,891</u>

The College's total assets increased \$2,363,400, total liabilities increased \$3,541,598, and net position decreased \$172,587. Deferred outflows and liabilities changed in 2016/2017 due the recording of GASB 68 requirements for pensions.



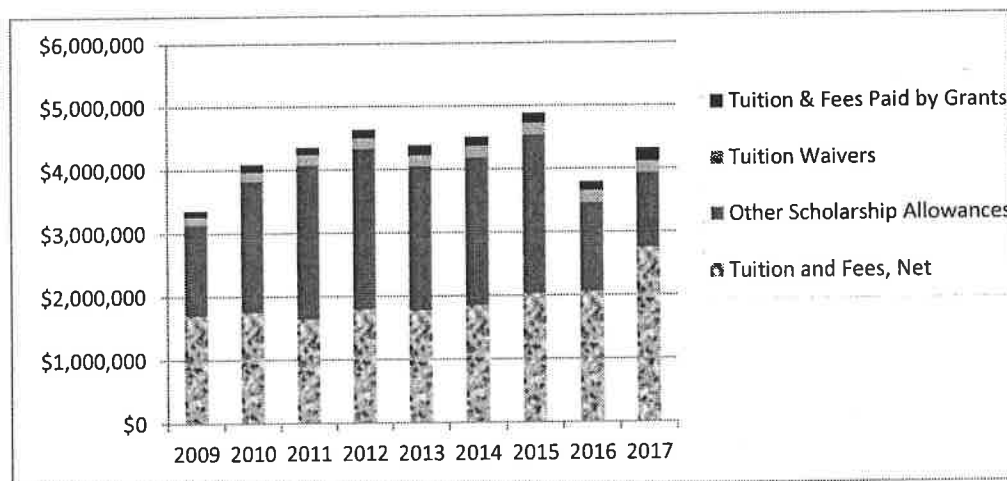
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

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, 2017	June 30, 2016
Operating revenues	\$ 8,072,672	\$ 7,712,168
Operating expenses	18,416,231	18,798,365
Operating loss	(10,343,559)	(11,086,197)
Non-operating revenues and expenses	10,039,267	11,089,873
Income before other revenues and expenses	(304,292)	3,676
Other revenues and expenses	131,705	(106,175)
Decrease in Net Position	(172,587)	(102,499)
Net Position, beginning of year	20,276,891	20,379,390
Net Position, end of year	\$ 20,104,304	\$ 20,276,891

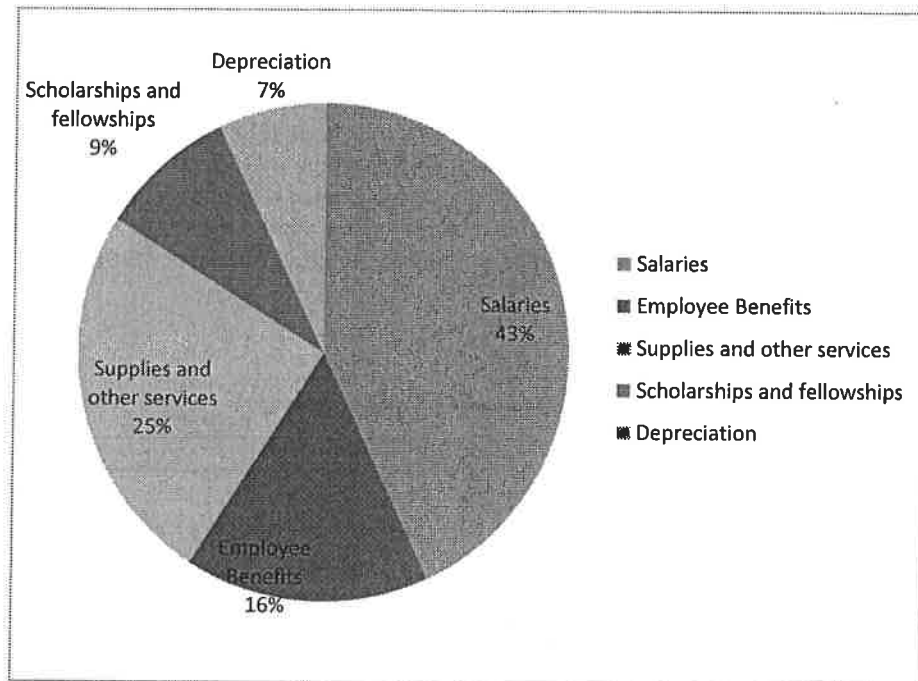
Gross tuition and fees revenues increased \$11,093 which is a 0.2% increase from the previous year. The following chart shows the history of gross tuition and fees revenues after 2008.



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

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 1.2% from the previous year, and accounted for 59% of the total operating expense of \$18,416,231. Supplies and other services decreased 1.7% from the previous year which is largely due to the decreases in expenses related to the reduced supplies purchases. Scholarships expense decreased 15.9% from the previous year. Total PELL awards decreased \$552,151 from \$3,301,147 in FY 16 to \$2,748,996 in FY 17.

