

**South Arkansas Community College**

**El Dorado, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2011**

LEGISLATIVE JOINT AUDITING COMMITTEE





SOUTH ARKANSAS COMMUNITY COLLEGE  
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House 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, 2011, 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 2010 financial statements and, in our report dated August 23, 2011, 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, including the prior year partial comparative information, 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 the 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 the South Arkansas Community College as of June 30, 2011, 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, 2010, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2012 on our consideration of the College's/University'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 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



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

Little Rock, Arkansas  
August 2, 2012  
EDHE19311

Sen. Bill Pritchard  
Senate Chair  
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House Chair  
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Senate Vice Chair  
Rep. Toni Bradford  
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, 2011, which collectively comprise the College's/ basic financial statements and have issued our report thereon dated August 2, 2012. 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

Management of the College is responsible for establishing and maintaining effective 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.

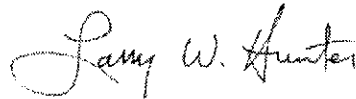
#### Compliance and Other Matters

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 2, 2012.

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 cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 2, 2012



Sen. Bill Pritchard  
Senate Chair  
Rep. Tim Summers  
House Chair  
Sen. David Wyatt  
Senate Vice Chair  
Rep. Toni Bradford  
House Vice Chair

# 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, 2011, 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> 2010	<u>Fall Term</u> 2010	<u>Spring Term</u> 2011	<u>Summer I Term</u> 2011
Student Headcount	351	1,906	1,800	851
Student Semester Credit Hours	1,396	17,039	17,047	5,755

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 8, 2012



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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***Overview of the Financial Statements and Financial Analysis***

South Arkansas Community College ("the College") is pleased to present its Annual Financial Report for the fiscal year ended June 30, 2011, with the fiscal year 2010 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 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 in not limited by contractual agreements with outside parties.*



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Statement of Net Assets (Continued)**

	June 30, 2011	June 30, 2010
<b>ASSETS</b>		
Current assets	\$ 8,613,896	\$ 12,122,569
Capital assets, net	18,986,004	13,998,678
Other assets	208,555	1,228,587
Total Assets	<u>\$ 27,808,455</u>	<u>\$ 27,349,834</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 889,632	\$ 1,315,548
Noncurrent liabilities	4,151,791	4,294,487
Total Liabilities	<u>\$ 5,041,423</u>	<u>\$ 5,610,035</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 15,251,699	\$ 10,178,909
Restricted		
Non-Expendable	38,000	10,000
Expendable	858,105	1,622,214
Unrestricted	6,619,228	9,928,676
Total Net Assets	<u>\$ 22,767,032</u>	<u>\$ 21,739,799</u>

The College's total assets increased \$458,621, total liabilities decreased \$568,612, and net assets increased \$1,027,233. Invested in capital assets, net of related debt within the Net Assets section increased by \$5,072,790 primarily due to amounts added to construction in progress for the Health Sciences Building and other asset additions net of depreciation and debt service.



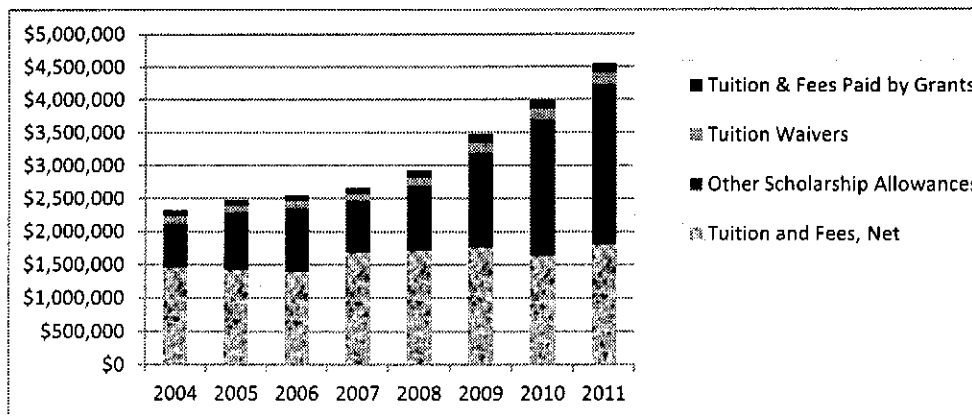
**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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

The purpose of this statement is to present revenues earned and expenses paid by the College, both operating and non-operating, and any other revenues, expenses, gains and losses. The operating income (loss) 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, 2011	June 30, 2010
Operating revenues	\$ 6,521,772	\$ 5,340,511
Operating expenses	18,413,774	15,859,177
Operating Loss	(11,892,002)	(10,518,666)
Non-operating revenues and expenses	12,602,866	11,403,653
Income before other revenues and expenses	710,864	884,987
Other revenues and expenses	316,369	1,451,052
Increase in Net Assets	1,027,233	2,336,039
Net Assets, beginning of year	21,739,799	19,395,018
Adjustment to prior year capital assets		8,742
Net Assets - Beginning Of Year Restated	21,739,799	19,403,760
Net Assets, end of year	\$ 22,767,032	\$ 21,739,799

Gross tuition and fees increased \$564,067 which is a 14.2% increase over the previous year. State appropriations increased \$17,019. The following chart shows the growth of gross tuition and fees since 2004. The growth in 2010/2011 is due to an increase in the rates charged for tuition and fees along with an increase in FTE (full-time-equivalent) enrollment of 19.1%.





