

**South Arkansas Community College**

**El Dorado, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2010**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTH ARKANSAS COMMUNITY COLLEGE  
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# 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, 2010, 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. The prior year partial comparative information has been derived from the College's 2009 financial statements and, in our report dated August 18, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit. We did not audit the financial statements of the South Arkansas Community College Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for South Arkansas Community College Foundation, Inc., is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of South Arkansas Community College as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2009, from which such partial information was derived.

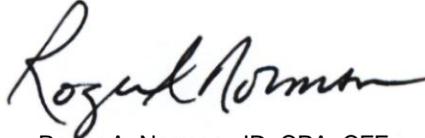
As discussed in Note 5 to the financial statements, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* on July 1, 2009. GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets, with certain exceptions. This Statement requires that intangible assets, unless specifically excluded from the guidance, be classified as capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, written over a white background.

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

Little Rock, Arkansas  
August 23, 2011  
EDHE19310

**Sen. Bill Pritchard**  
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House 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, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated August 23, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the South Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the South Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

A *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.

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

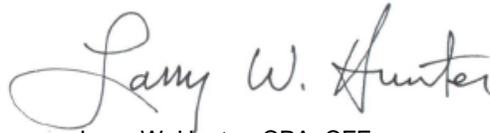
Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated August 23, 2011.

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 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.

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 23, 2011

**Sen. Bill Pritchard**  
Senate Chair  
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House Chair  
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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, 2010, 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>Fall Term</u>	<u>Spring Term</u>	<u>Summer I Term</u>
	<u>2009</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>
Student Headcount	341	1,823	1,827	860
Student Semester Credit Hours	1,253	16,555	16,933	5,198

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.

DIVISION OF LEGISLATIVE AUDIT

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 23, 2011



### ***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, 2010, with the fiscal year 2009 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 Governmental 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 Assets, the Statement of Revenues, Expenses and Changes in Net Assets, 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 all aspects of the College's operations.

### ***Statement of Net Assets***

The Statement of Net Assets presents the assets, liabilities and net assets 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 noncurrent assets and liabilities. The statement provides a picture of net assets (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three 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 assets: Divided into two categories, nonexpendable and expendable*

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

*Restricted net assets - 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 assets:* 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 not limited by contractual agreements with outside parties.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

*Statement of Net Assets (Continued)*

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>ASSETS</b>		
Current assets	\$ 12,122,569	\$ 9,914,797
Capital assets, net	13,998,678	10,625,996
Other assets	1,228,587	151,309
Total Assets	<u>\$ 27,349,834</u>	<u>\$ 20,692,102</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 1,315,548	\$ 377,146
Noncurrent liabilities	4,294,487	919,938
Total Liabilities	<u>\$ 5,610,035</u>	<u>\$ 1,297,084</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 10,178,909	\$ 10,126,230
Restricted		
Nonexpendable	10,000	10,922
Expendable	1,622,214	256,796
Unrestricted	9,928,676	9,001,070
Total Net Assets	<u>\$ 21,739,799</u>	<u>\$ 19,395,018</u>

The College's total assets increased \$6,657,732, total liabilities increased \$4,312,951 and net assets increased \$2,344,781. The increase in total assets is mainly due to cash for construction and construction in progress additions funded by the bonds and grant proceeds. The increase in total liabilities is attributable to bonds issue by the College for the construction of the Health Science Building in the amount of \$3,590,000 and payables to the architect and contract manager at June 30, 2010 in the amount of \$769,123.



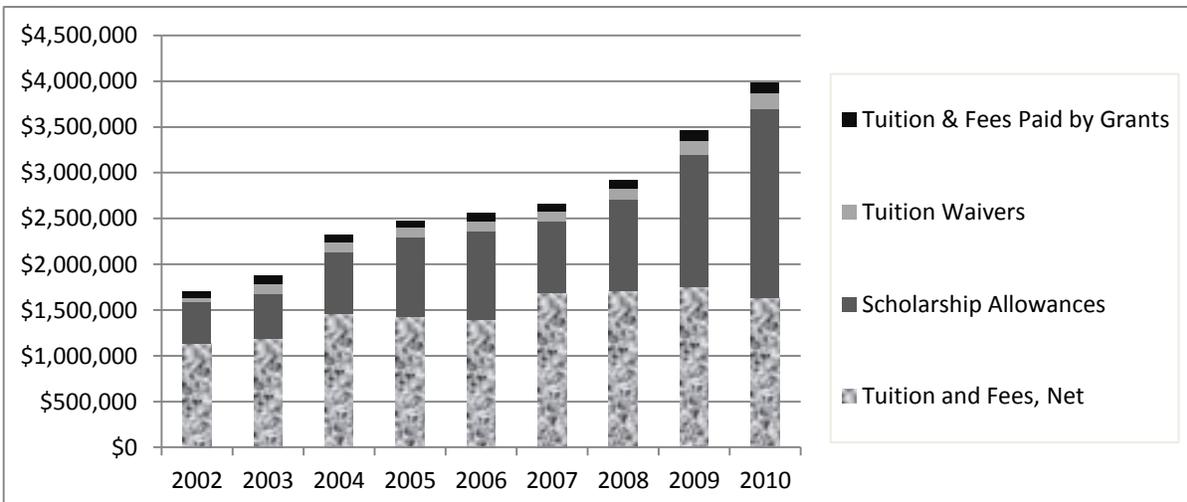
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Statement of Revenues, Expenses and Changes in Net Assets**

