

South Arkansas Community College

El Dorado, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTH ARKANSAS COMMUNITY COLLEGE
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Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
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, 2009, 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.

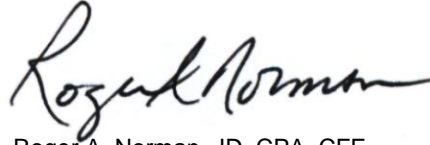
In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of South Arkansas Community College as of June 30, 2009, 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 August 18, 2010 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 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 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.

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, with the first name "Roger" being the most prominent.

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

Little Rock, Arkansas
August 18, 2010
EDHE19309

Sen. Bobby L. Glover
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Senate Co-Vice Chair
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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, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated August 18, 2010. 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 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 *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.

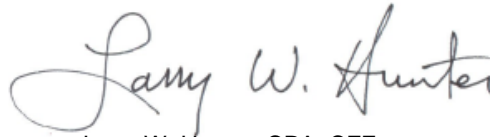
Compliance and Other Matters

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 August 18, 2010.

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 black ink that reads "Larry W. Hunter". The signature is written in a cursive, flowing style.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 18, 2010

Sen. Bobby L. Glover
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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

South Arkansas Community College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA - In accordance with Arkansas Code Annotated § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2009, 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>2008</u>	<u>Fall Term</u> <u>2008</u>	<u>Spring Term</u> <u>2009</u>	<u>Summer I Term</u> <u>2009</u>
Student Headcount	296	1,615	1,612	761
Student Semester Credit Hours	1,120	14,925	15,006	4,799

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

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 18, 2010



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009, with the fiscal year 2008 prior year data presented for comparative purposes. The Financial Report of the College is prepared following the financial statement model as developed and required by the Government Accounting Standards Board (GASB). GASB is the governing body over financial statements for public higher education and all state and local governments. The objectives of the reporting format is to enhance the understanding and usefulness of the external financial reports to all users of the statements including creditors, legislative, and oversight bodies. In addition to the Management's Discussion and Analysis section, the Financial Report includes a Statement of Net 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 non-current 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 - non-expendable: 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, 2009**

Statement of Net Assets (Continued)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
ASSETS		
Current assets	\$ 9,914,797	\$ 9,246,056
Capital assets, net	10,625,996	11,054,819
Other assets	151,309	191,956
Total Assets	<u>\$ 20,692,102</u>	<u>\$ 20,492,831</u>
LIABILITIES		
Current liabilities	\$ 377,146	\$ 425,307
Noncurrent liabilities	919,938	740,962
Total Liabilities	<u>\$ 1,297,084</u>	<u>\$ 1,166,269</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 10,126,230	\$ 10,507,444
Restricted		
Non-Expendable	10,922	10,894
Expendable	256,796	663,628
Unrestricted	9,001,070	8,144,596
Total Net Assets	<u>\$ 19,395,018</u>	<u>\$ 19,326,562</u>

The College's total assets increased \$199,271, total liabilities increased \$130,815, and net assets increased \$68,456. The increase in total assets is mainly due to an increase in student enrollment along with a ten percent increase in tuition rates. The increase in total liabilities is attributable to the accrual of unpaid sick leave for nonclassified employees as allowed by Act 220 of 2009.



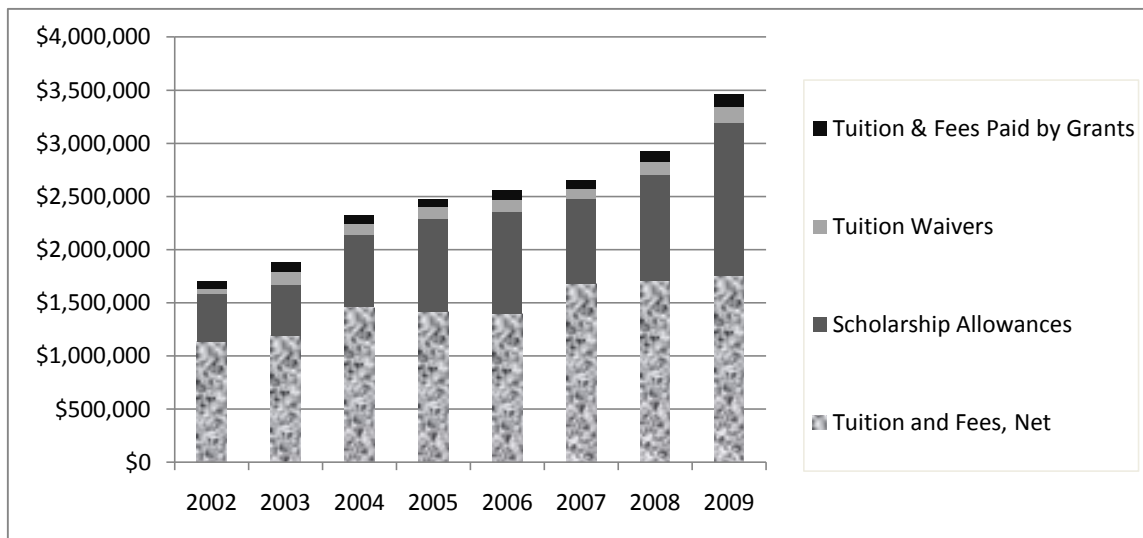
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009	June 30, 2008
Operating revenues	\$ 4,677,491	\$ 4,736,207
Operating expenses	14,626,714	13,218,935
Operating Loss	(9,949,223)	(8,482,728)
Non-operating revenues and expenses	9,967,053	9,439,648
Income before other revenues and expenses	17,830	956,920
Other revenues and expenses	50,626	8,258
Increase in Net Assets	68,456	965,178
Net Assets, beginning of year	19,326,562	18,361,384
Net Assets, end of year	<u>\$ 19,395,018</u>	<u>\$ 19,326,562</u>

