

South Arkansas Community College

El Dorado, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2007

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTH ARKANSAS COMMUNITY COLLEGE
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Senate Co-Chair
Rep. J R Rogers
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Sen. Bobby L. Glover
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Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Arkansas Community College Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for South Arkansas Community College Foundation, Inc., is based on the report of the other auditors.

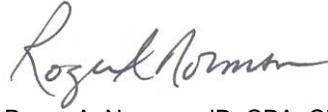
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the South Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of South Arkansas Community College as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2008 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
April 7, 2008
EDHE19307

Sen. Randy Laverty
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

South Arkansas Community College
Legislative Joint Auditing Committee

We have audited the financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 7, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the South Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the South Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

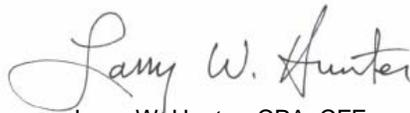
Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated April 7, 2008.

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

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 7, 2008

Sen. Randy Laverty
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

South Arkansas Community College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. §6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2007, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported for the fall and spring terms was as follows:

	<u>Fall Term</u> <u>2006</u>	<u>Spring Term</u> <u>2007</u>
Student Headcount	1,350	1,328
Student Semester Credit Hours	12,318	12,313

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

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

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 7, 2008



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**

The Management's Discussion and Analysis provides an overview of the financial position and results of activities of South Arkansas Community College for the year ended June 30, 2007, with comparative information for the year ended June 30, 2006. The Financial Report of the College is prepared following the financial statement model as developed and required by the Government Accounting Standards Board (GASB). GASB is the governing body over financial statements for public higher education and all state and local governments. The objectives of the reporting format is to enhance the understanding and usefulness of the external financial reports to all users of the statements including creditors, legislative and oversight bodies.

OVERVIEW OF THE FINANCIAL REPORT

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

FISCAL YEAR 2006-2007 HIGHLIGHTS

The following events or activities of financial significance occurred during the fiscal year ended June 30, 2007:

- The city of El Dorado passed a 1 cent sales tax effective July 1, 2007, for economic development. Part of the funds raised from this tax are to be used to purchase land and construct a convention center, SouthArk student services offices and bookstore adjacent to the College's west campus.
- Work began on Phase I of the Facilities Master Plan that was approved by the Board of Trustees on March 14, 2006. The demolition and removal of the houses on the site for the new parking area and the Health and Natural Science Building has been completed. On May 15, 2007, the Board approved increasing the budget for this project to \$2.5 million.
- The College received three new grants/contracts. The first was a U. S. Department of Labor Community-Based Job Training Grant in the amount of \$1,573,688 over 3 years to expand and improve the nursing and surgical technology programs. The second was an award of \$104,867 for FY06-07 (\$227,993 for FY07-08) from Arkansas Department of Higher Education for Arkansas Career Pathways, a state educational & financial assistance program through Arkansas's two year colleges. Third, the College received award notification for a U. S. Department of Education, Upward Bound grant of \$250,000 per year for 4 years beginning September 1, 2007.
- Net assets of South Arkansas Community College Foundation, Inc. passed one million dollars. The Foundation is now required to be discretely presented as a component unit in the College's financial statements because their net assets equal more than 5% of the College's net assets and meets the requirements of GASB Statement 39 (see Note 1).



SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets (equity) of the College using the accrual basis of accounting as of June 30, 2007, with comparative information as of June 30, 2006. Net Assets is one indicator of the financial condition of the College and changes in the net assets that occur over time indicate improvements or deterioration in the College's financial condition.

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

Readers of the Statement of Net Assets can determine answers to the following key questions as of June 30, 2007:

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

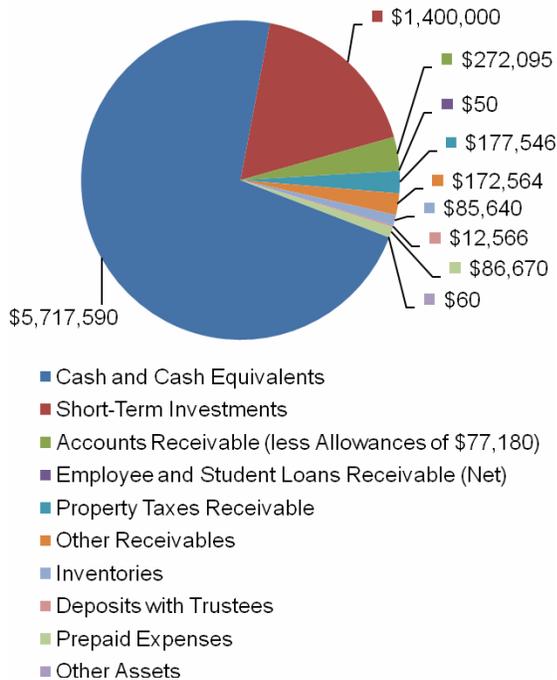
Condensed Statement of Net Assets

	2007	2006	Change
Assets:			
Current Assets	\$ 7,924,781	\$ 7,321,954	8.23%
Capital Assets, Net	11,498,244	11,431,717	0.58%
Other Non-current Assets	170,158	439,192	-61.26%
Total Assets	<u>19,593,183</u>	<u>19,192,863</u>	2.09%
Liabilities:			
Current Liabilities	438,324	361,821	21.14%
Non-current Liabilities	793,475	806,702	-1.64%
Total Liabilities	<u>1,231,799</u>	<u>1,168,523</u>	5.42%
Net Assets:			
Invested in Capital Assets, Net of Debt	10,904,221	10,791,987	1.04%
Restricted	553,263	818,930	-32.44%
Unrestricted	6,903,900	6,413,423	7.65%
Total Net Assets	<u>\$ 18,361,384</u>	<u>\$ 18,024,340</u>	1.87%