**Statement of Revenues, Expenses and Changes in Net Assets (Continued)**

Increased compensation and benefit costs rose 7.7% over the previous year, and accounted for 29% of the total increase in operating expense of \$2,554,597. The increase in compensation and benefits is due to annual cost of living increases, full year expenditures 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 37.2% which is largely due to the increases in grant spending, expenses related to the operation of the El Dorado Conference Center, and increases in enrollment. The 25.4% increase in scholarships is attributable to the increase in PELL awards. Total PELL awards increased from \$4,161,723 to \$4,754,120.

The net increase in non-operating revenues is primarily due to increases in gift revenue which includes a \$200,000 gift from the South Arkansas Community College Foundation, and a \$158,000 gift from the SHARE Foundation along with an increase in PELL awards. The number of PELL awards increased 10%, and the average PELL per student increased 3.8% for a total increase of \$592,397.

**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 operating activities and non-capital financing activities are important for the College. This positive amount of \$1,219,671 and \$1,757,705 for fiscal years ending June 30, 2011 and June 30, 2010, respectively, indicates that these activities contributed cash and liquidity for the year.

	Year Ended	
	June 30, 2011	June 30, 2010
Cash provided (used) by:		
Operating activities	\$ (11,312,757)	\$ (9,711,961)
Noncapital financing activities	12,532,428	11,469,666
Subtotal	1,219,671	1,757,705
Capital and related financing activities	(6,279,477)	1,301,347
Investing activities	1,024,465	(404,947)
Net change in cash	(4,035,341)	2,654,105
Cash, beginning of year	9,325,783	6,671,678
Cash, end of year	\$ 5,290,442	\$ 9,325,783



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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

At June 30, 2011, the College had \$18,986,004 of capitalized assets, net of depreciation of \$11,071,565. During the fiscal year 2011 the College made the following additions and improvements in capital assets.

Equipment	\$ 332,640
Software	14,400
Buildings	253,010
Library Holdings	36,677
Land	173,659
Improvements and Infrastructure	10,071
Construction in Progress	<u>4,925,718</u>
Total	<u>\$ 5,746,175</u>

More information on capital assets is presented in Note 5.

During the fiscal year ended June 30, 2011 the College purchased properties at 334 West Hillsboro, formerly known as Van's Hardware, 328 W. Hillsboro, and 428 Barton for future development for a combined purchased price of \$426,669.

Construction in Progress expenditures of \$4,925,718 primarily consist of \$4,680,384 for the Health Science Building, \$179,619 for Whitfield Building roofing project, \$37,357 for Whitfield Building renovation, \$19,034 for the Whitfield Streetscape project, and \$9,324 for miscellaneous projects.

***Economic Outlook***

The College's financial position remained stable for fiscal year 2010/11 as evidenced by an increase in net assets of \$1,027,233. 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 2011 saw a slight increase in State appropriations of \$17,019 from \$6,971,558 to \$6,988,577. State revenue forecast for fiscal year 2012 projects a decrease in State appropriations of \$8,004. Student enrollment increased to record numbers for fiscal year 2010-2011.

Two major construction projects were completed during the fiscal year. The El Dorado Conference Center and the Health Science Center were both completed in February, 2011, and brought into service. The College has a ten year lease with the City of El Dorado to operate and manage the El Dorado Conference Center. The center includes space for the College bookstore, a one-stop Student Services area, food services, and conference facilities. The Health Science Center houses the College's health care related programs.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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***Economic Outlook (Continued)***

During fiscal year 2011, the college received new grants such as:

Arkansas Energy Sector Partnership (AESP) 1/29/2011 - 1/2/2013	\$	68,640
Stepping Stones - Murphy Oil, 3/01/2011 - 4/30/2013	\$	75,000
SHARE Foundation - 1/1/2011 - 12/31/2013	\$	158,500

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**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**  
*(With Comparative Figures as of June 30, 2010)*