Net student tuition and fees increased \$50,238, which represents 73% of the increase in net assets. State appropriations increase of \$16,319 represents another 24%. The following chart shows the growth of gross tuition and fees since 2002. The growth in 2009 is due to an increase in the rates charged for tuition and fees along with an increase in FTE (full-time-equivalent) enrollment of 14.5%.





**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Increased compensation and benefit costs rose 9.8% over the previous year, and accounted for 59.0% of the total increase in operating expense of \$1,407,779. 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 nonclassified employees. Supplies and other services increased 10.5% which is largely due to the increase in enrollment. The 28.6% increase in scholarships and fellowships is attributable to several factors - the increase in PELL awards as well as an increase in other scholarships.

The net increase in non-operating revenues is due to the increase in PELL awards. The number of PELL awards increased 19.6% and the average PELL per student increased 13.7% for a total increase of \$704,717.

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 flows. 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 \$927,956 and \$1,130,332 for fiscal years ended June 30, 2009 and June 30, 2008, respectively, indicates that these activities contributed cash and liquidity for the year.

	Year Ended	
	June 30, 2009	June 30, 2008
Cash provided (used) by:		
Operating activities	\$ (8,923,452)	\$ (7,885,811)
Noncapital financing activities	9,851,408	9,016,143
Capital and related financing activities	(330,813)	(336,687)
Investing activities	116,732	(713,588)
Net change in cash	713,875	80,057
Cash, beginning of year	5,957,803	5,877,746
Cash, end of year	<u>\$ 6,671,678</u>	<u>\$ 5,957,803</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Capital Assets and Long-Term Debt Activity

At June 30, 2009, the College had \$10,625,996 of capitalized assets, net of depreciation of \$9,811,267. The College made an investment in the following additions or improvements in fiscal year 2009.

Equipment	\$	170,894
Library holdings		25,263
Buildings		94,969
Land		7,212
Construction in Progress		<u>257,352</u>
Total	\$	<u><u>555,690</u></u>

More information on capital assets is presented in Note 5.

The College's long-term debt (current and noncurrent) decreased from \$547,375 to \$499,766, a net decrease of \$47,609. More detailed information about debt activity is presented in Note 6.

Subsequent to year end, 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 information is presented in Note 15.

Economic Outlook

The College's financial position remained stable for fiscal year 2009 as evidenced by an increase in net assets of \$68,456. 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 2009 saw an increase in State appropriations of only \$16,319 from \$6,864,780 to \$6,881,099. State revenue forecasts for fiscal year 2010 have already been reduced prompting budget cuts for fiscal year 2010. Student enrollment however, increased to record numbers for fiscal year 2008-2009, and fall 2009 is again at a new record.

Construction of the City's new multi-purpose convention center is scheduled to begin in October 2009. The building will include space for the College bookstore, a one-stop enrollment services area, and a food court. The College will also start construction on the Health Science Center during the Fall 2009 semester.