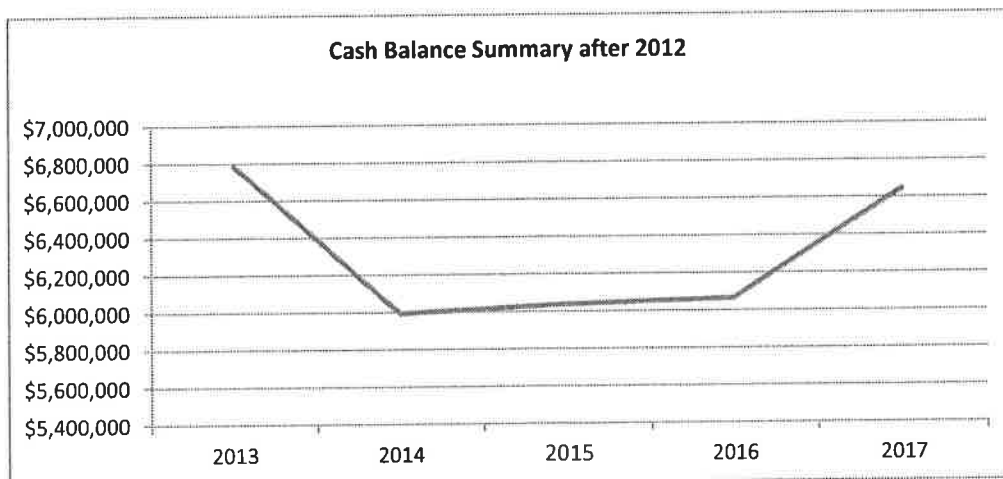
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

Statement of Cash Flows

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

Similar to operating income (loss) on the Statement of Revenues, Expenses, and Changes in Net Position, net cash provided by operating activities is of little significance to the College because the GASB requires significant sources of cash to be reported as non-operating financing. The net cash provided by the operating activities and non-capital financing activities are important for the College. This positive amount of \$1,291,910 and \$834,863 for fiscal years ended June 30, 2017 and June 30, 2016 respectively, indicates that these activities contributed cash and liquidity for the year.

	Year Ended	
	June 30, 2017	June 30, 2016
Cash provided (used) by:		
Operating activities	\$ (8,903,948)	\$ (9,888,774)
Noncapital financing activities	10,195,859	10,723,637
Subtotal	1,291,911	834,863
Capital and related financing activities	(712,722)	(799,505)
Investing activities	45	7
Net change in cash	579,234	35,365
Cash, beginning of year	6,064,718	6,029,353
Cash, end of year	\$ 6,643,952	\$ 6,064,718



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

Capital Assets and Long-Term Debt Activity

At June 30, 2017, the College had \$20,635,533 of capitalized assets, net of depreciation of \$16,696,700. During the fiscal year the college made the following additions and improvements in capital assets.

Equipment	\$ 200,296
Library Holdings	9,744
Intangibles - software	13,190
Construction in Progress	2,445,338
Total	<u>\$ 2,668,568</u>

More information on capital assets is presented in Note 5.

Economic Outlook

The College's financial position remained stable for fiscal year ended June 30, 2017 as evidenced by an minor decrease in net position of \$172,587 apart from the adjustment to net position to comply with GASB 68 related to pensions. The student headcount for fall year 2017 was 1,529 which was 1.5% lower than fiscal year 2016's fall headcount of 1,552. Student semester credit hours for fall year 2017 decreased by 764. Enrollment is predicted to be flat for fiscal year 2017/18.

The College is in the sixth 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, 2017
(With Comparative Figures as of June 30, 2016)

Exhibit A

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,305,472	\$ 5,751,268
Short-term investments	820,137	816,481
Accounts receivable (less allowances of \$ 74,556 and \$96,095)	257,835	350,496
Property taxes receivable	270,225	330,178
Other receivables	1,010,908	860,577
Inventories	319,361	349,934
Deposits with trustees	492,132	2
Prepaid expenses	230,656	290,747
Total Current Assets	<u>9,706,726</u>	<u>8,749,683</u>
Noncurrent Assets		
Cash and cash equivalents	338,479	313,450
Endowment investments	408,949	405,602
Capital assets, net of accumulated depreciation of \$16,696,700 and \$15,505,759 (Note 5)	20,635,533	19,257,552
Total Noncurrent Assets	<u>21,382,961</u>	<u>19,976,604</u>
Total Assets	<u>31,089,687</u>	<u>28,726,287</u>
Deferred Outflows of Resources		
Deferred outflows - pensions	2,234,833	1,347,033
Deferred loss on refunding	99,044	103,477
Deferred Outflows	<u>2,333,877</u>	<u>1,450,510</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 33,423,564</u>	<u>\$ 30,176,797</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	484,984	335,636
Refunds payable	9,088	120,980
Unearned revenue	245,958	289,094
Bonds, certificate of indebtedness, and leases payable - current portion	289,129	155,567
Compensated absences	38,819	49,336
Funds held in trust for others	32,527	32,694
Total Current Liabilities	<u>1,100,505</u>	<u>983,307</u>
Noncurrent Liabilities		
Bonds, certificate of indebtedness, and leases payable	5,388,265	3,271,228
Compensated absences	484,776	444,411
Net other postemployment benefit obligation	248,454	220,080
Net pension liability	5,452,321	4,213,697
Total Noncurrent Liabilities	<u>11,573,816</u>	<u>8,149,416</u>
TOTAL LIABILITIES	<u>12,674,321</u>	<u>9,132,723</u>
Deferred Inflows of Resources		
Deferred inflows - pensions	644,939	767,183
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>13,319,260</u>	<u>9,899,906</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2017
(With Comparative Figures as of June 30, 2016)

Exhibit A

	<u>2017</u>	<u>2016</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 15,549,279	\$ 16,105,839
Restricted for:		
Non-expendable		
Scholarships	419,192	415,749
Expendable		
Scholarships	21,860	21,091
Loans	2,341	2,331
Capital Projects	1,327	871
Debt Service	833,555	694,170
Other	517,883	255,202
Unrestricted	<u>2,758,867</u>	<u>2,781,638</u>
TOTAL NET POSITION	<u>\$ 20,104,304</u>	<u>\$ 20,276,891</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, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 343,677
Pledges receivable, current portion	47,231
Prepaid expenses	6,126
Investments	<u>2,562,212</u>