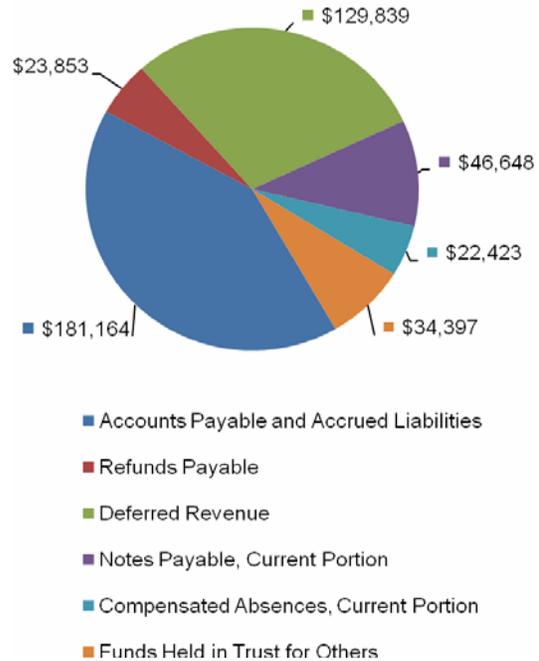


**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**

Current Assets \$7,924,781



Current Liabilities \$438,324



The College's current assets increased by \$602,827 or 8.23% during the fiscal year ended June 30, 2007, and its net capital assets increased by \$66,527 or 0.58%. The increases and decreases to capital assets are shown in the notes to the financial statements. Overall, the College's total assets increased from \$19,192,863 at June 30, 2006, to \$19,593,183 at June 30, 2007, an increase of 2.09%.

The College's total liabilities increased from \$1,168,523 at June 30, 2006, to \$1,231,799 at June 30, 2007, an increase of \$63,276 or 5.42% while its total net assets increased \$337,044 or 1.87% from \$18,024,340 to \$18,361,384 during the period.

Cash, cash equivalents, and investments as of June 30, 2007 and 2006, are shown below. Current short-term investments consist of certificates of deposit with an original maturity date of 91 days to one year. Non-current cash and cash equivalents are funds externally restricted for capital projects and endowment principal not invested.

Cash, Cash Equivalents, and Investments

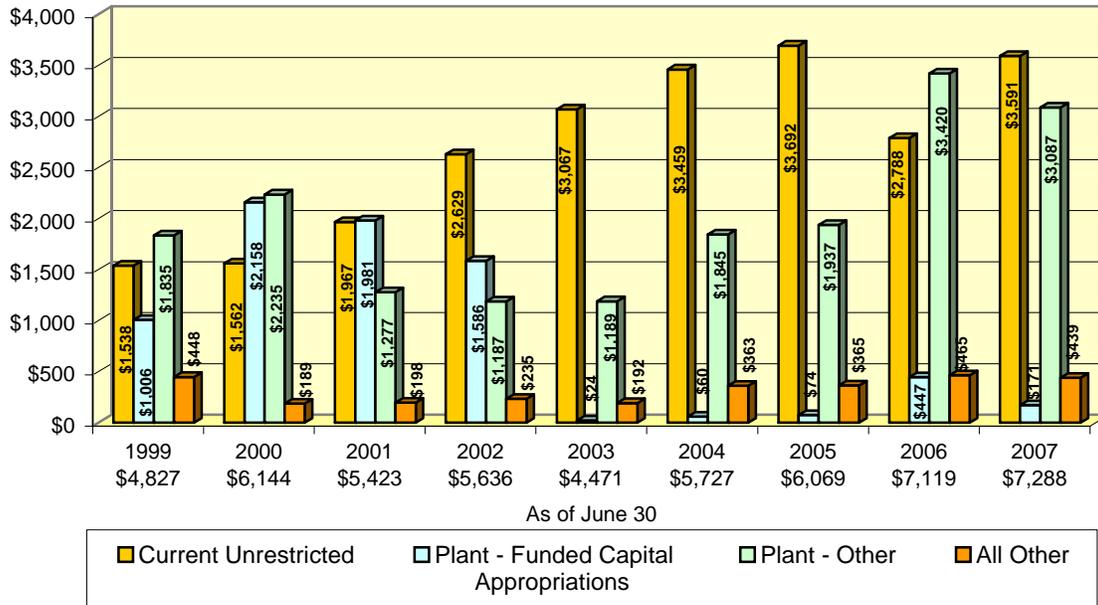
	2007	2006
Current Cash and Cash Equivalents	\$ 5,717,590	\$ 5,326,521
Current Short Term Investments	1,400,000	1,353,564
Non-current Cash and Cash Equivalents	160,156	439,190
Endowment Investments	10,000	
Total	\$ 7,287,746	\$ 7,119,275