During fiscal year 2009, the College applied for new grants such as:

Department of Education, Title III, Strengthening Institutions, 5 yrs begins 10/1/09	\$	1,998,668
Dept. of Health & Human Services-HRSA-Health Care Facility, begins 9/22/09	\$	235,620

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, 2009
(With Comparative Figures as of June 30, 2008)

Exhibit A

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,530,369	\$ 5,775,848
Short-term investments	2,400,000	2,400,000
Accounts receivable (less allowances of \$74,757 and \$69,854)	232,670	275,137
Employee and student loans receivable (less allowances of \$100 and \$50)	466	-
Property taxes receivable	210,635	198,365
Other receivables	219,382	383,900
Inventories	196,187	147,043
Prepaid expenses	125,088	65,703
Other assets	-	60
Total Current Assets	<u>9,914,797</u>	<u>9,246,056</u>
Noncurrent Assets		
Cash and cash equivalents	141,309	181,955
Endowment investments	10,000	10,000
Accrued interest receivable	-	1
Capital assets, net of accumulated depreciation of \$9,811,267 and \$9,259,379 (Note 5)	<u>10,625,996</u>	<u>11,054,819</u>
Total Noncurrent Assets	<u>10,777,305</u>	<u>11,246,775</u>
TOTAL ASSETS	<u>20,692,102</u>	<u>20,492,831</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	111,395	128,042
Refunds payable	12,983	24,302
Deferred revenue	140,120	150,730
Note payable - current portion	48,591	47,610
Compensated absences	31,945	26,047
Net other postemployment benefit obligation	-	15,869
Funds held in trust for others	<u>32,112</u>	<u>32,707</u>
Total Current Liabilities	<u>377,146</u>	<u>425,307</u>
Noncurrent Liabilities		
Notes payable	451,175	499,765
Compensated absences	414,327	231,742
Net other postemployment benefit obligation	<u>54,436</u>	<u>9,455</u>
Total Noncurrent Liabilities	<u>919,938</u>	<u>740,962</u>
TOTAL LIABILITIES	<u>1,297,084</u>	<u>1,166,269</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,126,230	10,507,444
Restricted for:		
Non-expendable		
Scholarships	10,922	10,894
Expendable		
Scholarships	15,774	12,993
Loans	2,123	2,093
Capital Projects	143,537	185,959
Other	95,362	462,583
Unrestricted	<u>9,001,070</u>	<u>8,144,596</u>
TOTAL NET ASSETS	<u>\$ 19,395,018</u>	<u>\$ 19,326,562</u>

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



SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
June 30, 2009

Exhibit A-1

ASSETS

Current Assets

Cash and cash equivalents	\$ 679,553
Pledges receivable, current portion	63,000
Accrued interest receivable	523
Prepaid expenses	2,327
Investments	<u>442,042</u>

Total Current Assets 1,187,445

Fixed Assets, at cost

Computer software	6,365
Property and equipment	<u>163,203</u>
	169,568
Less: accumulated depreciation and amortization	<u>123,041</u>

Total Fixed Assets 46,527

Other Assets

Assets held for sale	400
Antique furniture	2,410
Pledges receivable	<u>164,611</u>

Total Other Assets 167,421

\$ 1,401,393

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 480
Scholarships payable	8,691
Refundable advances	<u>4,850</u>

Total Current Liabilities 14,021

Net Assets

Unrestricted	582,045
Unrestricted - Board designated	60,522
Temporarily restricted	<u>744,805</u>

Total Net Assets 1,387,372

\$ 1,401,393



SOUTH ARKANSAS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Figures for the year ended June 30, 2008)

Exhibit B

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$1,438,944 and \$1,000,453)	\$ 1,756,044	\$ 1,705,806
Federal grants and contracts	1,622,797	1,423,242
State and local grants and contracts	776,615	1,055,075
Non-governmental grants and contracts	3,729	16,407
Sales and services of educational departments	50,416	47,249
Auxiliary enterprises:		
Vending	11,832	8,898
Bookstore (net of scholarship allowances of \$371,265 and \$308,106)	440,563	464,092
Other operating revenues	15,495	15,438
TOTAL OPERATING REVENUES	<u>4,677,491</u>	<u>4,736,207</u>
OPERATING EXPENSES		
Salaries	6,915,539	6,368,814
Employee benefits	2,416,947	2,132,626
Supplies and other services	3,437,333	3,109,547
Scholarships and fellowships	1,108,391	862,107
Depreciation	748,504	745,841
TOTAL OPERATING EXPENSES	<u>14,626,714</u>	<u>13,218,935</u>
OPERATING INCOME (LOSS)	<u>(9,949,223)</u>	<u>(8,482,728)</u>
NON-OPERATING REVENUES (EXPENSES)		
State and Federal appropriations	6,881,099	6,864,780
Federal grants and contracts	2,660,836	1,956,119
County millage	287,960	324,714
Gifts	34,359	21,810
Interest income	113,551	282,735
Interest expense (on capital asset related debt)	(10,735)	(11,701)
Disposal of capital assets (net of accumulated depreciation of \$167,890 and \$120,159)	(17)	1,191
NET NON-OPERATING REVENUES (EXPENSES)	<u>9,967,053</u>	<u>9,439,648</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>17,830</u>	<u>956,920</u>
Other revenues, expenses, gains and losses		
Capital appropriations	-	166,533
Capital grants and gifts	14,133	-
Bond proceeds from Act 1282 of 2005	177,345	-
Interest earned on endowment funds	27	73
Market value adjustment of deposits with trustees	-	644
Adjustment to prior year capital assets	(140,879)	(158,992)
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>50,626</u>	<u>8,258</u>
INCREASE (DECREASE) IN NET ASSETS	68,456	965,178
NET ASSETS - BEGINNING OF YEAR	<u>19,326,562</u>	<u>18,361,384</u>
NET ASSETS - END OF YEAR	<u>\$ 19,395,018</u>	<u>\$ 19,326,562</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, 2009