The purpose of this statement is to present revenues received and expenses paid by the College, both operating and non-operating, and any other revenues, expenses, gains and losses. The operating income (loss) is of little 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, 2010	June 30, 2009
Operating revenues	\$ 5,340,511	\$ 4,677,491
Operating expenses	15,859,177	14,626,714
Operating Loss	(10,518,666)	(9,949,223)
Non-operating revenues and expenses	11,403,653	9,967,053
Income before other revenues and expenses	884,987	17,830
Other revenues and expenses	1,451,052	50,626
Increase in Net Assets	2,336,039	68,456
Net Assets, beginning of year	19,395,018	19,326,562
Adjustment to prior year capital assets	8,742	
Net Assets - Beginning Of Year Restated	19,403,760	
Net Assets, end of year	\$ 21,739,799	\$ 19,395,018

Although net student tuition and fees decreased \$121,437, gross tuition and fees increased \$503,927 which accounts for 21.6% of the increase in net assets. State appropriations increase of \$90,459 represents another 3.9%. The following chart shows the growth of gross tuition and fees since 2002. The growth in 2010 is due to an increase in the rates charged for tuition and fees along with an increase in FTE (full-time-equivalent) enrollment of 12.8%.





**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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Increased compensation and benefit costs rose 3.6% over the previous year, and accounted for 27.1% of the total increase in operating expense of \$1,232,463. The increase in compensation and benefits is due to annual cost of living increases, full year for some grant positions that started in the middle of the previous year, and the accrual of uncompensated sick leave for non-classified employees. Supplies and other services increased 4.5% which is largely due to the increase in enrollment. The 67.4% increase in scholarships is attributable mainly to the increase in PELL awards. Total PELL increased from \$2,660,836 to \$4,161,723.

The net increase in non-operating revenues is due to the increase in PELL awards. The number of PELL awards increased 26.9% and the average PELL per student increased 23.2% for a total increase of \$1,500,887.

***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 Assets, 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 combination of operating activities and non-capital financing activities is a much more meaningful number for the College. This positive amount of \$1,757,705 and \$927,956 for fiscal years ending June 30, 2010 and June 30, 2009, respectively, indicates that these activities contributed cash and liquidity for the year.

	Year Ended	
	June 30, 2010	June 30, 2009
Cash provided (used) by:		
Operating activities	\$ (9,711,961)	\$ (8,923,452)
Noncapital financing activities	11,469,666	9,851,408
Capital and related financing activities	1,301,347	(330,813)
Investing activities	(404,947)	116,732
Net change in cash	2,654,105	713,875
Cash, beginning of year	6,671,678	5,957,803
Cash, end of year	\$ 9,325,783	\$ 6,671,678



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

At June 30, 2010, the College had \$13,998,678 of capitalized assets, net of depreciation of \$10,484,007. The College made an investment in the following additions or improvements in fiscal year 2010.

Equipment	\$ 118,895
Software	30,384
Library holdings	42,836
Land	18,373
Improvements and infrastructure	14,950
Construction in progress	4,002,616
Total	<u>\$ 4,228,054</u>

More information on capital assets is presented in Note 5.

The College's long-term debt (current and noncurrent) increased from \$499,766 to \$3,901,175, a net increase of \$3,401,409. On October 1, 2009, the College issued General Obligation Bonds in the amount of \$3,590,000 to partially fund the construction of the Health Science Center Building. More detailed information about debt activity is presented in Note 6.

***Economic Outlook***

The College's financial position remained stable for fiscal year 2010 as evidenced by an increase in net assets of \$2,344,781. One of the College's strengths is the diverse stream of revenues which funds its operations. In addition to the state appropriations, the College receives funds from tuition and fees, investment income, grants and contracts, and support from individuals, foundations and corporations.

The College's economic outlook is largely dependent upon ongoing financial support from State government. Fiscal year 2010 saw an increase in State appropriations of \$90,459 from \$6,881,099 to \$6,971,558. State revenue forecast for fiscal year 2011 projects an increase in State appropriations of \$168,448. Student enrollment increased to record numbers for fiscal year 2009-2010.

Construction of the city's new multi-purpose convention center is scheduled to be completed in early January 2011. The building will include space for the College bookstore, a one-stop enrollment services area and a food court. The Health Science Center is also scheduled to be completed in early January 2011.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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During fiscal year 2010, the College received new grants such as:

Department of Education, Title III, Strengthening Institutions, 5 yrs began 10/1/09	\$ 1,998,668
Dept. of Health & Human Services-HRSA-Health Care Facility Construction Grant, began 9/22/09	\$ 235,620
Dept. of Labor, ETA, Recovery Act - HealthCare Sector and Other High Growth and Emerging Industries Grant, 3 yrs began 03/01/2010	\$ 3,520,612
Ark. Dept. of Higher Education, Recovery Act - Facility Improvements	\$ 332,640

In August 2010, the College received the bad news that SouthArk was one of the schools whose Dept. of Education TRIO grant for student support services would not be renewed September 1, 2010. This grant served 165 students annually.