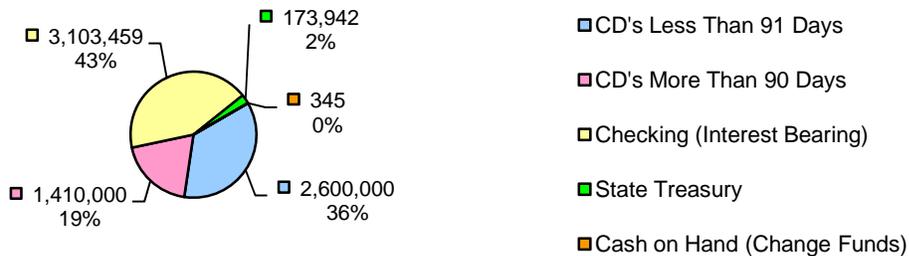
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**

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

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



**Cash, Cash Equivalents & Investments by Type of Account
At June 30, 2007**





**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The total net assets as presented on the Statement of Net Assets are based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses and Changes in Net Assets. This statement's purpose is to present the revenues generated and received by the College and the expenses incurred, both operating and non-operating, and all other financial gains or losses experienced by the College during the fiscal year ended June 30, 2007.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

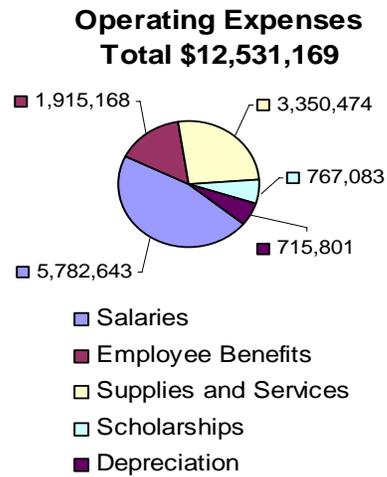
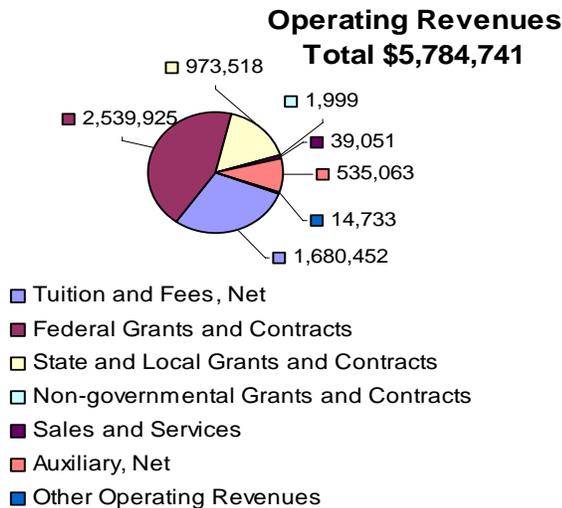
	2007	2006	Change
Operating Revenues	\$ 5,784,741	\$ 5,233,360	10.54%
Operating Expenses	12,531,169	11,280,149	11.09%
Operating Loss	(6,746,428)	(6,046,789)	11.57%
Non-operating Revenues and Expenses (Net)	7,061,011	6,800,318	3.83%
Income Before Other Revenues, Expenses, Gains or Losses	314,583	753,529	-58.25%
Other Revenues, Expenses, Gains and Losses	22,461	1,193,037	-98.12%
Increase in Net Assets	337,044	1,946,566	-82.69%
Net Assets, Beginning of Year	18,024,340	16,077,774	
Net Assets, End of Year	<u>\$ 18,361,384</u>	<u>\$ 18,024,340</u>	



GAIN (Getting Ahead in Nursing): Surgical Technology, Certified Nursing Assistant, LPN

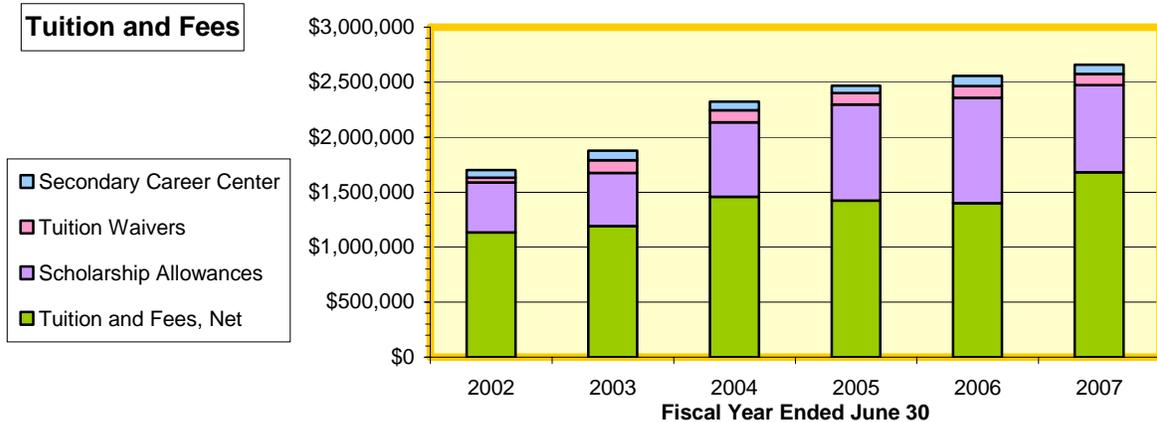


**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**



The Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year ended June 30, 2007, reflects an increase in the net assets of the College of \$337,044 compared with an increase of \$1,946,566 for the year ended June 30, 2006. Highlights from the information presented in the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal year ended June 30, 2007 include the following:

- ◆ Tuition and fees, shown net of institutional waivers, Secondary Career Center tuition, and scholarship allowances, amounted to \$1,680,452 or 29.05% of total operating revenues.