Exhibit B-1

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 38,873	\$ 278,227	\$ 317,100
Investment income (loss)	(48,320)	(27,392)	(75,712)
Impairment charge	(10,314)		(10,314)
Rent income	500		500
Miscellaneous income	385		385
Net assets released due to satisfaction of program restrictions	100,098	(100,098)	
Total revenues, gains and other support	<u>81,222</u>	<u>150,737</u>	<u>231,959</u>
Expenses			
Program services			
Scholarships	57,921		57,921
Grants and awards	39,997		39,997
Total program services	<u>97,918</u>		<u>97,918</u>
Supporting services			
Management and general	22,990		22,990
Fund raising	45,074		45,074
Total supporting services	<u>68,064</u>		<u>68,064</u>
Total expenses	<u>165,982</u>		<u>165,982</u>
Change in Net Assets	<u>(84,760)</u>	<u>150,737</u>	<u>65,977</u>
Net Assets - Beginning of Year	886,896	434,499	1,321,395
Prior period adjustment	<u>(159,569)</u>	<u>159,569</u>	
Net Assets - Beginning of Year Restated	<u>727,327</u>	<u>594,068</u>	<u>1,321,395</u>
Net Assets - End of Year	<u>\$ 642,567</u>	<u>\$ 744,805</u>	<u>\$ 1,387,372</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Figures for the year ended June 30, 2008)

Exhibit C

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,763,508	\$ 1,724,957
Grants and contracts	2,561,507	2,456,660
Sales and services of educational activities	50,100	47,822
Collection of student and employee loans including interest	4,309	4,872
Auxiliary enterprise revenues		
Vending	11,832	8,898
Bookstore	452,447	463,800
Other receipts	15,495	15,423
Payments to employees	(6,911,479)	(6,368,754)
Payments of employee benefits	(2,204,085)	(2,104,640)
Payments to suppliers	(3,553,920)	(3,267,835)
Loans issued to students and employees	(4,775)	(4,907)
Scholarships	(1,108,391)	(862,107)
Net cash provided (used) by operating activities	<u>(8,923,452)</u>	<u>(7,885,811)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	6,881,099	6,864,780
Federal grants	2,660,835	1,814,099
County millage	275,690	303,895
Gifts	34,359	21,810
Agency funds - net	(575)	(1,651)
Other	-	13,210
Net cash provided (used) by non-capital financing activities	<u>9,851,408</u>	<u>9,016,143</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	-	150,000
Proceeds from sale of capital assets	145	1,191
Purchase of capital assets	(272,370)	(429,290)
Principal paid on capital debt	(47,609)	(46,648)
Interest paid on capital debt	(10,979)	(11,940)
Net cash provided (used) by capital and related financing activities	<u>(330,813)</u>	<u>(336,687)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	116,732	286,412
Purchase of investments	-	(1,000,000)
Net cash provided by investing activities	<u>116,732</u>	<u>(713,588)</u>
Net increase (decrease) in cash and cash equivalents	713,875	80,057
Cash and cash equivalents-beginning of year	<u>5,957,803</u>	<u>5,877,746</u>
Cash and cash equivalents-end of year	<u>\$ 6,671,678</u>	<u>\$ 5,957,803</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Figures for the year ended June 30, 2008)