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 ASSETS**  
**JUNE 30, 2010**  
*(With Comparative Figures as of June 30, 2009)*

Exhibit A

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,138,492	\$ 6,530,369
Short-term investments	2,900,925	2,400,000
Accounts receivable (less allowances of \$67,584 and \$74,757)	165,743	232,670
Employee and student loans receivable (less allowance of \$100 and \$100)	46	466
Property taxes receivable	197,492	210,635
Other receivables	381,591	219,382
Inventories	221,408	196,187
Deposits with trustees	2	
Prepaid expenses	115,742	125,088
Bond issuance cost	1,128	
Total Current Assets	<u>12,122,569</u>	<u>9,914,797</u>
Noncurrent Assets		
Cash and cash equivalents	1,187,291	141,309
Endowment investments	10,000	10,000
Capital assets, net of accumulated depreciation of \$10,484,007 and \$9,811,267 (Note 5)	13,998,678	10,625,996
Bond issuance cost (net of accumulated amortization cost of \$846 in 2010)	31,296	
Total Noncurrent Assets	<u>15,227,265</u>	<u>10,777,305</u>
<b>TOTAL ASSETS</b>	<u>27,349,834</u>	<u>20,692,102</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	954,207	111,395
Refunds payable	16,852	12,983
Deferred revenue	167,623	140,120
Bonds and note payable - current portion	117,888	48,591
Compensated absences	27,239	31,945
Funds held in trust for others	31,739	32,112
Total Current Liabilities	<u>1,315,548</u>	<u>377,146</u>
Noncurrent Liabilities		
Accounts payable	74,831	
Bonds and notes payable	3,734,305	451,175
Compensated absences	402,361	414,327
Net other postemployment benefit obligation	82,990	54,436
Total Noncurrent Liabilities	<u>4,294,487</u>	<u>919,938</u>
<b>TOTAL LIABILITIES</b>	<u>5,610,035</u>	<u>1,297,084</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	10,178,909	10,126,230
Restricted for:		
Nonexpendable		
Scholarships	10,000	10,922
Expendable		
Scholarships	19,050	15,774
Loans	2,054	2,123
Capital Projects	1,193,057	143,537
Debt Service	27,923	
Other	380,130	95,362
Unrestricted	<u>9,928,676</u>	<u>9,001,070</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 21,739,799</u>	<u>\$ 19,395,018</u>

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



**SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**Statement of Financial Position**  
*June 30, 2010*

Exhibit A-1

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 872,893
Pledges receivable, current portion	62,300
Accrued interest receivable	12
Prepaid expenses	3,225
Investments	<u>510,225</u>

**Total Current Assets** 1,448,655

**Fixed Assets, at cost**

Computer Software	6,365
Property and equipment	<u>99,548</u>
	105,913
Less: accumulated depreciation and amortization	<u>(74,939)</u>

**Total Fixed Assets** 30,974

**Other Assets**

Antique furniture	2,410
Pledges receivable	<u>106,901</u>

**Total Other Assets** 109,311

**Total Assets** \$ 1,588,940

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,094
Scholarships payable	12,109
Refundable advances	<u>4,550</u>

**Total Current Liabilities** 20,753

**Net Assets**

Unrestricted	846,466
Unrestricted - Board designated	30,000
Temporarily restricted	<u>691,721</u>

**Total Net Assets** 1,568,187

**Total Liabilities and Net Assets** \$ 1,588,940



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
*(With Comparative Figures for the year ended June 30, 2009)*

Exhibit B

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$2,064,308 and \$1,438,944)	\$ 1,634,607	\$ 1,756,044
Federal grants and contracts	2,155,285	1,622,797
State and local grants and contracts	850,169	776,615
Non-governmental grants and contracts		3,729
Sales and services of educational departments	54,991	50,416
Auxiliary enterprises:		
Vending	11,134	11,832
Bookstore (net of scholarship allowances of \$558,647 and \$371,265)	540,417	440,563
Convention Center	70,000	
Other operating revenues	23,908	15,495
<b>TOTAL OPERATING REVENUES</b>	<u>5,340,511</u>	<u>4,677,491</u>
<b>OPERATING EXPENSES</b>		
Salaries	7,327,521	6,915,539
Employee benefits	2,338,680	2,416,947
Supplies and other services	3,593,175	3,437,333
Scholarships and fellowships	1,855,480	1,108,391
Depreciation	744,321	748,504
<b>TOTAL OPERATING EXPENSES</b>	<u>15,859,177</u>	<u>14,626,714</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(10,518,666)</u>	<u>(9,949,223)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	6,971,558	6,881,099
Federal grants and contracts	4,161,723	2,660,836
County millage	294,328	287,960
Gifts	29,287	34,359
Interest income	74,304	113,551
Interest and other cost (on capital asset related debt)	(12,672)	(10,735)
Disposal of capital assets (net of accumulated depreciation of \$187,895 and \$167,890)	(114,875)	(17)
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<u>11,403,653</u>	<u>9,967,053</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<u>884,987</u>	<u>17,830</u>
Other revenues, expenses, gains and losses		
Capital grants and gifts	127,622	14,133
Bond proceeds from Act 1282 of 2005	1,322,655	177,345
Interest earned on endowment funds		27
Adjustment to prior year capital assets other than intangibles	775	(140,879)
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<u>1,451,052</u>	<u>50,626</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,336,039	68,456
<b>NET ASSETS - BEGINNING OF YEAR</b>	19,395,018	19,326,562
Adjustment to prior year capital assets (intangible assets)	8,742	
<b>NET ASSETS - BEGINNING OF YEAR RESTATED</b>	<u>19,403,760</u>	<u>19,326,562</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 21,739,799</u>	<u>\$ 19,395,018</u>