- ◆ Personal services (Salaries and Benefits) expenses totaled \$7,697,811 or 61.43% of total operating expenses.
- ◆ Scholarships expenses totaled \$767,083 or 6.12% of total operating expenses.
- ◆ The College's loss from operations amounted to \$6,746,428. State Appropriations which are classified as non-operating revenues amounted to \$6,501,875. Non-operating revenues and expenses are shown below:



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)**

Non-operating Revenues and Expenses

	2007	2006	Change
State Funded Appropriations	\$ 6,501,875	\$ 6,238,669	4.22%
County Millage	269,875	246,487	9.49%
Gifts	49,008	44,996	8.92%
Interest Income	371,564	291,196	27.60%
Disposal of Capital Assets	(118,664)		-100.00%
Interest on Indebtedness	(12,647)	(21,030)	-39.86%
Net Non-operating Revenues	\$ 7,061,011	\$ 6,800,318	3.83%

- ◆ Total other revenues, expenses, gains and losses amounted to \$22,461. Of this amount, \$21,459 was derived from capital appropriations which included the following funded appropriations:

Capital Appropriations

	2007	2006
West Campus Expansion		\$ 340,000
Institutional Improvement		100,000
Health Science Building Planning		50,000
Administration Building		665,000
State Motor Vehicle		14,185
College Savings Bonds	\$ 21,459	31,093
	\$ 21,459	\$ 1,200,278



SOUTHARK
SOUTH ARKANSAS COMMUNITY COLLEGE

Design for new Streetscape and new Health & Natural Science Building



SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006)

STATEMENT OF CASH FLOWS

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

	<u>2007</u>	<u>2006</u>
Cash provided (used) by:		
Operating activities	\$ (6,050,444)	\$ (5,073,676)
Non-capital financing activities	6,783,493	6,525,850
Capital and related financing activities	(935,570)	(692,417)
Investing activities	<u>314,556</u>	<u>290,433</u>
Net change in cash and cash equivalents	112,035	1,050,190
Cash and cash equivalents - beginning of year	<u>5,765,711</u>	<u>4,715,521</u>
Cash and cash equivalents - end of year	<u><u>\$ 5,877,746</u></u>	<u><u>\$ 5,765,711</u></u>

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

ECONOMIC OUTLOOK

The College's economic outlook is largely dependent upon ongoing financial support from State government. State general revenues are directly connected to the global economy. Fiscal year 2006-2007 continued to see improved interest rates and an improved economy. The College received state general improvement fund appropriations for fiscal year 2005-2006 to be used for west campus expansion and for planning expenses for an allied health and natural science building. In fiscal year 2006-2007 the state issued bonds for various projects. The College's share of the proceeds is \$1,500,000 and will be used toward the construction of the allied health and natural science building. The College will receive the monies as they are expended. Also, the City of El Dorado passed a one cent sales tax for economic development. A large portion of these funds are for the construction of a new convention center/student service/bookstore to be built near west campus. Murphy Oil Corporation has pledged \$5,000,000 toward the new facility.

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



SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,717,590	\$ 5,326,521
Short-term investments	1,400,000	1,353,564
Accounts receivable (less allowances of \$77,180 and \$56,295)	272,095	221,648
Employee and student loans receivable (less allowance of \$50 and \$50)	50	450
Property taxes receivable	177,546	177,217
Other receivables	172,564	109,324
Inventories	85,640	63,819
Deposits with trustees (market value)	12,566	11,656
Prepaid expenses	86,670	57,695
Other assets	60	60
Total Current Assets	<u>7,924,781</u>	<u>7,321,954</u>
Noncurrent Assets		
Cash and cash equivalents	160,156	439,190
Endowment investments	10,000	
Accrued interest receivable	2	2
Capital assets, net of accumulated depreciation of \$8,633,697 and \$7,981,318 (Note 5)	11,498,244	11,431,717
Total Noncurrent Assets	<u>11,668,402</u>	<u>11,870,909</u>
TOTAL ASSETS	<u>19,593,183</u>	<u>19,192,863</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	181,164	127,049
Refunds payable	23,853	37,648
Deferred revenue	129,839	86,353
Note payable - current portion	46,648	45,707
Compensated absences	22,423	38,674
Funds held in trust for others	34,397	26,390
Total Current Liabilities	<u>438,324</u>	<u>361,821</u>
Noncurrent Liabilities		
Accounts payable	21,459	
Note payable	547,375	594,023
Compensated absences	224,641	212,679
Total Noncurrent Liabilities	<u>793,475</u>	<u>806,702</u>
TOTAL LIABILITIES	<u>1,231,799</u>	<u>1,168,523</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,904,221	10,791,987
Restricted for:		
Non-expendable		
Scholarships	10,821	10,728
Expendable		
Scholarships	12,338	10,475
Loans	2,113	2,017
Capital Projects	155,579	456,821
Other	372,412	338,889
Unrestricted	<u>6,903,900</u>	<u>6,413,423</u>
TOTAL NET ASSETS	<u>\$ 18,361,384</u>	<u>\$ 18,024,340</u>

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

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SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
June 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 391,807
Pledges receivable, current portion	9,100
Accrued interest receivable	896
Investments	<u>580,577</u>

Total Current Assets 982,380

Fixed Assets, at cost

Computer software	6,365
Property and equipment	<u>186,427</u>
	192,792
Less: accumulated depreciation and amortization	<u>109,225</u>