Exhibit A

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,122,055	\$ 8,138,492
Short-term investments	1,950,925	2,900,925
Accounts receivable (less allowances of \$69,020 and \$67,584)	281,297	165,743
Employee and student loans receivable (less allowances of \$100 and \$100)	400	46
Property taxes receivable	217,878	197,492
Other receivables	722,567	381,591
Inventories	202,592	221,408
Deposits with trustees	3	2
Prepaid expenses	115,051	115,742
Bond issuance cost	1,128	1,128
Total Current Assets	<u>8,613,896</u>	<u>12,122,569</u>
Noncurrent Assets		
Cash and cash equivalents	168,387	1,187,291
Endowment investments	10,000	10,000
Capital assets, net of accumulated depreciation of \$11,071,565 and \$10,484,007 (Note 5)	18,986,004	13,998,678
Bond issuance cost (net of accumulated amortization cost of \$1,974 and \$846)	30,168	31,296
Total Noncurrent Assets	<u>19,194,559</u>	<u>15,227,265</u>
<b>TOTAL ASSETS</b>	<u>27,808,455</u>	<u>27,349,834</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	432,319	954,207
Refunds payable	70,560	16,852
Deferred revenue	198,071	167,623
Bonds and certificate of indebtedness payable - current portion	118,910	117,888
Compensated absences	30,315	27,239
Funds held in trust for others	39,457	31,739
Total Current Liabilities	<u>889,632</u>	<u>1,315,548</u>
Noncurrent Liabilities		
Accounts payable		74,831
Bonds and certificate of indebtedness payable	3,615,395	3,734,305
Compensated absences	424,540	402,361
Net other postemployment benefit obligation	111,856	82,990
Total Noncurrent Liabilities	<u>4,151,791</u>	<u>4,294,487</u>
<b>TOTAL LIABILITIES</b>	<u>5,041,423</u>	<u>5,610,035</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,251,699	10,178,909
Restricted for:		
Non-expendable		
Scholarships	38,000	10,000
Expendable		
Scholarships	19,050	19,050
Loans	1,984	2,054
Capital Projects	125,782	1,193,057
Debt Service	101,774	27,923
Other	609,515	380,130
Unrestricted	<u>6,619,228</u>	<u>9,928,676</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 22,767,032</u>	<u>\$ 21,739,799</u>

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



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

Exhibit A-1

**Statement of Financial Position  
June 30, 2011**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 846,129
Pledges receivable, current portion	62,904
Accrued interest receivable	14
Prepaid expenses	3,322
Investments	596,361
<b>Total Current Assets</b>	<b>1,508,730</b>

**Fixed Assets, at cost**

Computer Software	6,365
Property and equipment	99,548
	105,913
Less: accumulated depreciation and amortization	(80,854)
<b>Total Fixed Assets</b>	<b>25,059</b>

**Other Assets**

Antique furniture	2,410
Pledges receivable	57,097
<b>Total Other Assets</b>	<b>59,507</b>

**Total Assets**

**\$ 1,593,296**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,981
Scholarships payable	9,819
Refundable advances	9,175
<b>Total Current Liabilities</b>	<b>23,975</b>

**Net Assets**

Unrestricted	965,293
Unrestricted - Board designated	30,000
Temporarily restricted	574,028
<b>Total Net Assets</b>	<b>1,569,321</b>

**Total Liabilities and Net Assets**

**\$ 1,593,296**



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
*(With Comparative Figures for the year ended June 30, 2010)*

Exhibit B

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$2,746,823 and \$2,344,869)	\$ 1,796,720	\$ 1,634,607
Federal grants and contracts	2,684,011	2,155,285
State and local grants and contracts	1,207,028	850,169
Sales and services of educational departments	59,082	54,991
Auxiliary enterprises:		
Vending	9,731	11,134
Bookstore (net of scholarship allowances of \$647,493 and \$558,647)	490,692	540,417
Convention Center	241,400	70,000
Other operating revenues	33,108	23,908
<b>TOTAL OPERATING REVENUES</b>	<u>6,521,772</u>	<u>5,340,511</u>
<b>OPERATING EXPENSES</b>		
Salaries	7,869,280	7,327,521
Employee benefits	2,539,392	2,338,680
Supplies and other services	4,930,272	3,593,175
Scholarships and fellowships	2,326,568	1,855,480
Depreciation	748,262	744,321
<b>TOTAL OPERATING EXPENSES</b>	<u>18,413,774</u>	<u>15,859,177</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(11,892,002)</u>	<u>(10,518,666)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	6,988,577	6,971,558
Federal grants and contracts	4,754,120	4,161,723
County millage	317,156	294,328
Gifts	485,243	29,287
Interest income	71,978	74,304
Interest and other cost (on capital asset related debt)	(14,098)	(12,672)
Disposal of capital assets (net of accumulated depreciation of \$160,704 and \$187,895)	(110)	(114,875)
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<u>12,602,866</u>	<u>11,403,653</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<u>710,864</u>	<u>884,987</u>
Other revenues, expenses, gains and losses		
Capital grants and gifts	316,369	127,622
Bond proceeds from Act 1282 of 2005		1,322,655
Adjustment to prior year capital assets		775
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<u>316,369</u>	<u>1,451,052</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,027,233	2,336,039
<b>NET ASSETS - BEGINNING OF YEAR</b>	21,739,799	19,395,018
Adjustment to prior year capital assets (intangible assets)		8,742
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 22,767,032</u>	<u>\$ 21,739,799</u>