Exhibit C

	<u>2009</u>	<u>2008</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (9,949,223)	\$ (8,482,728)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	748,504	745,841
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables, net	42,447	(3,083)
(Increase) Decrease in employee and student loans receivable, net	(466)	50
(Increase) Decrease in other receivables	169,816	(72,919)
(Increase) Decrease in inventories	(49,145)	(61,402)
(Increase) Decrease in prepaid expenses	(59,385)	20,968
(Increase) Decrease in other assets	60	-
Increase (Decrease) in accounts payable and accrued liabilities net of payables for capital assets (\$5,324)	(21,726)	(91,094)
Increase (Decrease) in refunds payable	(11,319)	1,616
Increase (Decrease) in deferred revenue	(10,610)	20,891
Increase (Decrease) in compensated absences	188,483	10,725
Increase (Decrease) in OPEB obligation	<u>29,112</u>	<u>25,324</u>
Net cash provided (used) by operating activities	<u>\$ (8,923,452)</u>	<u>\$ (7,885,811)</u>
 Non-cash transactions:		
Fixed asset acquisition paid for by State of Arkansas	\$ 14,133	
Fixed asset acquisition directly from bond proceeds Act 1282 of 2005	168,894	

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, 2009

Cash Flows from Operating Activities

Change in net assets	\$ 65,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	101,038
Depreciation	25,653
Impairment charge	10,315
Capital campaign contributions	(128,465)
Increase in pledge receivables	(70,175)
Decrease in accrued interest receivable	560
Increase in prepaid expenses	(198)
Decrease in accounts payable	(1,165)
Increase in scholarships payable	832
Increase in refundable advances	4,850
Net cash provided by operating activities	<u>9,222</u>

Cash Flows from Investing Activities

Purchases of fixed assets	(3,645)
Purchases of investments	<u>(13,849)</u>
Net cash used in investing activities	<u>(17,494)</u>

Cash Flows from Financing Activities

Capital campaign contributions	<u>128,465</u>
Net cash provided by financing activities	<u>128,465</u>

Net Increase in Cash 120,193

**Cash and Cash Equivalents at
Beginning of Year** 559,360

**Cash and Cash Equivalents at
End of Year** \$ 679,553

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest	\$ 434



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 is 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, 2009, the Foundation transferred the following amounts to the College:

For scholarships	\$ 28,621
For reimbursement of expenses	16,091
For student organizations	1,097
Total	<u>\$ 45,809</u>

The College had a net payable to the Foundation on June 30, 2009, in the amount of \$224 (\$250 payable for scholarship refund less \$26 receivable for reimbursement of expenses) and on June 30, 2008, a receivable from the Foundation in the amount of \$239 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 statements in the College's financial statements.



Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, followed this in November 1999. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of South Arkansas Community College's assets, 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, 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
JUNE 30, 2009

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, 2009 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.



Compensated Absences Payable

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 nonclassified employees. Accrued compensated absences payable - sick leave reflects accumulated sick leave and required employer contributions at June 30, 2009, 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.

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 cost that will not be paid within the next fiscal year; and (3) other postemployment benefits payable (Note 8).

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 reported 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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 3,680,027	\$ 3,701,839
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	<u>5,160,000</u>	<u>5,160,000</u>
Total Deposits	<u><u>\$ 8,840,027</u></u>	<u><u>\$ 8,861,839</u></u>



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

The above deposits do not include cash on deposit in the state treasury of \$238,272 or cash on hand of \$3,379 (change funds-\$345, student loan funds-\$2,180, insurance claim check-\$854) at June 30, 2009. The above total deposits include certificates of deposit of \$2,410,000 as of June 30, 2009, reported as investments and classified as nonparticipating contracts.

Note 3: Disaggregation of Receivable and Payable Balances

The accounts receivable of \$232,670 at June 30, 2009, consisted of student accounts receivable of \$307,427, which was reduced by an allowance for doubtful accounts of \$74,757.

Other receivables of \$219,382 at June 30, 2009, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 136,708
Vendor refunds	72,526
Reimbursement of Higher Education Bond expenditures	8,451
Accrued interest receivable	1,367
Due from employees	330
Total	<u>\$ 219,382</u>

The accounts payable and accrued liabilities of \$111,395 at June 30, 2009, consisted of:

Due to vendors	\$ 95,258
Salaries and benefits	13,108
Accrued interest payable	2,561
Unclaimed property payable to the state	244
Due to Foundation	224
Total	<u>\$ 111,395</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, 2009