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



**SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Exhibit B-1

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 127,663	\$ 111,619	\$ 239,282
Special Events	41,706		41,706
Investment income (loss)	31,710	19,027	50,737
Rent income	1,550		1,550
Net assets released due to satisfaction of program restrictions	<u>183,730</u>	<u>(183,730)</u>	<u></u>
<b>Total revenues, gains and other support</b>	<u>386,359</u>	<u>(53,084)</u>	<u>333,275</u>
<b>Expenses</b>			
Program services			
Scholarships	69,871		69,871
Grants and awards	<u>20,243</u>		<u>20,243</u>
<b>Total program services</b>	<u>90,114</u>		<u>90,114</u>
Supporting services			
Management and general	31,008		31,008
Fund raising	<u>31,338</u>		<u>31,338</u>
<b>Total supporting services</b>	<u>62,346</u>		<u>62,346</u>
<b>Total expenses</b>	<u>152,460</u>		<u>152,460</u>
<b>Change in Net Assets</b>	233,899	(53,084)	180,815
<b>Net Assets - Beginning of Year</b>	<u>642,567</u>	<u>744,805</u>	<u>1,387,372</u>
<b>Net Assets - End of Year</b>	<u>\$ 876,466</u>	<u>\$ 691,721</u>	<u>\$ 1,568,187</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
*(With Comparative Figures for the year ended June 30, 2009)*

Exhibit C

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 1,719,590	\$ 1,763,508
Grants and contracts	2,810,289	2,561,507
Sales and services of educational activities	55,620	50,100
Collection of student and employee loans including interest	8,261	4,309
Auxiliary enterprise revenues		
Vending	11,134	11,832
Bookstore	553,109	452,447
Convention Center	70,000	
Other receipts	23,908	15,495
Payments to employees	(7,324,654)	(6,911,479)
Payments of employee benefits	(2,326,899)	(2,204,085)
Payments to suppliers	(3,448,898)	(3,553,920)
Loans issued to students and employees	(7,941)	(4,775)
Scholarships	<u>(1,855,480)</u>	<u>(1,108,391)</u>
Net cash provided (used) by operating activities	<u>(9,711,961)</u>	<u>(8,923,452)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	6,971,558	6,881,099
Federal grants and contracts received	4,161,723	2,660,835
County millage	307,471	275,690
Gifts	29,287	34,359
Agency funds - net	<u>(373)</u>	<u>(575)</u>
Net cash provided (used) by non-capital financing activities	<u>11,469,666</u>	<u>9,851,408</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants and gifts	110,653	
Proceeds from bonds	3,506,471	
Proceeds from sale of capital assets	3,005	145
Purchase of capital assets	(2,042,260)	(272,370)
Principal paid on capital debt	(188,591)	(47,609)
Interest and service fees paid on capital debt	<u>(87,931)</u>	<u>(10,979)</u>
Net cash provided (used) by capital and related financing activities	<u>1,301,347</u>	<u>(330,813)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	95,978	116,732
Proceeds from sales and maturities of investments	4,410,000	
Purchase of investments	<u>(4,910,925)</u>	
Net cash provided by investing activities	<u>(404,947)</u>	<u>116,732</u>
Net increase (decrease) in cash and cash equivalents	2,654,105	713,875
Cash and cash equivalents-beginning of year	<u>6,671,678</u>	<u>5,957,803</u>
Cash and cash equivalents-end of year	<u>\$ 9,325,783</u>	<u>\$ 6,671,678</u>

(Continued on next page)



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**COMPARATIVE STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
*(With Comparative Figures for the year ended June 30, 2009)*

Exhibit C

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (10,518,666)	\$ (9,949,223)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	744,321	748,504
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables, net	66,926	42,447
(Increase) Decrease in employee and student loans receivable, net	420	(466)
(Increase) Decrease in other receivables	(167,997)	169,816
(Increase) Decrease in inventories	(25,220)	(49,145)
(Increase) Decrease in prepaid expenses	9,345	(59,385)
(Increase) Decrease in other assets		60
Increase (Decrease) in accounts payable and accrued liabilities net of payables for capital assets (\$744,807 and \$5,324)	135,655	(21,726)
Increase (Decrease) in refunds payable	3,870	(11,319)
Increase (Decrease) in deferred revenue	27,503	(10,610)
Increase (Decrease) in compensated absences	(16,672)	188,483
Increase (Decrease) in OPEB obligation	28,554	29,112
Net cash provided (used) by operating activities	<u>\$ (9,711,961)</u>	<u>\$ (8,923,452)</u>
 <b>Non-cash transactions:</b>		
Fixed asset acquisition paid for by State of Arkansas	\$ 16,969	\$ 14,133
Fixed asset acquisition directly from bond proceeds Act 1282 of 2005	1,330,716	168,894
Discounts on bonds issued	(50,260)	
Bond issuance cost paid directly from bond proceeds	(33,269)	

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



**SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2010**

Exhibit C-1

**Cash Flows from Operating Activities**

Change in net assets	\$	180,815
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments		(33,637)
Depreciation		14,588
Capital campaign contributions		(63,055)
Decrease in pledge receivables		58,660
Decrease in accrued interest receivable		511
Increase in prepaid expenses		(1,148)
Increase in accounts payable		3,614
Increase in scholarships payable		3,418
Decrease in refundable advances		(300)
<b>Net cash provided by operating activities</b>		<u>163,466</u>