Total Current Assets 2,959,246

Fixed Assets, at cost

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

Total Fixed Assets 0

Other Assets

Antique furniture	2,410
Pledges receivable	<u>136,150</u>

Total Other Assets 138,560

Total Assets \$ 3,097,806

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 6,525
Funds belonging to others	60
Refundable advances	<u>31,525</u>

Total Current Liabilities 38,110

Net Assets

Unrestricted	1,936,442
Unrestricted - Board designated	30,000
Temporarily restricted	<u>1,093,254</u>

Total Net Assets 3,059,696

Total Liabilities and Net Assets \$ 3,097,806



Exhibit B

SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Figures for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$1,585,034 and \$1,802,978)	\$ 2,981,916	\$ 2,752,879
Federal grants and contracts	1,834,297	2,351,997
State and local grants and contracts	2,000,537	1,323,617
Sales and services of educational departments	143,822	114,029
Auxiliary enterprises:		
Vending	11,286	8,168
Bookstore (net of scholarship allowances of \$329,304 and 394,234)	540,584	718,658
Convention Center	487,961	414,302
Other operating revenues	72,269	28,518
TOTAL OPERATING REVENUES	<u>8,072,672</u>	<u>7,712,168</u>
OPERATING EXPENSES		
Salaries	7,928,628	8,154,333
Employee benefits	2,940,201	2,687,001
Supplies and other services	4,590,588	4,660,642
Scholarships and fellowships	1,666,226	1,980,350
Depreciation	1,290,588	1,316,039
TOTAL OPERATING EXPENSES	<u>18,416,231</u>	<u>18,798,365</u>
OPERATING INCOME (LOSS)	<u>(10,343,559)</u>	<u>(11,086,197)</u>
NON-OPERATING REVENUES (EXPENSES)		
State and Federal appropriations	7,049,780	7,029,201
Federal Grants and Contracts	2,748,996	3,301,147
County millage	321,283	473,157
Gifts	33,174	397,392
Interest income	7,124	5,932
Interest and other cost (on capital asset related debt)	(121,858)	(119,304)
Disposal of capital assets (net of accumulated depreciation of \$99,647 and \$87,697)	768	2,348
NET NON-OPERATING REVENUES (EXPENSES)	<u>10,039,267</u>	<u>11,089,873</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>(304,292)</u>	<u>3,676</u>
Other revenues, expenses, gains and losses		
Capital gifts	131,705	-
Adjustments to prior year revenues and expenses		(106,175)
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>131,705</u>	<u>(106,175)</u>
INCREASE (DECREASE) IN NET POSITION	<u>(172,587)</u>	<u>(102,499)</u>
NET POSITION - BEGINNING OF YEAR	<u>20,276,891</u>	<u>20,379,390</u>
NET POSITION - END OF YEAR	<u>\$ 20,104,304</u>	<u>\$ 20,276,891</u>

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

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

Exhibit B-1

Statement of Activities
June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
General contributions	\$ 11,319	\$ 59,695	\$ 71,014
Endowed contributions	133,061	100	133,161
Capital Campaign	0	2,486	2,486
Special Events	125,273	1,000	126,273
Investment income (loss)	163,720	54,362	218,082
Net assets released due to satisfaction of program restrictions	10,476	(10,476)	
Total revenues, gains and other support	<u>443,849</u>	<u>107,167</u>	<u>551,016</u>
Expenses			
Program services			
Scholarships	29,662		29,662
Grants and awards	17,241		17,241
Total program services	<u>46,903</u>		<u>46,903</u>
Supporting services			
Management and general	47,042		47,042
Fund raising	57,071		57,071
Total supporting services	<u>104,113</u>		<u>104,113</u>
Total expenses	<u>151,016</u>		<u>151,016</u>
Change in Net Assets	292,833	107,167	400,000
Net Assets - Beginning of Year	<u>1,673,609</u>	<u>986,087</u>	<u>2,659,696</u>
Net Assets - End of Year	<u>\$ 1,966,442</u>	<u>\$ 1,093,254</u>	<u>\$ 3,059,696</u>



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

Exhibit C

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,901,364	\$ 2,654,352
Grants and contracts	3,900,193	3,642,184
Sales and services of educational activities	109,222	111,508
Auxiliary enterprise revenues		
Vending	11,286	8,168
Bookstore	499,168	745,431
Convention Center	470,677	389,149
Other receipts	72,269	28,518
Payments to employees	(7,930,578)	(8,141,228)
Payments of employee benefits	(2,678,885)	(2,817,095)
Payments to suppliers	(4,592,438)	(4,529,411)
Scholarships	(1,666,226)	(1,980,350)
Net cash provided (used) by operating activities	(8,903,948)	(9,888,774)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	7,049,781	7,029,201
Federal grants and gifts received	2,748,996	3,301,147
Loans to Students - Direct Loans & Private (Inflows)	2,076,981	2,989,109
County millage	381,236	360,166
Gifts	16,047	32,304
Agency funds - net	(201)	819
Loans to Students - Direct Loans & Private (Outflows)	(2,076,981)	(2,989,109)
Net cash provided (used) by non-capital financing activities	10,195,859	10,723,637
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	768	2,348
Purchase of capital assets	(2,353,481)	(597,451)
Distributions from trustee	1,914,076	-
Principal Paid on certificate of indebtedness	(56,047)	(54,916)
Interest and fees paid on certificate of indebtedness	(2,254)	(3,672)
Principal paid on capital debt	(100,000)	(30,000)
Interest and service fees paid on capital debt	(115,784)	(115,814)
Net cash provided (used) by capital and related financing activities	(712,722)	(799,505)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	45	7
Proceeds from sales and maturities of investments	1,222,083	1,216,186
Purchase of investments	(1,222,083)	(1,216,186)
Net cash provided by investing activities	45	7
Net increase (decrease) in cash and cash equivalents	579,234	35,365
Cash and cash equivalents-beginning of year	6,064,718	6,029,353
Cash and cash equivalents-end of year	\$ 6,643,952	\$ 6,064,718