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 1,191,248	\$ 7,212		\$ 1,198,460
Construction-in-progress	40,945	257,352	\$ 94,968	203,329
Total capital assets not depreciated	<u>\$ 1,232,193</u>	<u>\$ 264,564</u>	<u>\$ 94,968</u>	<u>\$ 1,401,789</u>
Other capital assets:				
Improvements and infrastructure	\$ 424,024			\$ 424,024
Buildings	15,232,788	\$ 94,969	\$ 169,605	15,158,152
Equipment	2,580,490	170,894	141,678	2,609,706
Library holdings	844,703	25,263	26,374	843,592
Total other capital assets	<u>19,082,005</u>	<u>291,126</u>	<u>337,657</u>	<u>19,035,474</u>
Less accumulated depreciation for:				
Improvements and infrastructure	333,442	9,713		343,155
Buildings	6,378,240	478,290	28,726	6,827,804
Equipment	2,079,427	178,722	141,516	2,116,633
Library holdings	468,270	81,779	26,374	523,675
Total accumulated depreciation	<u>9,259,379</u>	<u>748,504</u>	<u>196,616</u>	<u>9,811,267</u>
Other capital assets, net	<u>\$ 9,822,626</u>	<u>\$ (457,378)</u>	<u>\$ 141,041</u>	<u>\$ 9,224,207</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,232,193	\$ 264,564	\$ 94,968	\$ 1,401,789
Other capital assets at cost	<u>19,082,005</u>	<u>291,126</u>	<u>337,657</u>	<u>19,035,474</u>
Total cost of capital assets	20,314,198	555,690	432,625	20,437,263
Less accumulated depreciation	<u>9,259,379</u>	<u>748,504</u>	<u>196,616</u>	<u>9,811,267</u>
Capital assets, net	<u>\$ 11,054,819</u>	<u>\$ (192,814)</u>	<u>\$ 236,009</u>	<u>\$ 10,625,996</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 were used for renovations to the Billy McGehee Classroom Building.

Principal payments on bonds amounted to \$47,609 for the fiscal year ended June 30, 2009. Debt service interest payments totaled \$10,979 for the fiscal year ended June 30, 2009.

<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, 2009</u>	<u>Principal Payments Made Thru June 30, 2009</u>
10/28/2003	10/1/2018	2.05%	<u>\$ 750,000</u>	<u>\$ 499,766</u>	<u>\$ 250,234</u>

Changes in long-term liabilities are as follows:

	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>	<u>Principal due within one year</u>
College savings bonds loan payable (2003)	\$ 547,375		\$ 47,609	\$ 499,766	\$ 48,591
Compensated absences payable - other than sick leave	247,690	\$ 250,986	218,438	280,238	21,983
Compensated absences payable - sick leave	10,099	164,862	8,927	166,034	9,962
Totals	<u>\$ 805,164</u>	<u>\$ 415,848</u>	<u>\$ 274,974</u>	<u>\$ 946,038</u>	<u>\$ 80,536</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

Year Ended June 30	Principal	Interest	Total
2010	\$ 48,591	\$ 9,997 *	\$ 58,588
2011	49,592	8,996	58,588
2012	50,614	7,974	58,588
2013	51,657	6,931	58,588
2014	52,721	5,867	58,588
2015-2019	246,591	12,632	259,223
Total	<u>\$ 499,766</u>	<u>\$ 52,397</u>	<u>\$ 552,163</u>

* Includes interest payable of \$2,561 recorded as a current liability at June 30, 2009.

Note 7: Commitments

The College was contractually obligated on the following at June 30, 2009:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Health Science Center Construction	January, 2011	
Polk Stanley Rowland Curzon Porter, Architects		\$ 80,758
Baldwin & Shell Construction Co. - Estimated 6% of estimated construction cost		<u>434,206</u>
Total		<u>\$ 514,964</u>

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

	2010	2011	2012	2013	Total
Copier Leases-36 mo term	\$ 13,581	\$ 5,657	\$ 836	\$ -	\$ 20,074
Airplane hanger-4 yr term	3,000	3,000	3,000	1,750	10,750
	<u>\$ 16,581</u>	<u>\$ 8,657</u>	<u>\$ 3,836</u>	<u>\$ 1,750</u>	<u>\$ 30,824</u>

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2009, were \$28,470.



Note 8: Other Postemployment Benefits

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

Plan Description: The College's defined benefit postemployment healthcare plan, provides health insurance benefits to eligible retired college employees. The plan is affiliated with the Arkansas Higher Education Consortium (AHEC), an agent multiple-employer postemployment healthcare plan administered by J.P. Farley. The College has the authority to amend or cancel the benefit provisions of the plan. An employee must retire directly from active employment. If they are age 55 and have at least 15 years full-time service, they can continue their medical insurance coverage, until they are eligible for Medicare. The College pays a percentage of the premium, based on the person's age plus service when they retire. If age plus service equals 70, the percentage is 25%. For 71, the percentage is 30%, 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 contribution rates of active plan members and the employer is an average of \$79 and \$368, respectively.