**Cash Flows from Investing Activities**

Sale of fixed assets		1,365
Purchases in investments		<u>(34,546)</u>
<b>Net cash used in investing activities</b>		<u>(33,181)</u>

**Cash Flows from Financing Activities**

Contributions for capital campaign		<u>63,055</u>
<b>Net cash provided by financing activities</b>		<u>63,055</u>

**Net Increase in Cash**

193,340

**Cash and Cash Equivalents at  
Beginning of Year**

679,553

**Cash and Cash Equivalents at  
End of Year**

\$ 872,893

**Supplemental disclosures of cash flow information:**

The organization received in-kind contributions for their fund raising events during the year ended June 30, 2010 in the amount of \$16,345.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Reporting Entity**

South Arkansas Community College was established July 1, 1992, under the authority of Act 1244 of 1991. The College operates under the policies and supervision of the Board of Trustees of South Arkansas Community College, a nine member group. Members of the Board of Trustees are appointed by the Governor of the State and have decision making authority, the power to designate management, and the responsibility to significantly influence operations. The Board 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.

**Component Unit**

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

During the year ended June 30, 2010, the Foundation transferred the following amounts to the College:

For scholarships	\$ 24,359
For reimbursement of expenses	<u>12,183</u>
Total	<u><u>\$ 36,541</u></u>

The College had a receivable from the Foundation on June 30, 2010, in the amount of \$600 (\$100 for reimbursement of expenses and \$500 for a scholarship) and on June 30, 2009, a net payable to the Foundation in the amount of \$224 (\$250 payable for scholarship refund less \$26 receivable 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. 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**  
**JUNE 30, 2010**

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**Financial Statement Presentation**

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

**Basis of Accounting**

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

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

**Capital Assets and Depreciation**

Land, buildings, improvements and infrastructure, equipment, library holdings, 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 30 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.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**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.

**Noncurrent 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 noncurrent 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, 2010 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**  
**JUNE 30, 2010**

**Compensated Absences Payable (Continued)**

Act 1288 of 2005 allowed compensation for unused sick leave at retirement or death to 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, 2010, for full-time classified and nonclassified 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.

**Noncurrent Liabilities**

Noncurrent 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 costs that will not be paid within the next fiscal year; and (3) other postemployment benefits payable (Note 9).

**Property Taxes**

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien 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, 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 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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	11,503,130	11,426,000
Total Deposits	<u>\$ 11,753,130</u>	<u>\$ 11,676,000</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

The above deposits do not include cash on deposit in the state treasury of \$480,361 or cash on hand of \$3,217 (change funds \$345, grant prepaid credit card for student meals- \$2,872) as of June 30, 2010. The above total deposits include certificates of deposit of \$2,910,925 as of June 30, 2010, reported as investments and classified as nonparticipating contracts.

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

The accounts receivable of \$165,743 at June 30, 2010, consisted of student accounts receivable of \$233,327, which was reduced by an allowance for doubtful accounts of \$67,584.

Other receivables of \$381,591 at June 30, 2010, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 328,494
Vendor refunds	45,075
Reimbursement of higher education ARRA expenditures	5,294
Accrued interest receivable	2,116
Due from Foundation	600
Due from employees and employee organization	12
Total	<u>\$ 381,591</u>

The accounts payable and accrued liabilities of \$954,207 and \$74,831 at June 30, 2010, consisted of:

	<u>Current</u>	<u>Noncurrent</u>
Due to vendors	\$ 124,251	\$ 74,831
Due to vendors - construction in progress	774,417	
Salaries and benefits	15,547	
Accrued interest payable	39,742	
Unclaimed property payable to the state	250	
	<u>\$ 954,207</u>	<u>\$ 74,831</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, 2010**

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**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2010:

Land	\$ 1,198,460	\$ 18,373	\$ 117,993	\$ 1,098,840
Construction-in-progress	<u>203,329</u>	<u>4,002,616</u>		<u>4,205,945</u>
Total capital assets not depreciated	<u>\$ 1,401,789</u>	<u>\$ 4,020,989</u>	<u>\$ 117,993</u>	<u>\$ 5,304,785</u>
<b>Other capital assets:</b>				
Improvements and infrastructure	\$ 424,024	\$ 14,950		\$ 438,974
Buildings	15,158,152			15,158,152
Equipment	2,609,706	118,895	\$ 157,943	2,570,658
Library holdings	843,592	42,836	31,752	854,676
Intangibles - software*	<u>125,056</u>	<u>30,384</u>		<u>155,440</u>
Total other capital assets	<u>19,160,530</u>	<u>207,065</u>	<u>189,695</u>	<u>19,177,900</u>
Less accumulated depreciation for:				
Improvements and infrastructure	343,155	10,141		353,296
Buildings	6,827,804	476,482		7,304,286
Equipment	2,116,633	172,840	156,143	2,133,330
Library holdings	523,675	81,354	31,752	573,277
Intangibles - software*	<u>116,314</u>	<u>3,504</u>		<u>119,818</u>
Total accumulated depreciation	<u>9,927,581</u>	<u>744,321</u>	<u>187,895</u>	<u>10,484,007</u>
Other capital assets, net	<u>\$ 9,232,949</u>	<u>\$ (537,256)</u>	<u>\$ 1,800</u>	<u>\$ 8,693,893</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 1,401,789	\$ 4,020,989	\$ 117,993	\$ 5,304,785
Other capital assets at cost	<u>19,160,530</u>	<u>207,065</u>	<u>189,695</u>	<u>19,177,900</u>
Total cost of capital assets	20,562,319	4,228,054	307,688	24,482,685
Less accumulated depreciation	<u>9,927,581</u>	<u>744,321</u>	<u>187,895</u>	<u>10,484,007</u>
Capital assets, net	<u>\$ 10,634,738</u>	<u>\$ 3,483,733</u>	<u>\$ 119,793</u>	<u>\$ 13,998,678</u>