Total Fixed Assets 83,567

Other Assets

Antique furniture	2,410
Airplane hangar	9,500
Pledges receivable	<u>4,535</u>

Total Other Assets 16,445

\$ 1,082,392

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 289
Scholarships payable	4,636
Refundable advances	<u>15,950</u>

Total Current Liabilities 20,875

Net Assets

Unrestricted	601,725
Unrestricted - Board designated	231,764
Temporarily restricted	<u>228,028</u>

Total Net Assets 1,061,517

\$ 1,082,392

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SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$792,267 and \$956,071)	\$ 1,680,452	\$ 1,400,784
Federal grants and contracts	2,539,925	2,350,933
State and local grants and contracts	973,518	964,265
Non-governmental grants and contracts	1,999	20,400
Sales and services of educational departments	39,051	30,277
Auxiliary enterprises:		
Vending	8,895	9,831
Bookstore (net of scholarship allowances of \$242,823 and \$282,576)	526,168	449,304
Other operating revenues	14,733	7,566
TOTAL OPERATING REVENUES	<u>5,784,741</u>	<u>5,233,360</u>
OPERATING EXPENSES		
Salaries	5,782,643	5,398,085
Employee benefits	1,915,168	1,751,017
Supplies and other services	3,350,474	2,756,556
Scholarships and fellowships	767,083	731,947
Depreciation	715,801	642,544
TOTAL OPERATING EXPENSES	<u>12,531,169</u>	<u>11,280,149</u>
OPERATING INCOME (LOSS)	<u>(6,746,428)</u>	<u>(6,046,789)</u>
NON-OPERATING REVENUES (EXPENSES)		
State and Federal appropriations	6,501,875	6,238,669
County millage	269,875	246,487
Gifts	49,008	44,996
Interest income	371,564	291,196
Interest expense (on capital asset related debt)	(12,647)	(21,030)
Disposal of capital assets (net of accumulated depreciation of \$63,422 and \$50,951)	(118,664)	
NET NON-OPERATING REVENUES (EXPENSES)	<u>7,061,011</u>	<u>6,800,318</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>314,583</u>	<u>753,529</u>
Other revenues, expenses, gains and losses		
Capital appropriations	21,459	1,200,278
Additions (Deletions) to permanent and term endowments		(713)
Scholarship fund transferred to Foundation		(7,284)
Interest earned on endowment funds	92	78
Market value adjustment of deposits with trustees	910	678
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>22,461</u>	<u>1,193,037</u>
INCREASE (DECREASE) IN NET ASSETS	337,044	1,946,566
NET ASSETS - BEGINNING OF YEAR	<u>18,024,340</u>	<u>16,077,774</u>
NET ASSETS - END OF YEAR	<u>\$ 18,361,384</u>	<u>\$ 18,024,340</u>

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

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SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 241,699	\$ 69,864	\$ 311,563
Special fundraising events	55,900		55,900
Investment income	35,065	28,536	63,601
Net assets released from restrictions	<u>227,574</u>	<u>(227,574)</u>	
Total revenues, gains and other support	<u>560,238</u>	<u>(129,174)</u>	<u>431,064</u>
Expenses			
Program services			
Scholarships	54,522		54,522
Grants and awards	<u>51,315</u>		<u>51,315</u>
Total program services	<u>105,837</u>		<u>105,837</u>
Supporting services			
Management and general	22,727		22,727
Fund raising	<u>55,876</u>		<u>55,876</u>
Total supporting services	<u>78,603</u>		<u>78,603</u>
Total expenses	<u>184,440</u>		<u>184,440</u>
Change in Net Assets	375,798	(129,174)	246,624
Net Assets - Beginning of Year	<u>457,691</u>	<u>357,202</u>	<u>814,893</u>
Net Assets - End of Year	<u>\$ 833,489</u>	<u>\$ 228,028</u>	<u>\$ 1,061,517</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit C

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,687,013	\$ 1,355,085
Grants and contracts	3,435,694	3,721,753
Sales and services of educational activities	39,388	28,024
Collection of student and employee loans including interest	6,000	5,328
Auxiliary enterprise revenues		
Vending	8,895	9,831
Bookstore	521,017	421,431
Other receipts	14,720	7,553
Payments to employees	(5,784,983)	(5,394,272)
Payments of employee benefits	(1,919,784)	(1,714,861)
Payments to suppliers	(3,285,733)	(2,775,786)
Loans issued to students and employees	(5,588)	(5,815)
Scholarships	(767,083)	(731,947)
Net cash provided (used) by operating activities	<u>(6,050,444)</u>	<u>(5,073,676)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	6,501,875	6,238,669
County millage	269,546	251,259
Gifts and grants	53,758	40,943
Agency funds - net	8,062	2,976
Other	(49,748)	(7,997)
Net cash provided (used) by non-capital financing activities	<u>6,783,493</u>	<u>6,525,850</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	21,459	1,186,173
Proceeds from sale of capital assets	(14,600)	
Purchase of capital assets	(883,841)	(1,681,682)
Principal paid on capital debt	(45,707)	(173,829)
Interest paid on capital debt	(12,881)	(23,079)
Net cash provided (used) by capital and related financing activities	<u>(935,570)</u>	<u>(692,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	370,992	290,433
Proceeds from sales and maturities of investments	1,053,564	
Purchase of investments	(1,110,000)	
Net cash provided (used) by investing activities	<u>314,556</u>	<u>290,433</u>
Net increase (decrease) in cash and cash equivalents	112,035	1,050,190
Cash and cash equivalents-beginning of year	<u>5,765,711</u>	<u>4,715,521</u>
Cash and cash equivalents-end of year	<u>\$ 5,877,746</u>	<u>\$ 5,765,711</u>