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

1. Actuarially Required Contribution	\$41,193
2. Interest on Net OPEB Obligation	1,519
3. Adjustment to (1)	<u>-1,637</u>
4. Annual OPEB Cost (1) + (2) - (3)	\$41,075
5. Actual Contribution Made	<u>11,963</u>
6. Increase in Net OPEB Obligation (4) – (5)	\$29,112
7. Net OPEB Obligation Beginning of Year	<u>25,324</u>
8. Net OPEB Obligation End of Year	<u>\$54,436</u>



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 41,075	29.12%	\$ 54,436
6/30/2008	\$ 41,193	38.52%	\$ 25,324

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 262,712
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 262,712</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll	\$ 6,915,539
UAAL as a percentage of covered payroll	3.80 %

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, 2007, 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, 2007, was thirty years.

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



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, 2009, were \$340,979 and \$256,754, 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 Trustees, 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, 2009, 2008, and 2007 were \$280,964, \$235,354, and \$193,309, 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.



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 current employer rate for higher education entities is 11.01% of covered salaries. The employer rate decreased to 11.00% effective July 1, 2009. The College's contributions to APERS for the years ended June 30, 2009, 2008, and 2007, were \$88,950, \$98,449, and \$90,175, respectively, equal to the required contributions for each year.

Summary of employer contributions:

Institutional Contributions for the Years Ended June 30,			
<u>Retirement Plan</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Alternate Retirement Plan	\$ 340,979	\$ 332,649	\$ 299,981
AR Public Employees Retirement	88,950	98,449	90,175
AR Teachers Retirement	<u>280,964</u>	<u>235,354</u>	<u>193,309</u>
 Total	 <u>\$ 710,893</u>	 <u>\$ 666,452</u>	 <u>\$ 583,465</u>

Note 10: Natural Classifications with Functional Classifications

The operating expenses by functional classification were as follows:

For the Year Ended June 30, 2009						
	<u>Salaries</u>	<u>Fringe Benefits</u>	<u>Supplies & Services</u>	<u>Scholarships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 3,954,895	\$ 1,346,391	\$ 1,008,163			\$ 6,309,449
Public Service	145,033	56,445	47,178			248,656
Academic Support	347,378	119,394	271,981			738,753
Student Support	899,070	323,505	354,187			1,576,762
Institutional Support	1,103,726	386,493	416,964			1,907,183
M & O	416,633	164,788	672,563			1,253,984
Scholarships				\$ 1,108,391		1,108,391
Depreciation					\$ 748,504	748,504
Subtotal	<u>6,866,735</u>	<u>2,397,016</u>	<u>2,771,036</u>	<u>1,108,391</u>	<u>748,504</u>	<u>13,891,682</u>
Auxiliary	48,804	19,931	666,297			735,032
Total	<u>\$ 6,915,539</u>	<u>\$ 2,416,947</u>	<u>\$ 3,437,333</u>	<u>\$ 1,108,391</u>	<u>\$ 748,504</u>	<u>\$ 14,626,714</u>

Total scholarships for fiscal year 08-09 were \$2,918,600; however, \$1,810,209 was reported as scholarship allowances on the Statement of Revenues, Expenses and Changes in Net Assets.



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009		
	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 612	\$ 1,061	\$ 1,673
Loans, Net	66	400	466
Due to E&G	(16)		(16)
Fund Balance	<u>\$ 662</u>	<u>\$ 1,461</u>	<u>\$ 2,123</u>

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, 2009	\$ 11,488
Less: Non-Expendable Portion of True Endowments	<u>10,922</u>
Donor-Restricted Endowments Available for Expenditure	<u>\$ 566</u>

Arkansas Code Annotated § 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 Arkansas Code Annotated § 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: 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.



SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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.

The College also carries commercial property insurance on properties not eligible for coverage with AMAIT. The policy on a property with a life estate is paid annually, and the other policies have quarterly premiums.

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 15: Subsequent Events

On September 15, 2009, the Board of Trustees of South Arkansas Community College adopted a resolution authorizing the issuance of \$3,590,000 in tax exempt bonds as partial funding for the construction of a health science facility. On October 1, 2009, the College closed on the Series 2009 South Arkansas Community College, Union County College District General Obligation Bonds (tax exempt) with a par value of \$3,590,000. The bonds are secured by a pledge of revenues from a continuing annual tax of .5 mill tax on real and personal property.