\*The beginning intangible assets were adjusted to reflect the implementation of GASB Statement No. 51 in the total net amount of \$8,742.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 6: Long-term Liabilities**

The retirement of the bond issue is secured by a pledge of millage receipts. Debt service payments on existing bonds amounted to \$217,134 for the fiscal year ended June 30, 2010. Debt service payments on the college savings bond loan amounted to \$58,588 for the fiscal year ended June 30, 2010.

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2010</u>	<u>Principal Payments Made Thru June 30, 2010</u>
10/28/2003	10/1/2018	2.05%	\$ 750,000	\$ 451,175	\$ 298,825
10/1/2009	4/1/2039	3.25 - 5%	3,590,000	3,450,000	140,000
<b>Totals</b>			<b>\$ 4,340,000</b>	<b>\$ 3,901,175</b>	<b>\$ 438,825</b>

Changes in long-term liabilities are as follows:

	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>	<u>Principal due within one year</u>
College savings bonds loan payable (2003)	\$ 499,766		\$ 48,591	\$ 451,175	\$ 49,592
Bonds payable (2009)		\$ 3,590,000	140,000	3,450,000	70,000
Discount on bonds		(50,260)	(1,278)	(48,982)	(1,704)
Compensated absences payable - other than sick leave	280,238	222,270	217,773	284,735	18,547
Compensated absences payable - sick leave	166,034	12,732	33,901	144,865	8,692
<b>Totals</b>	<b>\$ 946,038</b>	<b>\$ 3,774,742</b>	<b>\$ 438,987</b>	<b>\$ 4,281,793</b>	<b>\$ 145,127</b>

**State of Arkansas Bonds**

Act 1282 of 2005 authorized the Arkansas Development Finance Authority to issue State of Arkansas Higher Education General Obligation Bonds up to \$150 million for technology and facility improvements for institutions of higher education in the State of Arkansas, after approval by voters of Arkansas, which was obtained on November 7, 2006, during the general election. The State of Arkansas is obligated to make debt service payments on the bonds; therefore, no liability is established by the College. Bond proceeds, partial funding for construction of Health Science Building, of \$1,322,655 applicable to fiscal year 2010, are included on the Statement of Revenues, Expenses and Changes in Net Assets.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

Year Ended June 30	Principal	Interest	Total
2011	\$ 119,592	\$ 158,714 *	\$ 278,306
2012	120,614	155,416	276,030
2013	121,656	152,099	273,755
2014	127,721	148,760	276,481
2015	128,807	145,236	274,043
2016-2020	612,785	671,451	1,284,236
2021-2025	505,000	587,362	1,092,362
2026-2030	620,000	471,407	1,101,407
2031-2035	775,000	310,319	1,085,319
2036-2039	770,000	98,250	868,250
<b>Total</b>	<b><u>\$ 3,901,175</u></b>	<b><u>\$ 2,899,014</u></b>	<b><u>\$ 6,810,189</u></b>

\*Includes interest payable of \$39,742 recorded as a current liability at June 30, 2010.

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

A. Bonds payable consisted of the following at June 30, 2010:

Union County Community College District General Obligation Bonds  
 (South Arkansas Community College), Series 2009, issued in the  
 Original amount of \$3,590,000 and maturing in varying amounts to  
 April 1, 2039, with variable interest rates from 3.25% to 5% \$3,450,000

B. Pledged Revenues consisted of the following at June 30, 2010:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2010 Prin + Interest	Revenue Source	FY 2010 Revenue	% of Rev Pledged in FY 10
2009	2039	Construction-Health Science Building	\$ 6,306,614	\$ 217,134	County Millage	\$ 294,328	73.8%



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 8: Commitments**

The College was contractually obligated on the following at June 30, 2010:

A. Construction Contracts

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance</u>
Health Science Center Construction	January, 2011	
Architect Contract		\$ 68,402
Construction Contract		4,470,642
Total - Health Science Center		<u>4,539,044</u>
Reroof Whitfield Classroom Building*	January, 2011	
Architect Contract		<u>10,706</u>
Total Construction Obligations		<u><u>\$ 4,549,750</u></u>

\*On July 12, 2010, the construction contract was awarded for the reroofing project in the amount of \$177,777. This project is being funded by American Recovery and Reinvestment Act federal funds through the Arkansas Department of Higher Education.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
Copier Leases - 36 mo term	\$ 36,141	\$ 31,320	\$ 4,180	\$ 71,641

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2010, were \$37,646.

**Note 9: Other Postemployment Benefits**

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



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

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

Funding Policy: The authority under which the obligations to contribute to the plan of the plan members, the College, and other contributing entities is established or may be amended is the College Board of Trustees. The required employee and employer contribution rates of active plan members were an average of \$79 and \$371, respectively.