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SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2007
(With Comparative Figures for the year ended June 30, 2006)

Exhibit C

	<u>2007</u>	<u>2006</u>
Reconciliation of net operating revenues (expenses)		
to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (6,746,428)	\$ (6,046,789)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	715,801	642,544
Changes in assets and liabilities:		
(Increase) Decrease in Receivables, net	(117,428)	304,962
(Increase) Decrease in Inventories	(21,821)	35,965
(Increase) Decrease in Prepaid expenses	(28,975)	31,407
Increase (Decrease) in Accounts payable and accrued liabilities	109,208	(22,175)
Increase (Decrease) in Deferred revenue	43,487	(46,859)
Increase (Decrease) in Compensated absences	(4,288)	27,269
Net cash provided (used) by operating activities	<u>\$ (6,050,444)</u>	<u>\$ (5,073,676)</u>

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

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SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash Flows from Operating Activities

Change in net assets	\$ 246,624
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(36,006)
Depreciation	28,509
Noncash contributions	(9,500)
Increase in pledge receivables	(13,635)
Increase in accrued interest receivable	(18)
Decrease in accounts payable	(135)
Decrease in scholarships payable	(3,416)
Increase in refundable advances	<u>10,550</u>
Net cash provided by operating activities	<u>222,973</u>

Cash Flows from Investing Activities

Purchases of investments	(211,314)
Sale of investments	<u>167,114</u>
Net cash used in investing activities	<u>(44,200)</u>

Net Increase in Cash 178,773

**Cash and Cash Equivalents at
Beginning of Year** 213,034

**Cash and Cash Equivalents at
End of Year** \$ 391,807

Supplemental Data:

Noncash Activities:

During the year ended June 30, 2007, South Arkansas Community College Foundation, Inc., received a gift of an airplane hangar which was recorded at the fair market value of \$9,500.



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

During the year ended June 30, 2007, the Foundation transferred the following amounts to the College:

For scholarships	\$ 38,493
For reimbursement of expenses	\$ 11,885
For reimbursement of renovation expenses	\$ 11,149
For student organizations	\$ 2,610
Total	<u>\$ 64,137</u>

The College had a receivable from the Foundation on June 30, 2007, in the amount of \$290 and on June 30, 2006, in the amount of \$4,757 for reimbursement of expenses. Complete financial statements for the Foundation may be obtained from the Foundation at P. O. Box 7010, El Dorado, AR 71731-7010.

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



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Financial Statement Presentation

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

Basis of Accounting

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

All Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, are applied, except for those that conflict with or contradict the GASB requirements.

Capital Assets and Depreciation

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

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 20 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 years for library holdings, 5 years for vehicles, and 3 to 10 years for equipment.

Operating and Non-operating Revenues

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

- Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) 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.



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Cash Equivalents

For purposes of the statement of cash flows, South Arkansas Community College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents (such as certificates of deposit).

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprises provided to students, faculty and staff. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts.

Investments

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

Inventories

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

Non-current Cash and Investments

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

Restricted/Unrestricted Resources

The College has no formal policy addressing which resources to use when both restricted and unrestricted net assets are available for the same purpose. College personnel decide which resources to use at the time expenses are incurred.

Deferred Revenues

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

Compensated Absences Payable

Accrued compensated absences payable, other than sick leave, reflects accumulated compensatory, holiday and annual leave and required employer contributions at June 30, 2007 for full-time employees. Accumulated unpaid annual leave and holidays are accrued at the employee's current hourly rate of pay up to a maximum of 240 hours.



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Compensated Absences Payable (Continued)

Act 1288 of 2005, allowed compensation for unused sick leave at retirement or death to two year college classified employees. Accrued compensated absences payable – sick leave reflects accumulated sick leave and required employer contributions at June 30, 2007, for full-time classified employees. The amount is based on a percentage of the number of hours accumulated, and the employee's current daily rate of pay not to exceed \$7,500 paid to the employee or beneficiary of an employee.

Non-current Liabilities

Non-current liabilities include: (1) principal amounts of a note payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year.

Scholarship Discounts and Allowances

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

Note 2: Public Fund Deposits and Investments

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	<u>7,013,458</u>	<u>7,581,204</u>
Total Deposits	<u>\$ 7,113,458</u>	<u>\$ 7,681,204</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

The above deposits do not include cash on deposit in the state treasury or cash on hand (change funds, etc.) maintained by the College in the amounts of \$173,943 and \$345, respectively, as of June 30, 2007. The above total deposits include certificates of deposit of \$1,410,000 as of June 30, 2007, reported as investments and classified as nonparticipating contracts.

Deposits with Trustee

At June 30, 2007, the College's deposits with trustee of \$12,566 were invested in TIAA/CREF account owned by the College. The funds were invested in TIAA Real Estate - \$4,095; CREF Bond Market - \$2,873; and CREF Money Market - \$5,598. These funds were set aside in a Sec. 457 Deferred Compensation Plan. The College retains ownership of the funds until the fulfillment of the conditions set out in the Plan.

Credit risk - The Real Estate and Bond Market funds have a three star and five star, respectively, three-year average ratings by Morningstar, Inc. The Money Market funds are not rated.