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

Statement of Activities  
June 30, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 63,976	\$ 127,947	\$ 191,923
Special Events	50,090	4,146	54,236
Investment income (loss)	87,718	33,438	121,156
Rent income	1,614		1,614
Miscellaneous Income	821		821
Net assets released due to satisfaction of program restrictions	<u>283,224</u>	<u>(283,224)</u>	
<b>Total revenues, gains and other support</b>	<u>487,443</u>	<u>(117,693)</u>	<u>369,750</u>
<b>Expenses</b>			
Program services			
Scholarships	57,350		57,350
Grants and awards	<u>236,692</u>		<u>236,692</u>
<b>Total program services</b>	<u>294,042</u>		<u>294,042</u>
Supporting services			
Management and general	40,380		40,380
Fund raising	<u>34,194</u>		<u>34,194</u>
<b>Total supporting services</b>	<u>74,574</u>		<u>74,574</u>
<b>Total expenses</b>	<u>368,616</u>		<u>368,616</u>
<b>Change in Net Assets</b>	118,827	(117,693)	1,134
<b>Net Assets - Beginning of Year</b>	<u>876,466</u>	<u>691,721</u>	<u>1,568,187</u>
<b>Net Assets - End of Year</b>	<u>\$ 995,293</u>	<u>\$ 574,028</u>	<u>\$ 1,569,321</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
*(With Comparative Figures for the year ended June 30, 2010)*

Exhibit C

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 1,727,437	\$ 1,719,590
Grants and contracts	3,588,654	2,810,289
Sales and services of educational activities	59,538	55,620
Collection of student and employee loans including interest	5,893	8,261
Auxiliary enterprise revenues		
Vending	9,731	11,134
Bookstore	485,819	553,109
Convention Center	228,329	70,000
Other receipts	27,915	23,908
Payments to employees	(7,869,930)	(7,324,654)
Payments of employee benefits	(2,484,690)	(2,326,899)
Payments to suppliers	(4,758,638)	(3,448,898)
Loans issued to students and employees	(6,247)	(7,941)
Scholarships	(2,326,568)	(1,855,480)
Net cash provided (used) by operating activities	<u>(11,312,757)</u>	<u>(9,711,961)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	6,988,577	6,971,558
Federal grants and gifts received	4,754,120	4,161,723
Loans to students - Direct Loans and Private (Inflows)	3,885,853	3,236,653
Loans to students - Direct Loans and Private (outflows)	(3,885,853)	(3,236,653)
County millage	296,770	307,471
Gifts	485,243	29,287
Agency funds - net	7,718	(373)
Net cash provided (used) by non-capital financing activities	<u>12,532,428</u>	<u>11,469,666</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants and gifts	316,369	110,653
Proceeds from revenue bonds		3,506,471
Proceeds from sale of capital assets	406	3,005
Purchase of capital assets	(6,315,421)	(2,042,260)
Principal paid on certificate of indebtedness	(49,592)	(48,591)
Interest paid on certificate of indebtedness	(8,996)	(9,997)
Payment to trustee for principal	(70,000)	(140,000)
Payment to trustee for interest and fees	(152,243)	(77,934)
Net cash provided (used) by capital and related financing activities	<u>(6,279,477)</u>	<u>1,301,347</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	74,465	95,978
Proceeds from sales and maturities of investments	950,000	4,410,000
Purchase of investments		(4,910,925)
Net cash provided (used) by investing activities	<u>1,024,465</u>	<u>(404,947)</u>
Net increase (decrease) in cash and cash equivalents	(4,035,341)	2,654,105
Cash and cash equivalents-beginning of year	9,325,783	6,671,678
Cash and cash equivalents-end of year	<u>\$ 5,290,442</u>	<u>\$ 9,325,783</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
*(With Comparative Figures for the year ended June 30, 2010)*