(Continued on next page)



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

Exhibit C

	2017	2016
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (10,343,559)	\$ (11,086,197)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,290,588	1,316,039
Changes in assets and liabilities:		
(Increase) Decrease in Accounts receivables, net	92,961	(46,100)
(Increase) Decrease in Other receivables	(133,129)	(188,499)
(Increase) Decrease in Inventories	30,573	82,795
(Increase) Decrease in Prepaid expenses	60,091	131,649
(Increase) Decrease in Deferred outflows	(887,800)	(688,568)
Increase (Decrease) in Accounts payable and accrued liabilities net of payables for capital assets	(33,247)	(66,025)
Increase (Decrease) in Refunds payable	(111,892)	104,354
Increase (Decrease) in Unearned revenue	(43,136)	
Increase (Decrease) in Compensated absences	29,848	(43,155)
Increase (Decrease) in Deferred Inflows	(122,244)	(590,943)
Increase (Decrease) in OPEB/Pension obligation	1,266,998	1,185,876
Net cash provided (used) by operating activities	<u>\$ (8,903,948)</u>	<u>\$ (9,888,774)</u>
Non-cash transactions:		
Noncash transactions		
Assets donated to the College	\$ 131,705	\$ 10,000
Amortization of 2014 revenue bond discount	466	466
Amortization of 2014 revenue bond deferred loss	4,537	4,357
Capital lease payable - energy savings contract	2,406,172	
	<u>\$ 2,542,880</u>	<u>\$ 14,823</u>

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

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

Exhibit C-1

Statement of Cash Flows
June 30, 2017

Cash Flows from Operating Activities

Change in net assets	\$	400,000
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments		(162,634)
Capital campaign contributions		(2,486)
Decrease in pledge receivable		27,991
Increase in prepaid expenses		(1,793)
Decrease in accounts payable		(11,969)
Decrease in funds belonging to others		(16,319)
Decrease in refundable advances		(15,960)
Net cash provided by operating activities		<u>216,830</u>

Cash Flows from Investing Activities

Proceeds from sale of investments		85,513
Purchases in investments		(271,425)
Net cash used in investing activities		<u>(185,912)</u>

Cash Flows from Financing Activities

Contributions for capital campaign		2,486
Net cash provided by financing activities		<u>2,486</u>

Net Increase in Cash 33,404

Cash and Cash Equivalents at Beginning of Year 310,273

Cash and Cash Equivalents at End of Year \$ 343,677

Supplemental disclosures of cash flow information:

The Organization received in-kind contributions for their fund raising events during the year ended June 30, 2017 in the amount of \$25,877.

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

Component Unit

The South Arkansas Community College Foundation, Inc. ("the Foundation") is a legally separate, tax-exempt component unit of South Arkansas Community College ("the College"). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the College in support of its mission and programs. The 22 member board is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College under guidelines established by Governmental Accounting Standards Board (GASB) Statement no. 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the Foundation are discretely presented in the College's financial statements in accordance with the provisions of GASB Statement no 39.

During the year ended June 30, 2017, the Foundation transferred the following amounts to the College:

For scholarships	\$ 29,662
For reimbursement of expenses	25,017
Total	<u>\$ 54,679</u>

The College had a receivable from the Foundation on June 30, 2017, in the amount of \$382,470 for operations. Complete financial statements for the Foundation may be obtained from the Foundation office at P. O. Box 7010, El Dorado, AR 71731-7010 or viewed online at <http://www.southark.edu/financial-reports>.

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

Financial Statement Presentation

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

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Capital Assets and Depreciation

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

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

Operating and Non-operating Revenues

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

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

Cash Equivalents

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

Accounts Receivable

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

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

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.

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, 2017 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, 2017, 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).

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1: Summary of Significant Accounting Policies (continued)

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>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 393,548	\$ 389,510
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	<u>7,140,701</u>	<u>7,450,870</u>
Total Deposits	<u>\$ 7,534,249</u>	<u>\$ 7,840,380</u>

The above deposits do not include cash on deposit in the state treasury in the amount of \$338,479 or cash on hand in the amount of \$345 for change funds as of June 30, 2017. The above total deposits include certificates of deposit of \$1,229,086 and deposits with trustees of \$36 as of June 30, 2017.

Deposits with Trustees

At June 30, 2017, the College's deposits with trustee totaled \$492,132. Other than the \$36 cash funds reported at Note 2, the details of the deposits with trustee are below:

The deposits with trustee consisted of funds either obligated as debt reserves for the College's bond issues or earmarked for specific capital projects.

The remaining balance of \$492,096 is cash funds held by the trustee for the purpose of the energy savings contract. The College is reimbursed as funds are expended for the project.

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 3: Disaggregation of Receivable and Payable Balances

The accounts receivable of \$257,835 at June 30, 2017, consisted of student accounts receivable of \$332,391, which was reduced by an allowance for doubtful accounts of \$74,556.