Reconciliation of Net Other Postemployment Benefits Obligation (Net OPEB)

1. Actuarially Required Contribution		\$42,001
2. Interest on Net OPEB Obligation		3,254
3. Adjustment to (1)		<u>-3,940</u>
4. Annual OPEB Cost (1) + (2) - (3)		\$41,315
5. Actual Contribution Made		<u>12,558</u>
6. Increase in Net OPEB Obligation (4) – (5)		\$28,757
7. Net OPEB Obligation Beginning of Year	\$54,436	
Actuaries' Adjustment to Beginning of Year	<u>-203</u>	<u>54,233</u>
8. Net OPEB Obligation End of Year		<u>\$82,990</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 41,315	30.4%	\$ 82,990
6/30/2009	\$ 40,872	29.3%	\$ 54,233
6/30/2008	\$ 41,193	38.5%	\$ 25,324



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 276,633
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$ 276,633</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll	\$ 7,327,521
UAAL as a percentage of covered payroll	3.8 %

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, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 6 percent discount rate and an annual healthcare cost trend rate of 10 percent initially, 9 percent the second year, 8 percent the third year with the rate decreasing by 0.5 percent each year to an ultimate rate of 5 percent in the ninth year. The College's unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at July 1, 2009, was thirty years.

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

**Note 10: Retirement Plans**

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

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



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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 participant's contributions for the year ended June 30, 2010, were \$321,782 and \$238,861, respectively.

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at the rate determined by the Board of Trustee, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The College's contributions to ATRS for the year ended June 30, 2010, 2009, and 2008 were \$369,999, \$280,964, and \$235,354, 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, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 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. Since July 1, 2005, all new participants have been required to contribute 5% and current participants had until December 31, 2005, to elect to change from non-contributory to contributory. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The FY 2009-2010 employer rate for higher education entities was 11.00% of covered salaries. The employer rate increased to 12.46% effective July 1, 2010. The College's contributions to APERS for the years ended June 30, 2010, 2009, and 2008, were \$89,358, \$88,950, and \$98,449, respectively, equal to the required contributions for each year.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

Summary of employer contributions:

<u>Retirement Plan</u>	Institutional Contributions for the Years Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Alternate Retirement Plan	\$ 321,782	\$ 340,979	\$ 332,649
AR Public Employees Retirement	89,358	88,950	98,449
AR Teachers Retirement	<u>369,999</u>	<u>280,964</u>	<u>235,354</u>
Total	<u>\$ 781,139</u>	<u>\$ 710,893</u>	<u>\$ 666,452</u>

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

The operating expenses by functional classification were as follows:

	For the Year Ended June 30, 2010					Total
	Salaries	Fringe Benefits	Supplies & Services	Scholarships	Depreciation	
Instruction	\$ 4,159,684	\$ 1,220,238	\$ 798,752			\$ 6,178,674
Public Service	153,189	47,957	40,791			241,937
Academic Support	384,887	131,940	226,592			743,419
Student Support	1,052,801	348,335	369,781			1,770,917
Institutional Support	1,068,429	389,931	626,020			2,084,380
M & O	453,417	179,105	647,047			1,279,569
Scholarships				\$ 1,855,480		1,855,480
Depreciation					\$ 744,321	744,321
Subtotal	<u>7,272,407</u>	<u>2,317,506</u>	<u>2,708,983</u>	<u>1,855,480</u>	<u>744,321</u>	<u>14,898,697</u>
Auxiliary	55,114	21,174	884,192			960,480
Total	<u>\$ 7,327,521</u>	<u>\$ 2,338,680</u>	<u>\$ 3,593,175</u>	<u>\$ 1,855,480</u>	<u>\$ 744,321</u>	<u>\$ 15,859,177</u>

Total scholarships for fiscal year 09-10 were \$4,478,435; however, \$2,622,955 was reported as scholarship allowances on the Statement of Revenues, Expenditures and Changes in Net Assets.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 12: Loan Funds**

Student/Employee Loan Fund

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

Balances as of:	June 30, 2010		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 520	\$ 1,488	\$ 2,008
Loans, Net	46		46
Fund Balance	<u>\$ 566</u>	<u>\$ 1,488</u>	<u>\$ 2,054</u>

**Note 13: South Arkansas Arboretum**

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

**Note 14: Donor-Restricted Endowment**

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

Total Endowments at June 30, 2010	\$ 11,590
Less: Nonexpendable Portion of True Endowments	<u>10,000</u>
Donor-Restricted Endowments Available for Expenditure	<u>\$ 1,590</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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.”

**Note 15: Risk Management**

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

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Government Bonding Board. The fund provides coverage of actual losses incurred as a result of fraudulent or dishonest acts committed by state officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. The Department of Finance and Administration withholds the premium from the College's state treasury funds.

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

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

The College carries directors and officers professional liability insurance through National Union Fire Insurance Company of Pittsburg, PA. Losses carry a \$1,000,000 limit with a \$10,000 deductible. An annual premium is paid for this coverage.