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of net operating revenues (expenses)</b>		
<b>to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (11,892,002)	\$ (10,518,666)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	748,262	744,321
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivables, net	(115,554)	66,926
(Increase) Decrease in employee and student loans receivable, net	(354)	420
(Increase) Decrease in other receivables	(341,841)	(167,997)
(Increase) Decrease in inventories	18,816	(25,220)
(Increase) Decrease in prepaid expenses	691	9,345
Increase (Decrease) in accounts payable and accrued liabilities net of changes in payables for capital assets (\$726,844 and \$744,807)	130,947	135,655
Increase (Decrease) in refunds payable	53,708	3,870
Increase (Decrease) in deferred revenue	30,448	27,503
Increase (Decrease) in compensated absences	25,256	(16,672)
Increase (Decrease) in OPEB obligation	28,866	28,554
Net cash provided (used) by operating activities	<u>\$ (11,312,757)</u>	<u>\$ (9,711,961)</u>

**Non-cash transactions:**

Fixed asset acquisition paid for by State of Arkansas	16,969
Fixed asset acquisition directly from bond proceeds Act 1282 of 2005	1,330,716
Discount 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**  
**June 30, 2011**

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**Cash Flows from Operating Activities**

Change in net assets	\$ 1,134
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(103,288)
Depreciation	5,915
Capital campaign contributions	(50,072)
Decrease in pledge receivables	49,200
Increase in accrued interest receivable	(2)
Increase in prepaid expenses	(97)
Increase in accounts payable	887
Decrease in scholarships payable	(2,290)
Increase in refundable advances	4,625
	<hr/>
<b>Net cash provided by operating activities</b>	<b>(93,988)</b>

**Cash Flows from Investing Activities**

Proceeds from sale of investments	34,452
Purchases in investments	(17,300)
	<hr/>
<b>Net cash used in investing activities</b>	<b>17,152</b>

**Cash Flows from Financing Activities**

Contributions for capital campaign	50,072
	<hr/>
<b>Net cash provided by financing activities</b>	<b>50,072</b>

**Net Increase in Cash** (26,764)

**Cash and Cash Equivalents at  
Beginning of Year** 872,893

**Cash and Cash Equivalents at  
End of Year** \$ 846,129

**Supplemental disclosures of cash flow information:**

The organization received in-kind contributions for their fund raising events during the year ended June 30, 2011 in the amount of \$17,500.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Reporting Entity**

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

**Component Unit**

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

During the year ended June 30, 2011, the Foundation transferred the following amounts to the College:

For scholarships	\$ 20,530
For Health Science Building construction	200,000
For reimbursement of expenses	<u>19,080</u>
Total	<u>\$ 239,610</u>

The College had a receivable from the Foundation on June 30, 2011, in the amount of \$145. Complete financial statements for the Foundation may be obtained from the Foundation office 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 statements in the College's financial statements.



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

**Financial Statement Presentation**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement no. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement no. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, followed this in November 1999. The financial statement presentation required by GASB no. 34 and no. 35 provides a comprehensive, entity-wide perspective of South Arkansas Community College's assets, 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 40 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 years for library holdings, 5 years for vehicles, 3 to 10 years for equipment, and 7 years for intangibles - software.

**Operating and Non-operating Revenues**

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

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





**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Cash Equivalents**

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

**Accounts Receivable**

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

**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 lower cost or market with cost being generally determined on a first-in, first-out basis.

**Non-current Cash and Investments**

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

**Restricted/Unrestricted Resources**

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

**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.



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

**Compensated Absences Payable**

Accrued compensated absences payable – other than sick leave reflects accumulated compensatory, holiday and annual leave and required employer contributions at June 30, 2011 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.

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, 2011, for full-time classified and non-classified employees. The amount is based on a percentage of the number of hours accumulated, and the employee's current daily rate of pay not to exceed \$7,500 paid to the employee or beneficiary of an employee.

**Non-current Liabilities**

Non-current liabilities include: (1) principal amounts of debt payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching cost that will not be paid within the next fiscal year; 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 15th of the same calendar year.

**Scholarship Discounts and Allowances**

Tuition and fee revenues are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net 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.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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)	\$ 250,003	\$ 250,003
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	6,497,550	6,911,072
Total Deposits	<u>\$ 6,747,553</u>	<u>\$ 7,161,075</u>

The above deposits do not include cash on deposit in the state treasury in the amount of \$502,794 or cash on hand in the amount of \$1,023 for change funds as of June 30, 2011. The above total deposits include certificates of deposit of \$1,960,925 as of June 30, 2011, reported as investments and classified as nonparticipating contracts and deposits with trustees of \$3.

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

The accounts receivable of \$281,297 at June 30, 2011, consisted of student accounts receivable of \$350,317, which was reduced by an allowance for doubtful accounts of \$69,020.