Other receivables of \$1,010,908 at June 30, 2017, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 334,649
Vendor Refunds	183,128
Conference Center refunds	61,419
Sales and service receivable	48,093
Accured interest receivable	290
Due from Foundation	382,470
Due from employees and employee organizations	859
Total	<u>\$ 1,010,908</u>

The accounts payable and accrued liabilities of \$484,984 at June 30, 2017, consisted of:

	<u>Current</u>
Due to Vendors	\$ 381,408
Salaries and benefits	74,634
Accrued interest payable	28,106
Unclaimed property payable to the state	836
Total	<u>\$ 484,984</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.

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,835,984			\$ 1,835,984
Construction-in-progress	86,566	\$ 2,445,338		2,531,904
Total capital assets not depreciated	<u>\$ 1,922,550</u>	<u>\$ 2,445,338</u>		<u>\$ 4,367,888</u>
Other capital assets:				
Improvements and infrastructure	\$ 2,444,106			\$ 2,444,106
Buildings	25,819,805			25,819,805
Equipment	3,242,454	\$ 200,296	\$ 48,541	3,394,209
Library holdings	406,157	9,744	51,106	364,795
Intangibles - software	928,239	13,190		941,429
Total other capital assets	<u>32,840,761</u>	<u>223,231</u>	<u>99,647</u>	<u>32,964,345</u>
Less accumulated depreciation for:				
Improvements and infrastructure	700,269	141,384		841,653
Buildings	11,638,707	811,954		12,450,661
Equipment	2,598,953	190,342	48,541	2,740,754
Library Holdings	220,134	33,743	51,106	202,771
Intangibles - Software*	347,696	113,165		460,861
Total accumulated depreciation	<u>15,505,759</u>	<u>1,290,588</u>	<u>99,647</u>	<u>16,696,700</u>
Other capital assets, net	<u>\$ 17,335,002</u>	<u>\$ (1,067,357)</u>	<u>\$ 0</u>	<u>\$ 16,267,645</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,922,550	\$ 2,445,338		\$ 4,367,888
Other capital assets at cost	32,840,761	223,231	\$ 99,647	32,964,345
Total cost of capital assets	34,763,311	2,668,569	99,647	37,332,233
Less accumulated depreciation	15,505,759	1,290,588	99,647	16,696,700
Capital assets, net	<u>\$ 19,257,552</u>	<u>\$ 1,377,981</u>	<u>\$ 0</u>	<u>\$ 20,635,533</u>

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 6: Long-term Liabilities

The retirement of the 2014 bond issue is secured by a pledge of millage receipts. Debt service payments on the certificate of indebtedness 2003, amounted to \$58,301 for the fiscal year ended June 30, 2017.

Changes in long-term liabilities are as follows:

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017	Principal due within one year
Certificate of indebtedness payable (2003)	\$ 137,869		\$ 56,047	\$ 81,822	\$ 57,203
Bank of America - Capital lease payable (2017)		\$ 2,406,172		2,406,172	127,407
General obligation bonds payable (2014)	3,300,000		100,000	3,200,000	105,000
Discount on bonds	(11,074)		(474)	(10,600)	(474)
Compensated absences payable - other than sick leave	333,370	326,764	282,353	377,781	30,070
Compensated absences payable - sick leave	160,377	15,345	29,908	145,814	8,749
Totals	\$3,920,542	\$ 2,748,281	\$ 467,834	\$ 6,200,989	\$ 327,955

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2017	Payments made as of June 30, 2017
10/28/2003	10/1/18	2.05%	750,000	81,822	668,178
7/1/2014	4/1/39	2 - 4%	3,330,000	3,200,000	130,000
10/28/2016	9/30/31	2.05%	2,406,172	2,406,172	
			<u>6,486,172</u>	<u>5,687,994</u>	<u>798,178</u>

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 6: Long-term Liabilities (continued)

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

Year Ended June 30	Principal	Interest	Total
2018	289,610	193,538	483,148
2019	253,991	154,339	408,330
2020	242,079	149,371	391,450
2021	243,634	144,283	387,917
2022	246,400	138,762	385,162
2023-2027	1,381,930	597,623	1,979,553
2028-2032	1,740,350	392,105	2,132,455
2033-2037	890,000	188,537	1,078,537
2038-2039	400,000	24,200	424,200
Total	<u>\$ 5,687,994</u>	<u>\$1,982,758</u>	<u>\$ 7,670,752</u>

Note 7: Bonds Payable and Pledged Revenues

A. Bonds payable consisted of the following at June 30, 2017

Union County Community College District General Obligation Bonds (South Arkansas Community College), Series 2014, issued in the original amount of \$3,330,000 and maturing in varying amounts to April 1, 2039, with variable interest rates from 2% to 4% \$3,200,000

B. Pledged Revenues consisted of the following at June 30, 2017:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2017 Prin + Interest	Revenue Source	FY 2017 Revenue	% of Rev Pledged in FY 17
2014	2039	Refinance of Series 2009 bond issue	\$ 4,736,845	\$ 212,747	County Mil	\$ 321,283	66.2%

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 8: Capital Lease

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
Energy Performance Contract	\$ 1,914,076		\$ 1,914,076

Fiscal Year Ending June 30,	Amount
2018	\$ 208,812
2019	169,811
2020	174,903
2021	168,789
2022	173,852
2023 - 2027	905,063
2028 -2032	1,049,218
Total minimum lease payments	2,850,448
Less: Amount representing interest	(444,276)
Total Present Value of Net Minimum Lease Payments	\$ 2,406,172

Note 9: Commitments

The College was contractually obligated on the following at June 30, 2017:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
ANCRC McWilliams House Jameson Architects P.A. ERC General Contractors	June 30, 2019	\$ 1,151 71,392
AMTC Building CADM Architecture Dayco Construction, Inc.	May 18, 2018	19,136 1,575,682
Energy Savings Performance Contract	September 29, 2017	492,146
Total Construction Obligations		\$ 2,159,507

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 9: Commitments (continued)

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

Copier/mail machine/Valley services Leases	Amount
2018	43,082
2019	21,669
2020	10,083
Total	<u>\$ 74,834</u>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2017, were \$43,774.