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

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

**Note 16: Related Party Transaction**

Mr. John Dews was a member of the Board of Trustees of South Arkansas Community College through November 2010. Mr. John Dews was Chairman and CEO of Simmons First Bank of El Dorado. In September 2009, the College deposited substantially all of its deposits into Simmons First Bank of El Dorado.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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 maintenance and other operating expenses such as utilities, insurance, etc. If operating expenses for the building, less gross revenues from the conference center, exceed \$300,000, the City will also reimburse the College half of the amount over \$300,000. The City will also reimburse the College for ½ 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.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Cost Element	Fiscal Year Ended Amount	June 30, 2010 % of Payroll <sup>1</sup>
1 Unfunded actuarial accrued liability at July 1, 2009	\$ 276,633	3.8%
Annual Required Contribution (ARC)		
2 Normal Cost	\$ 20,664	
3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years	18,960	
4 Interest	<u>2,377</u>	
5 Annual Required Contribution (ARC = 2 + 3 + 4)	<u>\$ 42,001</u>	0.6%
Annual OPEB Cost (Expense)		
6 ARC	\$ 42,001	
7 Interest on beginning of year accrual	3,254	
8 Amortization of beginning of year accrual	<u>3,940</u>	
9 Fiscal 2010 OPEB cost (6 + 7 - 8)	<u>\$ 41,315</u>	0.6%
End of Year Accrual (Net OPEB Obligation)		
10 Beginning of year accrual	\$ 54,436	
10a Actuarial adjustment	(203)	
11 Annual OPEB Cost	41,315	
12 Employer contribution (benefit payments) <sup>2</sup>	<u>12,558</u>	
13 End of year accrual (10 - 10a + 11 - 12)	<u>\$ 82,990</u>	1.1%

<sup>1</sup> Annual payroll for the plan participants as of July 1, 2010 is \$7,327,521.

<sup>2</sup> Actual contributions paid in fiscal year 2010 of \$8,910 plus implicit subsidy of \$3,648.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions <sup>3</sup>	Percentage Contributed
June 30, 2010	\$41,315	\$12,558	30.4%
June 30, 2009	\$40,872	\$11,963	29.3%
June 30, 2008	\$41,193	\$15,869	38.5%

<sup>3</sup> Since there is no funding, these are actual payments of \$8,910 plus implicit subsidy of \$3,648 for 2010, \$8,910 plus implicit subsidy of \$3,053 for 2009, and \$11,925 plus implicit subsidy of \$3,944 for 2008.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Schedule of Funding Progress for SACC OPEB**

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UALL) (c) - (b)	Funded Ratio (b) / (c)	Annual Covered Payroll <sup>4</sup>	UAAL as a % of Covered Payroll (d) / (f)
7/1/2010	\$ -	\$ 276,633	\$ 276,633	0.0%	\$7,327,521	3.8%
7/1/2009	\$ -	\$ 262,712	\$ 262,712	0.0%	\$6,915,539	3.8%
7/1/2008	\$ -	\$ 262,712	\$ 262,712	0.0%	\$6,368,814	4.1%

<sup>4</sup> Payroll as of July 1, 2010, 2009 and 2008, includes only plan participants.

The annual OPEB cost of \$41,315 for fiscal year 2010 and accrual of \$82,990 as of June 30, 2010, are based on a current decision not to fund in a segregated GASB qualified trust.

**Three-Year Schedule of Percentage of OPEB Cost Contributed**

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$41,315	30.4%	\$82,990
June 30, 2009	\$40,872	29.3%	\$54,233
June 30, 2008	\$41,193	38.5%	\$25,324

**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 2010.

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.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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, 2009 – June 30, 2010
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	30 years, level dollar open amortization Open amortization means a fresh-start each year for the cumulative unrecognized amount.
Discount Rate:	6%
Projected Payroll Growth Rate:	N/A
Health Care Cost Trend Rate:	10% in fiscal year 2010, 9% in fiscal year 2011, 8% in fiscal year 2011, and then decreasing by one half percentage point per year to an ultimate rate of 5% in fiscal year 2018, and after.

<u>Year</u>	<u>Rate</u>
2010	10.0%
2011	9.0%
2012	8.0%
2013	7.5%
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018	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.
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**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The following subsidy was assumed:

	Implicit Subsidy	Maximum Explicit Subsidy*	MAX TOTAL NET	Minimum Retiree Payment
Retiree, no Medicare	\$151.99	\$450.00	\$601.99	\$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.)

Age plus service	College Pays
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 \$151.99 for retirees under age 65 and was developed from retiree claim costs from other public entities in Arkansas.

Administrative Costs:

None assumed.

Selection of Coverage:

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



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

	<u>July 1, 2009</u>
Number of Active Employees	149
Number of Retirees Covered	
Under 65	2
Over 65	0

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

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

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

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

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

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

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



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

<u>Age</u>	Retirement Rate per 100 Members
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>	Retirement Rate Per <u>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, 2010**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Cash Flow Projection**

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

<u>Year</u>	<u>Estimated Payment</u>
1	\$20,000
2	37,000
3	40,000
4	46,000
5	60,000
6	43,000
7	33,000
8	45,000
9	38,000
10	29,000

SOUTH ARKANSAS COMMUNITY COLLEGE  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Total Assets	\$ 27,349,834	\$ 20,692,102	\$ 20,492,831	\$ 19,593,183	\$ 19,192,863
Total Liabilities	5,610,035	1,297,084	1,166,269	1,231,799	1,168,523
Total Net Assets	21,739,799	19,395,018	19,326,562	18,361,384	18,024,340
Total Operating Revenues	5,340,511	4,677,491	4,736,207	4,213,071	5,233,360
Total Operating Expenses	15,859,177	14,626,714	13,218,935	12,531,169	11,280,149
Total Net Non-Operating Revenues	11,403,653	9,967,053	9,439,648	8,632,681	6,800,318
Total Other Revenues, Expenses, Gains, or Losses	1,451,052	50,626	8,258	22,461	1,193,037