Note 3: Disaggregation of Receivable and Payable Balances

The accounts receivable of \$272,095 at June 30, 2007, consisted of student accounts receivable of \$349,275, which was reduced by an allowance for doubtful accounts of \$77,180.

Other receivables of \$172,564 at June 30, 2007, consisted of interest receivable of \$8,123, reimbursements of \$115,703 from federal and state agencies for grants and contracts and the remaining balance of \$48,738 represented amounts due for miscellaneous charges and vendor refunds.

The accounts payable and accrued liabilities of \$181,164 at June 30, 2007, consisted of \$154,747 due to vendors and \$21,643 for salaries and benefits, accrued interest payable of \$3,044 and unclaimed property payable to the state of \$1,730.

Noncurrent accounts payable of \$21,459 at June 30, 2007, represents amounts due to vendors past one year.

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
FOR THE YEAR ENDED JUNE 30, 2007

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 847,232	\$ 243,666		\$ 1,090,898
Construction-in-progress	9,100	149,892		158,992
Total capital assets not depreciated	<u>\$ 856,332</u>	<u>\$ 393,558</u>		<u>\$ 1,249,890</u>
Other capital assets				
Improvements and infrastructure	\$ 394,853	\$ 14,887	\$ 716	\$ 409,024
Buildings	15,168,916	119,503	125,249	15,163,170
Equipment	2,176,930	328,029	28,489	2,476,470
Library holdings	816,004	35,264	17,881	833,387
Total other capital assets	<u>18,556,703</u>	<u>497,683</u>	<u>172,335</u>	<u>18,882,051</u>
Less accumulated depreciation for:				
Improvements and infrastructure	316,264	8,868	716	324,416
Buildings	5,443,815	478,770	21,185	5,901,400
Equipment	1,864,914	146,852	23,640	1,988,126
Library holdings	356,325	81,311	17,881	419,755
Total accumulated depreciation	<u>7,981,318</u>	<u>715,801</u>	<u>63,422</u>	<u>8,633,697</u>
Other capital assets, net	<u>\$ 10,575,385</u>	<u>\$ (218,118)</u>	<u>\$ 108,913</u>	<u>\$ 10,248,354</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 856,332	\$ 393,558		\$ 1,249,890
Other capital assets at cost	<u>18,556,703</u>	<u>497,683</u>	<u>\$172,335</u>	<u>18,882,051</u>
Total cost of capital assets	19,413,035	891,241	172,335	20,131,941
Less accumulated depreciation	<u>7,981,318</u>	<u>715,801</u>	<u>63,422</u>	<u>8,633,697</u>
Capital assets, net	<u>\$ 11,431,717</u>	<u>\$ 175,440</u>	<u>\$ 108,913</u>	<u>\$ 11,498,244</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 6: Long-term Liabilities

COLLEGE SAVINGS BOND LOAN

In October 2003, the College obtained a \$750,000 loan from the Arkansas Development Finance Authority and the Arkansas Higher Education Coordination Board. These funds are to be used for renovations to the Billy McGehee Classroom Building. The loan is secured by a pledge of tuition and fee revenue.

Debt payments on bonds amounted to \$45,707 for the fiscal year ended June 30, 2007. Debt service interest payments totaled \$12,881 for the fiscal year ended June 30, 2007.

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Total Loan Amount</u>	<u>Debt Outstanding June 30, 2007</u>	<u>Principal Payments Made Through June 30, 2007</u>
10/28/03	10/1/18	2.05%	<u>\$ 750,000</u>	<u>\$ 594,023</u>	<u>\$ 155,977</u>

Changes in long-term liabilities are as follows:

	<u>Balance July 1, 2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2007</u>	<u>Amount due within one year</u>
College savings bonds loan payable (2003)	\$ 639,730		\$ 45,707	\$ 594,023	\$ 46,648
Compensated absences payable - other than sick leave	233,919	\$ 216,023	210,741	239,201	19,360
Compensated absences payable - sick leave	<u>17,434</u>	<u>759</u>	<u>10,330</u>	<u>7,863</u>	<u>3,063</u>
Totals	<u>\$ 891,083</u>	<u>\$ 216,782</u>	<u>\$ 266,778</u>	<u>\$ 841,087</u>	<u>\$ 69,071</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Year Ended June 30	Principal	Interest	Total
2008	\$ 46,648	\$ 11,940 *	\$ 58,588
2009	47,609	10,979	58,588
2010	48,591	9,997	58,588
2011	49,592	8,996	58,588
2012	50,614	7,974	58,588
2013-2017	269,147	23,793	292,940
2018-2019	81,822	1,638	83,460
Total	<u>\$ 594,023</u>	<u>\$ 75,317</u>	<u>\$ 669,340</u>

*Includes interest payable of \$3,044 recorded as a current liability at June 30, 2007.

Note 7: Commitments

The College was contractually obligated on the following at June 30, 2007.

A. Architect Contract

Streetscape and Parking and Health and Natural Science Building Planning, West Campus

	Total	Expended	Balance
Architect Fees	\$ 181,900	\$ 125,550	\$ 56,350
Architect Reimbursable Expenses	8,750	6,563	2,187
Total	<u>\$ 190,650</u>	<u>\$ 132,113</u>	<u>\$ 58,537</u>

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

Various leases for copiers with terms of 36 months.

	2008	2009	2010	Total
Scheduled Payments	<u>\$ 20,736</u>	<u>\$ 17,743</u>	<u>\$ 4,362</u>	<u>\$ 42,841</u>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2007, were approximately \$24,888.