Note 10: Other Postemployment Benefits

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

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

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

Funding Policy: The authority under which the obligations to contribute to the plan of the plan members, the college, and other contributing entities is established or may be amended is the College Board of Trustees. The required employee and employer contribution rates of active plan members were an average of \$0 and \$529, respectively.

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

1	Actuarially Required Contribution	\$ 46,997
2	Interest on Net OPEB Obligation	8,803
3	Adjustment to (1)	<u>(12,727)</u>
4	Annual OPEB Cost (1)+(2)-(3)	\$ 43,073
5	Actual Contribution Made	<u>14,699</u>
6	Increase in Net OPEB Obligation (4)-(5)	\$ 28,374
7	Net OPEB Obligation Beginning of Year	\$ 220,080
8	Net OPEB Obligation End of Year	<u>\$ 248,454</u>

SOUTH ARKANSAS COMMUNITY COLLEGE**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017****Note 10: Other Post Employment Benefits (continued)**

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 43,073	34.1%	\$ 248,454
6/30/2016	\$ 43,725	16.3%	\$ 220,080
6/30/2015	\$ 44,611	20.7%	\$ 183,461
6/30/2014	\$ 44,804	72.6%	\$ 148,080
6/30/2013	\$ 42,852	85.8%	\$ 135,788
6/30/2012	\$ 43,109	58.6%	\$ 129,703

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2017 is as follows:

Actuarial accrued liability (AAL)	\$ 290,592
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$ 290,592</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll	\$ 7,928,628
UAAL as a percentage of covered payroll	3.7%

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

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

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent discount rate and an annual healthcare cost trend rate of 10 percent initially, 9 percent the second year, 8 percent the third year with the rate decreasing by 0.5 percent each year to an ultimate rate of 5 percent in the ninth year. The College's unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at July 1, 2015, was thirty years. Detailed information pertaining to actuarial methods and assumptions are presented as required supplemental information.

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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. (A few employees were grandfathered in who continued to contribute 4 – 5% with the College contributing 6 – 8%.) Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participant's contributions for the year ended June 30, 2017 were \$338,471 and \$281,499 and for the year ended June 30, 2016, were \$338,642 and \$240,265, 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 (ARTS), a cost sharing multiple-employer defined benefit pension plan for certain employees. ARTS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ARTS. That report may be obtained by contacting the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-800-666-2877.

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5-/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

Note 11: Retirement Plans (continued)

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, 2014, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the College were \$211,172 for the year ended June 30, 2017 and \$242,648 for the year ended June 30, 2016.

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

Arkansas Public Employees Retirement System

Summary of Significant Accounting Policies

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

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

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

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11: Retirement Plans (continued)

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, 2017, the employer contribution rate, as a percentage of active member payrolls, was 14.76%. Contributions to APERS from the College were \$335,830 for the year ended June 30, 2017 and \$312,325 for the year ended June 30, 2016.

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.

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

At June 30, 2017, the College reported liabilities of \$5,452,321 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2016, 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, 2016, the College's proportion was .0592% for ATRS and .1189% for APERS.

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 11: Retirement Plans (continued)

For the year ended June 30, 2017, the College recognized pension expense of \$775,583. For the year ended June 30, 2017, 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	\$ 47,333	\$ (36,194)		\$ (101,973)
Net Changes in Assuptions			\$ 217,838	
Net difference between projected and actual earnings on pension plan investments	399,934		498,992	
Changes in proportion and differences between State contributions and proportionate share of contributions		(505,388)	523,734	(1,384)
Contributions subsequent to the measurement date	211,172		335,830	
Total	\$ 658,439	\$ (541,582)	\$ 1,576,394	\$ (103,357)

\$547,002 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, 2018. 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
2018	(85,962)	311,465
2019	(85,962)	291,492
2020	84,398	372,997
2021	38,023	161,253
2022	(44,812)	

SOUTH ARKANSAS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 11: Retirement Plans (continued)

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

	ATRS	APERS
Date of Actuarial Valuation	6/30/2016	6/30/2016
Inflation Rate	3.25%	2.50%
Salary Increases	3.25% to 9.10% including inflation	3.95% - 9.85%
Investment rate of return	8.00%	7.50%
Mortality rates	RP-2000 Mortality Table for males and females projected 25 years with scale AA(95% for men and 87% for women	RP-2000 Combined Healthy, projected to 2020 using projected scale BB, set forward two years for males and one year for females
Actuarial experience study dates	July 1, 2005 through June 30,2010	July 1, 2007 through June 30,2012

ATRS

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

APERS

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

SOUTH ARKANSAS COMMUNITY COLLEGE**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2017****Note 11: Retirement Plans (continued)**

Best estimates of arithmetic real rates of return for the 10-year period from 2016-2025 were provided by the plan investment consultant.