Other receivables of \$722,567 at June 30, 2011, consisted of:

Reimbursement from federal and state agencies for grants and contracts	\$ 684,423
Vendor refunds	16,520
Conference Center receivable	13,071
Reimbursement of Higher Education ARRA expenditures	7,129
Accrued interest receivable	1,250
Due from Foundation	146
Due from employees and employee organization	28
Total	<u>\$ 722,567</u>

The accounts payable and accrued liabilities of \$432,319 at June 30, 2011, consisted of:

	Current
Due to vendors	\$ 375,770
Salaries and benefits	15,502
Accrued interest payable	38,919
Unclaimed property payable to the state	2,128
	<u>\$ 432,319</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, 2011**

**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,098,840	\$ 173,659		\$ 1,272,499
Construction-in-progress	4,205,945	4,925,718	\$ 10,071	9,121,592
Total capital assets not depreciated	<u>\$ 5,304,785</u>	<u>\$ 5,099,377</u>	<u>\$ 10,071</u>	<u>\$ 10,394,091</u>
<b>Other capital assets:</b>				
Improvements and infrastructure	\$ 438,974	\$ 10,071		\$ 449,045
Buildings	15,158,152	253,010		15,411,162
Equipment	2,570,658	332,640	\$ 138,815	2,764,483
Library holdings	854,676	36,677	22,405	868,948
Intangibles - software	155,440	14,400		169,840
Total other capital assets	<u>19,177,900</u>	<u>646,798</u>	<u>161,220</u>	<u>19,663,478</u>
Less accumulated depreciation for:				
Improvements and infrastructure	353,296	10,867		364,163
Buildings	7,304,286	484,914		7,789,200
Equipment	2,133,330	164,730	138,299	2,159,761
Library Holdings	573,277	81,138	22,405	632,010
Intangibles - Software*	119,818	6,613		126,431
Total accumulated depreciation	<u>10,484,007</u>	<u>748,262</u>	<u>160,704</u>	<u>11,071,565</u>
Other capital assets, net	<u>\$ 8,693,893</u>	<u>\$ (101,464)</u>	<u>\$ 516</u>	<u>\$ 8,591,913</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 5,304,785	\$ 5,099,377	\$ 10,071	\$ 10,394,091
Other capital assets at cost	<u>19,177,900</u>	<u>646,798</u>	<u>161,220</u>	<u>19,663,478</u>
Total cost of capital assets	24,482,685	5,746,175	171,291	30,057,569
Less accumulated depreciation	<u>10,484,007</u>	<u>748,262</u>	<u>160,704</u>	<u>11,071,565</u>
Capital assets, net	<u>\$ 13,998,678</u>	<u>\$ 4,997,913</u>	<u>\$ 10,587</u>	<u>\$ 18,986,004</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 6: Long-term Liabilities**

The retirement of the 2009 bond issue is secured by a pledge of millage receipts. Debt service payments on existing bonds amounted to \$219,718 for the fiscal year ended June 30, 2011. Debt service payments on the certificate of indebtedness amounted to \$58,588 for the fiscal year ended June 30, 2011.

<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, 2011</u>	<u>Principal Payments Made Thru June 30, 2011</u>
10/28/2003	10/1/2018	2.05%	\$ 750,000	\$ 401,583	\$ 348,417
10/1/2009	4/1/2039	3.25 - 5%	3,590,000	3,380,000	210,000
Totals			<u>\$ 4,340,000</u>	<u>\$ 3,781,583</u>	<u>\$ 558,417</u>

Changes in long-term liabilities are as follows:

	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>	<u>Principal due within one year</u>
Certificate of indebtedness payable (2003)	\$ 451,175		\$ 49,592	\$ 401,583	\$ 50,614
General obligation bonds payable (2009)	3,450,000		70,000	3,380,000	70,000
Discount on bonds	(48,982)		(1,704)	(47,278)	(1,704)
Compensated absences payable - other than sick leave	284,735	\$ 307,402	270,056	322,081	22,349
Compensated absences payable - sick leave	144,865	9,162	21,253	132,774	7,966
Totals	<u>\$ 4,281,793</u>	<u>\$ 316,564</u>	<u>\$ 409,197</u>	<u>\$ 4,189,160</u>	<u>\$ 149,225</u>



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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.

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

Year Ended June 30,	Principal	Interest	Total
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	134,916	141,690	276,606
2017-2021	572,869	654,129	1,226,998
2022-2026	525,000	567,795	1,092,795
2027-2031	645,000	443,101	1,088,101
2032-2036	815,000	272,325	1,087,325
2037-2039	590,000	59,750	649,750
Total	<u>\$ 3,781,583</u>	<u>\$ 2,740,301</u>	<u>\$ 6,521,884</u>

\* Includes interest payable of \$38,919 recorded as a current liability at June 30, 2011.