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Note 8: Other Post Employment Benefits

The College allows an individual to continue health insurance benefits after leaving College employment. An employee must have 15 years of full-time service and be at least 55 years old. However, coverage shall cease when the employee becomes eligible for Medicare. The benefit varies from 25% when a terminating employee has a factor of 70 (age 55 plus 15 years of full-time service) to 100% after the factor reaches 85 (age plus years of full-time service). At June 30, 2007, there were 3 retirees eligible for these benefits. All premiums for these benefits were paid monthly and financed on a pay-as-you-go basis. These premiums for the year ended June 30, 2007, total \$26,810 of which the College paid \$17,025 and the retirees paid \$9,785. The College reserves the right to alter or eliminate coverage.

An individual that has accrued this benefit may continue to provide coverage of a spouse or other dependent at the former employee's expense until the spouse reaches age 65 or the dependent ceases to be eligible for coverage. This policy became effective for individuals retiring on or after December 31, 1998. Persons who retired before December 31, 1998, are eligible to continue with the same benefits in effect at the time they retired.

Note 9: Retirement Plans

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

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

Funding Policy. TIAA/CREF offers contributory plans and members may contribute 6 – 8% of their gross earnings to the plan. The College contributes 10% of employees' earnings for contributory members. (A few employees were grandfathered in who continued to contribute 4 - 5% with the College contributing 6 -8%). Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participants' contributions for the year ended June 30, 2007, were \$299,981 and \$216,897, respectively.

Arkansas Teacher Retirement System

Plan Description. South Arkansas Community College contributes to the Arkansas Teacher Retirement System (ATRS), a cost sharing multiple-employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-800-666-2877.



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Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at the rate established by the Arkansas General Assembly. The employer rate was 14% from July 1, 2006 to June 30, 2007. The College's contributions to ATRS for the year ended June 30, 2007, 2006, and 2005 were \$193,309, \$152,780, and \$132,323, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. South Arkansas Community College contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under APERS as a qualified retirement system. APERS 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory (not available to new enrollees until July 1, 2005) and non-contributory plans. Through June 30, 2004, the College had only non-contributory participants. Since July 1, 2005, all new participants have been required to contribute 5% and current participants had until December 31, 2005, to elect to change from non-contributory to contributory. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The statutory employer rate for the fiscal year ended June 30, 2005, was 11.09% of annual covered payroll. The employer rate increased to 12.54% effective July 1, 2005. The College's contributions to APERS for the years ended June 30, 2007, 2006, and 2005, were \$90,175, \$89,686, and \$78,571, respectively, equal to the required contributions for each year.

Summary of employer contributions:

<u>Retirement Plan</u>	Institutional Contributions for the Years Ended June 30,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Alternate Retirement Plan	\$ 299,981	\$ 292,327	\$ 287,816
AR Public Employees Retirement	90,175	89,686	78,571
AR Teachers Retirement	<u>193,309</u>	<u>152,780</u>	<u>132,323</u>
Totals	<u>\$ 583,465</u>	<u>\$ 534,793</u>	<u>\$ 498,710</u>



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Note 10: Natural Classifications by Function

The operating expenses by function were as follows:

For the Year Ended June 30, 2007						
	Salaries	Employee Benefits	Supplies & Other Services	Scholarships	Depreciation	Total
Instruction	\$ 3,298,223	\$ 1,033,282	\$ 1,208,103			\$ 5,539,608
Public Service	146,764	41,439	38,726			226,929
Academic Support	318,355	133,619	199,433			651,407
Student Support	486,712	160,888	165,476			813,076
Institutional Support	1,096,539	344,425	524,154			1,965,118
M & O	388,193	180,084	633,345			1,201,622
Scholarships				\$ 767,083		767,083
Depreciation					\$ 715,801	715,801
Subtotal	5,734,786	1,893,737	2,769,237	767,083	715,801	11,880,644
Auxiliary	47,857	21,431	581,237			650,525
Total	<u>\$ 5,782,643</u>	<u>\$ 1,915,168</u>	<u>\$ 3,350,474</u>	<u>\$ 767,083</u>	<u>\$ 715,801</u>	<u>\$ 12,531,169</u>

Total scholarships for fiscal year 06-07 were \$1,802,173; however, \$1,035,090 was reported as scholarship allowances on the Statement of Revenues, Expenses and Changes in Net Assets.

Note 11: Loan Funds

Student/Employee Loan Fund

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

Balances as of:	June 30, 2007		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 680	\$ 1,383	\$ 2,063
Loans, Net	<u>50</u>	<u>0</u>	<u>50</u>
Fund Balance	<u>\$ 730</u>	<u>\$ 1,383</u>	<u>\$ 2,113</u>



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Note 12: South Arkansas Arboretum

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



Note 13: Donor-Restricted Endowment

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

Total Endowments at June 30, 2007	\$ 11,567
Less: Non-Expendable Portion of True Endowments	<u>10,821</u>
Donor-Restricted Endowments Available for Expenditure	<u><u>\$ 746</u></u>

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

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

Note 14: Pending Litigation

A former employee alleges 36 counts of discrimination. The counts include discrimination, gender discrimination, sexual harassment, disability discrimination, civil conspiracy, failure to come to the aid, and retaliation. South Arkansas Community College is being represented by the State Attorney General’s Office. In April 2008, a tentative release and settlement agreement in the amount of \$15,000 was verbally agreed upon by both parties. Therefore, we expect obligations in this matter to be \$15,000.