For each major asset class that is included in each pension plans' target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

	ATRS	
	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	50.00%	5.00%
Fixed Income	20.00%	0.80%
Alternatives	5.00%	4.40%
Real Assets	15.00%	3.40%
Private Equity	10.00%	6.30%
Cash Equivalents	0.00%	-0.20%
	100.00%	

	APERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38.00%	6.82%
International Equity	24.00%	6.88%
Real Estate	16.00%	3.07%
Absolute Return	5.00%	3.35%
Domestic Fixed	17.00%	0.83%
	100.00%	

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 7.50%. 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 made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 11: Retirement Plans (continued)

ATRS

The single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

Sensitivity of 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 8.00%	3,921,004	2,609,650	1,510,196
APERS - Current Discount Rate 7.50%	4,303,093	2,842,671	1,627,250

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, 2017, recorded as individual plan expense was \$605,063 for APERS and \$170,520 for ATRS

Note 12: Natural Classifications with Functional Classifications

The operating expenses by functional classification were as follows:

For the Year Ended June 30, 2017

	Salaries	Fringe Benefits	Supplies & Services	Scholarships	Depreciation	Total
Instruction	\$ 4,397,442	\$ 1,544,084	\$ 1,222,531			\$ 7,164,057
Public Service	138,496	58,984	29,885			227,365
Academic Support	386,850	159,480	80,079			626,409
Student Support	1,205,872	473,749	343,620			2,023,241
Institutional Support	1,226,583	475,920	737,545			2,440,048
M & O	349,943	135,207	924,217			1,409,367
Scholarships				\$ 1,666,226		1,666,226
Depreciation					\$ 1,290,588	1,290,588
Subtotal	7,705,186	2,847,424	3,337,877	1,666,226	1,290,588	16,847,301
Auxiliary	223,442	92,777	1,252,711			1,568,930
Total	\$ 7,928,628	\$ 2,940,201	\$ 4,590,588	\$ 1,666,226	\$ 1,290,588	\$ 18,416,231

Total scholarships for fiscal year 2016/17 were \$3,183,980; however, \$1,914,338 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Position.

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 607	\$ 1,634	\$ 2,241

Note 14: South Arkansas Arboretum

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

Note 15: Donor-Restricted Endowment

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

Total Endowments at June 30, 2017	\$ 419,910
Less: Non-Expendable Portion of True Endowments	414,946
Donor-Restricted Endowments Available for Expenditure	<u>\$ 4,964</u>

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

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

SOUTH ARKANSAS COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

SOUTH ARKANSAS COMMUNITY COLLEGE**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2017****Note18: Title III Program Endowment Fund Campaign (Continued)**

Title III endowment funds can be used for educational purposes. For the year ended June 30, 2017, 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
Total	<u>\$ 9,817</u>	<u>200,000</u>	<u>199,999</u>	<u>\$ 409,816</u>	<u>\$ 4,909</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.

Note19: 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 CFO and current member of the board of directors 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.

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Cost Element	Fiscal Year Ended Amount	June 30, 2017 % of Payroll ¹
1 Unfunded actuarial accrued liability at July 1, 2015	\$ 290,592	3.7%
Annual Required Contribution (ARC)		
2 Normal Cost	\$ 29,030	
3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years	16,159	
4 Interest	1,808	
5 Annual Required Contribution (ARC = 2 + 3 + 4)	<u>\$ 46,997</u>	0.6%
Annual OPEB Cost (Expense)		
6 ARC	\$ 46,997	
7 Interest on beginning of year CAFR accrual	8,803	
8 Amortization of beginning of year CAFR accrual	12,727	
9 Fiscal 2008 OPEB cost (6 + 7 - 8)	<u>\$ 43,073</u>	0.5%
End of Year CAFR Accrual (Net OPEB Obligation)		
10 Beginning of year CAFR accrual	\$ 220,080	
10a Actuarial adjustment	-	
11 Annual OPEB Cost	43,073	
12 Employer contribution (benefit payments) ²	14,699	
13 End of year CAFR accrual (10 + 10a + 11 - 12)	<u>\$ 248,454</u>	3.1%

¹ Annual payroll for the plan participants as of June 30, 2017 is \$7,928,628.

² Actual contributions paid in fiscal year 2017 of \$14,699.

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2017	\$43,073	\$14,699	34.1%
June 30, 2016	\$43,725	\$7,106	16.3%
June 30, 2015	\$44,611	\$9,230	20.7%
June 30, 2014	\$44,804	\$32,512	72.6%
June 30, 2013	\$42,852	\$36,767	85.8%

Schedule of Funding Progress

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UALL) (c) - (b)	Funded Ratio (b) / (c)	Annual Covered Payroll	UAAL as a % of Covered Payroll (d) / (f)
7/1/2015	\$ 0	\$290,592	\$290,592	0.0%	\$8,193,494	3.5%
7/1/2013	\$ 0	\$326,530	\$326,530	0.0%	\$8,045,268	4.1%
7/1/2011	\$ 0	\$292,085	\$292,085	0.0%	\$7,869,280	3.7%
7/1/2009	\$ 0	\$276,633	\$276,633	0.0%	\$6,915,539	4.0%
7/1/2007	\$ 0	\$262,712	\$262,712	0.0%	\$5,782,643	4.5%

The annual OPEB cost of \$43,073 for fiscal year 2017 and CAFR accrual of \$248,454 as of June 30, 2017, are based on a current decision not to fund in a segregated GASB qualified trust.