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

A. Bonds payable consisted of the following at June 30, 2011:

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%

\$3,380,000



**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 7: Bonds Payable and Pledged Revenues (Continued)**

B. Pledged Revenues consisted of the following at June 30, 2011:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Prin + Interest	FY 2011 Prin + Interest	Revenue Source	FY 2011 Revenue	% of Rev Pledged in FY 11
2009	2039	Construction-Health Science Building	\$ 6,086,896	\$ 219,718	County Millage	\$ 317,156	69.3%

**Note 8: Commitments**

The College was contractually obligated on the following at June 30, 2011:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Health Science Center Construction	December, 2011	
Architect Contract		\$ 101,924
Construction Contract		189,064
Total - Health Science Center		<u>290,988</u>
Whitfield Building renovation	December, 2011	425,863
Site Improvement	December, 2011	372,070
Architect Contract		<u>23,830</u>
Total Construction Obligations		<u>\$ 1,112,751</u>

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

	2012	2013	2014	Total
Copier Leases - 36 mo term	\$ 52,681	\$ 23,699	\$ 10,449	\$ 86,829

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2011, were \$55,149.

**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  
JUNE 30, 2011**

**Note 9: Other Postemployment Benefits (Continued)**

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

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

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 \$124 and \$352, respectively.

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

1. Actuarially Required Contribution	\$42,001
2. Interest on Net OPEB Obligation	4,979
3. Adjustment to (1)	<u>-6,029</u>
4. Annual OPEB Cost (1) + (2) - (3)	\$40,951
5. Actual Contribution Made	<u>12,085</u>
6. Increase in Net OPEB Obligation (4) - (5)	\$28,866
7. Net OPEB Obligation Beginning of Year	<u>\$82,990</u>
8. Net OPEB Obligation End of Year	<u>\$111,856</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 years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 40,951	29.5%	\$ 111,856
6/30/2010	\$ 41,315	30.4%	\$ 82,990
6/30/2009	\$ 40,872	29.3%	\$ 54,233





**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**Note 9: Other Post Employment Benefits (Continued)**

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2011, 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	\$ 7,869,280
UAAL as a percentage of covered payroll	3.5 %

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 supplemental 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, 2011**

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**Note 10: Retirement Plans (Continued)**

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, 2011 were \$326,788 and \$240,227 and 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 certain employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by 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 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, 2011, 2010, and 2009 were \$421,539, \$369,999, and \$280,964, 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 FY2010-2011 employer rate for higher education entities was 12.46% of covered salaries. The College's contributions to APERS for the years ended June 30, 2011, 2010, and 2009, were \$99,331, \$89,358, and \$88,950, respectively, equal to the required contributions for each year.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 10: Retirement Plans (Continued)**

Summary of employer contributions:

<u>Retirement Plan</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Alternate Retirement Plan	\$ 326,788	\$ 321,782	\$ 340,979
AR Public Employees Retirement	99,331	89,358	88,950
AR Teachers Retirement	421,539	369,999	280,964
Total	<u>\$ 847,658</u>	<u>\$ 781,139</u>	<u>\$ 710,893</u>

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

The operating expenses by functional classification were as follows:

	For the Year Ended June 30, 2011					Total
	Salaries	Fringe Benefits	Supplies & Services	Scholarships	Depreciation	
Instruction	\$ 4,513,151	\$ 1,339,812	\$ 1,330,717			\$ 7,183,680
Public Service	175,061	56,281	165,343			396,685
Academic Support	143,786	51,798	43,276			238,860
Student Support	1,065,085	356,594	397,741			1,819,420
Institutional Support	1,346,130	493,022	833,925			2,673,077
M & O	512,704	202,526	1,023,365			1,738,595
Scholarships				\$ 2,326,568		2,326,568
Depreciation					\$ 748,262	748,262
Subtotal	<u>7,755,917</u>	<u>2,500,033</u>	<u>3,794,367</u>	<u>2,326,568</u>	<u>748,262</u>	<u>17,125,147</u>
Auxiliary	113,363	39,359	1,135,905			1,288,627
Total	<u>\$ 7,869,280</u>	<u>\$ 2,539,392</u>	<u>\$ 4,930,272</u>	<u>\$ 2,326,568</u>	<u>\$ 748,262</u>	<u>\$ 18,413,774</u>

Total scholarships for fiscal year 10-11 were \$5,720,884; however, \$3,394,316 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Assets.

**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.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**Note 12: Loan Funds (Continued)**

Student/Employee Loan Fund (Continued)

	Student Loan Fund	Employee Loan Fund	Total
Cash in Bank	\$ 575	\$ 1,109	\$ 1,684
Loans, Net		400	400
Fund Balance	<u>\$ 575</u>	<u>\$ 1,509</u>	<u>\$ 2,084</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, 2011	\$ 39,722
Less: Non-Expendable Portion of True Endowments	<u>38,000</u>
Donor-Restricted Endowments Available for Expenditure	<u>\$ 1,722</u>

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

**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.



**SOUTH ARKANSAS COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**Note 15: Risk Management (Continued)**

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: Convention Center/Student Services Building**

On February 22, 2010, the College entered into a lease and operating agreement with the City of El Dorado, Arkansas on a Convention Center/Student Services Building. The College is responsible for general 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.