On February 22, 2010, the College entered into a lease and operating agreement with the City of El Dorado, Arkansas on a Convention Center/Student Services Building that is expected to be completed in December 2010. The College will be 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, 2009**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Cost Element	Fiscal Year Ended Amount	June 30, 2009 % of Payroll ¹
1 Unfunded actuarial accrued liability at July 1, 2007	\$ 262,712	3.80%
Annual Required Contribution (ARC)		
2 Normal Cost	\$ 20,856	
3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years	18,005	
4 Interest	<u>2,332</u>	
5 Annual Required Contribution (ARC = 2 + 3 + 4)	<u>\$ 41,193</u>	0.60%
Annual OPEB Cost (Expense)		
6 ARC	\$ 41,193	
7 Interest on beginning of year accrual	1,519	
8 Amortization of beginning of year accrual	<u>1,637</u>	
9 Fiscal 2009 OPEB cost (6 + 7 - 8)	<u>\$ 41,075</u>	0.59%
End of Year Accrual (Net OPEB Obligation)		
10 Beginning of year accrual	\$ 25,324	
11 Annual OPEB Cost	41,075	
12 Employer contribution (benefit payments) ²	<u>11,963</u>	
13 End of year accrual (10 + 11 - 12)	<u>\$ 54,436</u>	0.79%

¹ Annual payroll for the plan participants as of July 1, 2008 is \$6,915,539.

² Actual contributions paid in fiscal year 2009 of \$8,910 plus implicit subsidy of \$3,053.

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions³</u>	<u>Percentage Contributed</u>
June 30, 2009	\$41,075	\$11,963	29.12%
June 30, 2008	\$41,193	\$15,869	38.52%

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



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 ⁴	UAAL as a % of Covered Payroll (d) / (f)
6/30/2009	\$ -	\$ 262,712	\$ 262,712	0.0%	\$6,915,539	3.80%
6/30/2008	\$ -	\$ 262,712	\$ 262,712	0.0%	\$6,368,814	4.12%

⁴ Payroll as of July 1, 2008 and July 1, 2007, includes only plan participants. The annual OPEB cost of \$41,075 for fiscal year 2009 and accrual of \$54,436 as of June 30, 2009, 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, 2009	\$41,075	29.12%	\$54,436
June 30, 2008	\$41,193	38.52%	\$25,324
June 30, 2007	N/A	N/A	N/A

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 2008.

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

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



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

Valuation year: July 1, 2007 - June 30, 2008

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 2008, 9% in fiscal year 2009, 8% in fiscal year 2010, and then decreasing by one half percentage point per year to an ultimate rate of 5% in fiscal year 2016, and after.

<u>Year</u>	<u>Rate</u>
2008	10.0%
2009	9.0%
2010	8.0%
2011	7.5%
2012	7.0%
2013	6.5%
2014	6.0%
2015	5.5%
2016	5.0%

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

The following subsidy was assumed:

	<u>Implicit Subsidy</u>	<u>Maximum Explicit Subsidy*</u>	<u>MAX TOTAL NET</u>	<u>Minimum Retiree Payment</u>
Retiree, no Medicare	\$127.21	\$450.00	\$577.21	\$0.00
Retiree, with Medicare	0.00	0.00	0.00	0.00



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

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

Source of Claim Costs: The medical cost for retirees equals the explicit subsidy paid by the College at the beginning of the year. This was increased by the implicit subsidy contained in such rates for a retiree. This subsidy was assumed to be \$127.21 for retirees under age 65 and was developed from retiree claim costs from other public entities in Arkansas.

Administrative Costs: None assumed.

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

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

	<u>July 1, 2007</u>
Number of Active Employees	146
Number of Retirees Covered	
Under 65	3
Over 65	0



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

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

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

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

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

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

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

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



OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

<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

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.



**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

<u>Year</u>	<u>Estimated Payment</u>
1	\$20,000
2	36,000
3	32,000
4	30,000
5	32,000
6	36,000
7	50,000
8	36,000
9	37,000
10	47,000

SOUTH ARKANSAS COMMUNITY COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2009	2008	2007	2006	2005
Total Assets	\$ 20,692,102	\$ 20,492,831	\$ 19,593,183	\$ 19,192,863	\$ 17,531,201
Total Liabilities	1,297,084	1,166,269	1,231,799	1,168,523	1,453,427
Total Net Assets	19,395,018	19,326,562	18,361,384	18,024,340	16,077,774
Total Operating Revenues	4,677,491	4,736,207	4,213,071	5,233,360	5,191,745
Total Operating Expenses	14,626,714	13,218,935	12,531,169	11,280,149	11,272,701
Total Net Non-Operating Revenues	9,967,053	9,439,648	8,632,681	6,800,318	6,396,685
Total Other Revenues, Expenses, Gains or Losses	50,626	8,258	22,461	1,193,037	121,797