Three-Year Schedule of Percentage of OPEB Cost Contributed

June 30, 2017	\$43,073	34.1%	\$248,454
June 30, 2016	\$43,725	16.3%	\$220,080
June 30, 2015	\$44,611	20.7%	\$183,461

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Overview of the Valuation Methodology

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

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

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

Actuarial Methods and Assumptions

Valuation year:	July 1, 2015 – June 30, 2016
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	30 years, level dollar open amortization Open amortization means a fresh-start each year for the cumulative unrecognized amount.
Discount Rate:	4.00%
Projected Payroll Growth Rate:	N/A
Health Care Cost Trend Rate:	10% next year, 9% in the second year 2018, 8% in the third year and then decreasing by one half percentage point per year to an ultimate rate of 5% in the ninth year.

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Year</u>	<u>Rate</u>
2017	10.0%
2018	9.0%
2019	8.0%
2020	7.5%
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025	5.0%

Base Claim Costs:

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

The following subsidy was assumed:

	<u>Implicit Subsidy</u>	<u>Maximum Explicit Subsidy*</u>	<u>MAX TOTAL NET</u>	<u>Minimum Retiree Payment</u>
Retiree, no Medicare	\$83.97	\$495.00	\$578.97	\$0.00
Retiree, with Medicare	0.00	0.00	0.00	0.00

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

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Source of Claim Costs:

The medical cost for retirees equals the explicit subsidy paid by the College at the beginning of the year. This was increased by the implicit subsidy contained in such rates for a retiree. This subsidy was assumed to be \$83.97 for retirees under age 65 and was developed from retiree claim costs from other public entities in Arkansas.

Administrative Costs:

None assumed.

Selection of Coverage:

It was assumed that 80% of eligible retirees would select the coverage when they initially retired, and that 0% of them would continue it past age 65.

Data Used:

The College provided a census listing which is summarized below:

	<u>July 1, 2015</u>
Number of Active Employees	159
Number of Retirees Covered	
Under 65	1
Over 65	0

Pre-Retirement Mortality:

Deaths have been projected on the basis of the RP 2014 Mortality Table.

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Post-Retirement Mortality:

The RP 2014 Mortality Table was used.
 The life expectancy according to this table is as follows:

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

Voluntary Terminations:

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

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

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

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

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Expected Retirement Pattern:

Employees are assumed to retire according to the following schedule:

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

Disability Rates:

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

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

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Consideration of Future Mortality Improvements

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

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

Change to Assumptions

The assumed discount rate was lowered from 4.75% (7/1/13 valuation) to 4.00%. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2015, by \$25,094, and the ARC and Annual OPEB cost for 2015-16 by \$3,483.

The assumed life expectancy table was changed from the 1994 UP Table to the RP 2014 Table. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2015 by \$4,352, and the ARC and Annual OPEB cost for 2015-16 by \$839.

Cash Flow Projection

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

1	\$6,000
2	\$18,000
3	\$22,000
4	\$24,000
5	\$25,000
6	\$36,000
7	\$20,000
8	\$30,000
9	\$33,000
10	\$41,000

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATRS Pension Plan
10 Fiscal Years

	*2017	*2016	*2015	2014	2013	2012	2011	2010	2009	2008
College's proportion of the net pension liability (asset)	0.0592%	0.0707%	0.0772%							
College's proportionate share of the net pension liability (asset)	\$ 2,609,650	\$ 2,301,092	\$ 2,025,580							
College's covered payroll	\$ 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	150.57%	113.25%	90.53%							
Plan fiduciary net position as a percentage of total pension liability	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
 FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 APERS Pension Plan
 10 Fiscal Years

	*2017	*2016	*2015	2014	2013	2012	2011	2010	2009	2008
College's proportion of the net pension liability (asset)	0.1189%	0.1038%	0.0732%							
College's proportionate share of the net pension liability	\$ 2,842,671	\$ 1,912,605	\$ 1,038,860							
College's covered payroll	\$ 2,153,777	\$ 1,823,825	\$ 1,294,076							
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	131.99%	104.87%	80.28%							
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%	84.15%							

* 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
 FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF COLLEGE CONTRIBUTIONS
 ATRS Pension Plan
 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 211,172	\$ 242,648	\$ 288,125							
Contribution in relation to the contractually required contribution	211,172	242,648	288,125							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
College covered payroll	\$ 1,492,334	\$ 1,733,202	\$ 2,068,340							
Contribution as a percentage of covered payroll	14.15%	14.00%	13.93%							

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

**SOUTH ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF COLLEGE CONTRIBUTIONS
 APERS Pension Plan
 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 335,830	\$ 312,325	\$ 272,111							
Contribution in relation to the contractually required contribution	335,830	312,325	272,111							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
College covered payroll	\$ 2,316,072	\$ 2,153,777	\$ 1,843,160							
Contribution as a percentage of covered payroll	14.50%	14.50%	14.76%							

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

SOUTH ARKANSAS COMMUNITY COLLEGE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
 FOR THE YEAR ENDED JUNE 30, 2017
 (Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets and Deferred Outflows	\$ 33,423,564	\$ 30,176,797	\$ 29,715,390	\$ 29,210,502	\$ 28,482,334
Total Liabilities and Deferred Inflows	13,319,260	9,899,906	9,336,000	4,917,551	4,744,486
Total Net Position	20,104,304	20,276,891	20,379,390	24,292,951	23,737,848
Total Operating Revenues	8,072,672	7,712,168	6,560,648	6,784,814	7,381,190
Total Operating Expenses	18,416,231	18,798,365	18,315,296	18,628,387	18,671,821
Total Net Non-Operating Revenues	10,039,267	11,089,873	11,840,514	12,006,176	11,527,721
Total Other Revenues, Expenses, Gains or Losses	131,705	(106,175)	35,000	392,500	22,825