**Note 17: Prior Year Restatement**

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

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010, inadvertently excluded waivers and certain tuition and fees paid by grants for the parenthetical disclosure of scholarship allowances. The prior year financial statements reflected an amount of \$2,064,308 instead of \$2,344,869. The parenthetical amount for 2010 is correctly reflected on the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2011. This change had no effect on the increase in net assets for the prior year.

**Statement of Cash Flows**

There was a disaggregation on the 2010 column of the Statement of Cash Flows to distinguish principal and interest paid related to bonds and that of those related to other debt financing. Additionally, there was a disaggregation in the Statement of Cash Flows to distinguish inflows and outflows of the Direct Lending and Plus Loan transactions. These restatements did not change the net increase in cash.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Cost Element	Fiscal Year Ended Amount	June 30, 2011 % of Payroll <sup>1</sup>
1 Unfunded actuarial accrued liability at July 1, 2009	\$ 276,633	3.5%
<b>Annual Required Contribution (ARC)</b>		
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>	0.5%
<b>Annual OPEB Cost (Expense)</b>		
6 ARC	\$ 42,001	
7 Interest on beginning of year accrual	4,979	
8 Amortization of beginning of year accrual	<u>6,029</u>	
9 Fiscal 2011 OPEB cost (6 + 7 - 8)	<u>\$ 40,951</u>	0.5%
<b>End of Year Accrual (Net OPEB Obligation)</b>		
10 Beginning of year accrual	\$ 82,990	
10a Actuarial adjustment	0	
11 Annual OPEB Cost	40,951	
12 Employer contribution (benefit payments) <sup>2</sup>	<u>12,085</u>	
13 End of year accrual (10 + 10a + 11 - 12)	<u>\$ 111,856</u>	1.4%

<sup>1</sup> Annual payroll for the plan participants as of July 1, 2011 is \$7,869,280.

<sup>2</sup> Actual contributions paid in fiscal year 2011 of \$8,437 plus implicit subsidy of \$3,648.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Schedule of Employer Contributions**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions<sup>3</sup></u>	<u>Percentage Contributed</u>
June 30, 2011	\$40,951	\$12,085	29.5%
June 30, 2010	\$41,315	\$12,558	30.4%
June 30, 2009	\$40,872	\$11,963	29.3%

<sup>3</sup> Since there is no funding, these are actual payments plus implicit subsidy.

**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)
7/1/2011	\$ 0	\$ 276,633	\$ 276,633	0.0%	\$7,869,280	3.5%
7/1/2010	\$ 0	\$ 276,633	\$ 276,633	0.0%	\$7,327,521	3.8%
7/1/2009	\$ 0	\$ 262,712	\$ 262,712	0.0%	\$6,915,539	3.8%
7/1/2008	\$ 0	\$ 262,712	\$ 262,712	0.0%	\$6,368,814	4.1%

<sup>4</sup> Payroll as of July 1, 2011, 2010, 2009 and 2008, includes only plan participants.

The annual OPEB cost of \$40,951 for fiscal year 2011 and accrual of \$111,856 as of June 30, 2011, are based on a current decision not to fund in a segregated GASB qualified trust.

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$40,951	29.5%	\$111,856
June 30, 2010	\$41,315	30.4%	\$82,990
June 30, 2009	\$40,872	29.3%	\$54,233

**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.



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

**General Overview of the Valuation Methodology (Continued)**

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

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

**Actuarial Methods and Assumptions**

Valuation year: July 1, 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 2012, 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>
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%





**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Actuarial Methods and Assumptions (Continued)**

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:

	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.



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Actuarial Methods and Assumptions (Continued)**

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, 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:

<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



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Actuarial Methods and Assumptions (Continued)**

Voluntary Terminations (Continued): 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:

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

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

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



**SOUTH ARKANSAS COMMUNITY COLLEGE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011  
 (Unaudited)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Total Assets	\$ 27,808,455	\$ 27,349,834	\$ 20,692,102	\$ 20,492,831	\$ 19,593,183
Total Liabilities	5,041,423	5,610,035	1,297,084	1,166,269	1,231,799
Total Net Assets	22,767,032	21,739,799	19,395,018	19,326,562	18,361,384
Total Operating Revenues	6,521,772	5,340,511	4,677,491	4,736,207	4,213,071
Total Operating Expenses	18,413,774	15,859,177	14,626,714	13,218,935	12,531,169
Total Net Non-Operating Revenues	12,602,866	11,403,653	9,967,053	9,439,648	8,632,681
Total Other Revenues, Expenses, Gains or Losses	316,369	1,451,052	50,626	8,258	22,461

