

South Arkansas Community College

El Dorado, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2013

LEGISLATIVE JOINT AUDITING COMMITTEE



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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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the College's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated August 21, 2013. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions on pages 6-11 and 35-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
August 18, 2014
EDHE19313

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
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

INDEPENDENT AUDITOR'S REPORT

South Arkansas Community College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of South Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the South Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the South Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

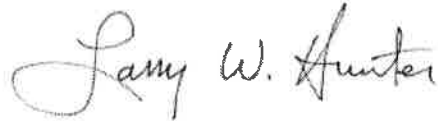
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which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

We noted certain matters that we reported to management of the College in a separate letter dated August 18, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 18, 2014

Arkansas

Sen. Bryan B. King
Senate Chair
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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, 2013, 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>2012</u> | <u>Fall Term</u> <u>2012</u> | <u>Spring Term</u> <u>2013</u> | <u>Summer I Term</u> <u>2013</u> |
|----------------------------------|--------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|
| Student Headcount | 285 | 1,740 | 1,660 | 702 |
| Student Semester Credit Hours | 1,101 | 16,587 | 16,071 | 4,510 |

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 18, 2014

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**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013, with the fiscal year 2011/12 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, and legislative and oversight bodies. In addition to the Management's Discussion and Analysis section, the financial report includes a Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Financial Statements.

South Arkansas Community College was established by a vote of the citizens of Union County on March 31, 1992. Voters approved forming a community college district for the county, merging Oil Belt Technical College and Southern Arkansas University-El Dorado Branch, and levying a millage to support the new school. The College is governed by a nine-member Board of Trustees, which has delegated to the President the administrative authority for the College's operations.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the College. The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot of the College as of the end of the fiscal year. Current assets and liabilities are distinguished from non-current assets and liabilities. The statement provides a picture of net position (assets minus liabilities) and their availability for expenditure by the College.

Net positions are divided into three major categories:

Net investment in capital assets: capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net positions: Divided into two categories, nonexpendable and expendable

Restricted net position - non-expendable: net position subject to externally-imposed stipulations that they be maintained permanently by the College.

Restricted net position - expendable: net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

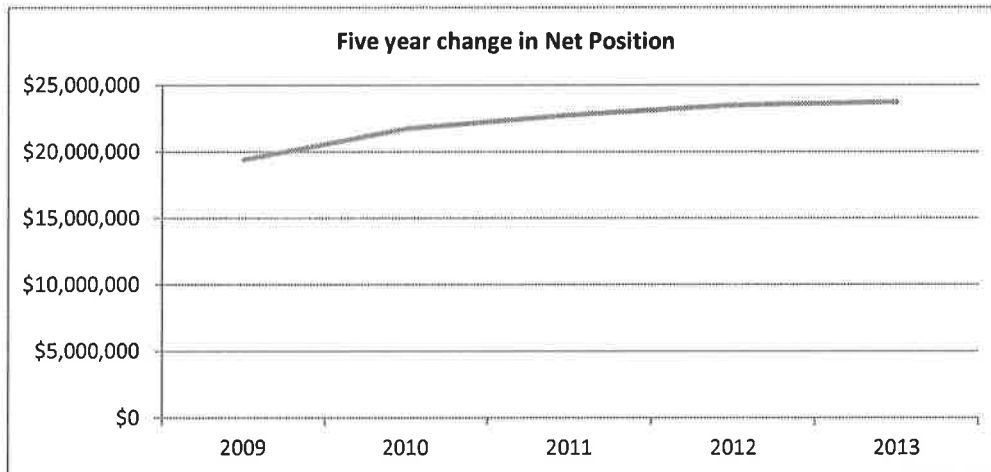
Unrestricted net position - net position that are not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose not limited by contractual agreements with outside parties.

**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Net Position (Continued)

| | June 30, 2013 | June 30, 2012 |
|----------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets | \$ 9,089,124 | \$ 8,670,125 |
| Capital assets, net | 19,121,960 | 19,655,065 |
| Other assets | 300,290 | 190,226 |
| Total Assets | <u>\$ 28,511,374</u> | <u>\$ 28,515,416</u> |
| LIABILITIES | | |
| Current liabilities | \$ 706,459 | \$ 816,798 |
| Noncurrent liabilities | 4,038,027 | 4,190,517 |
| Total Liabilities | <u>\$ 4,744,486</u> | <u>\$ 5,007,315</u> |
| NET POSITION | | |
| Net investment in capital assets | \$ 15,626,519 | \$ 16,039,670 |
| Restricted | | |
| Non-Expendable | 272,182 | 146,186 |
| Expendable | 889,348 | 792,231 |
| Unrestricted | 6,978,839 | 6,530,014 |
| Total Net Position | <u>\$ 23,766,888</u> | <u>\$ 23,508,101</u> |

The College's total assets decreased \$4,042, total liabilities decreased \$262,829, and net position increased \$258,787.



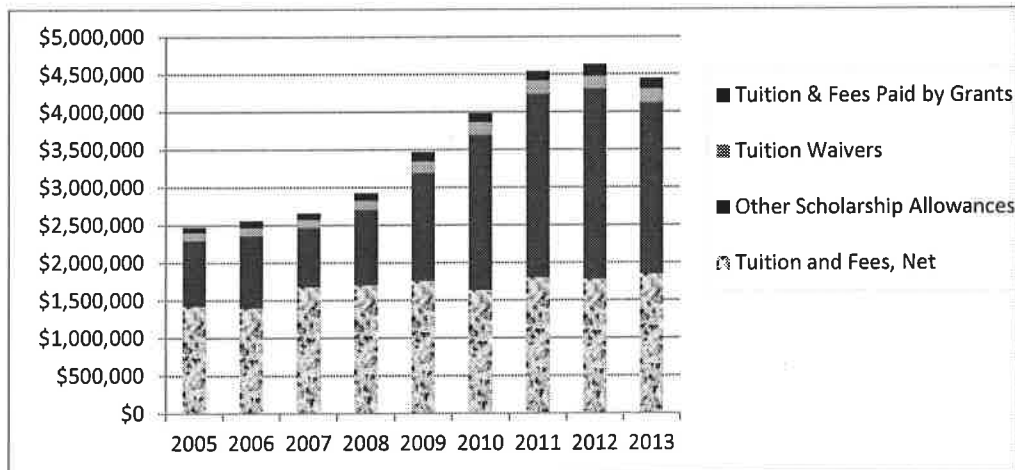
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of this statement is to present revenues earned and expenses paid by the College, both operating and non-operating, and any other revenues, expenses, gains, and losses. The operating income (loss) has limited significance for the College since the GASB requires a significant portion of revenues (state appropriations, gifts, and some grants and contracts) to be reported as non-operating.

| | Year Ended | |
|---|----------------------|----------------------|
| | June 30, 2013 | June 30, 2012 |
| Operating revenues | \$ 7,381,190 | \$ 7,156,320 |
| Operating expenses | 18,671,821 | 18,777,536 |
| Operating loss | (11,290,631) | (11,621,216) |
| Non-operating revenues and expenses | 11,526,593 | 12,384,672 |
| Income before other revenues and expenses | 235,962 | 763,456 |
| Other revenues and expenses | 22,825 | (22,387) |
| Increase in Net Position | 258,787 | 741,069 |
| Net Position, beginning of year | 23,508,101 | 22,767,032 |
| Net Position, end of year | <u>\$ 23,766,888</u> | <u>\$ 23,508,101</u> |

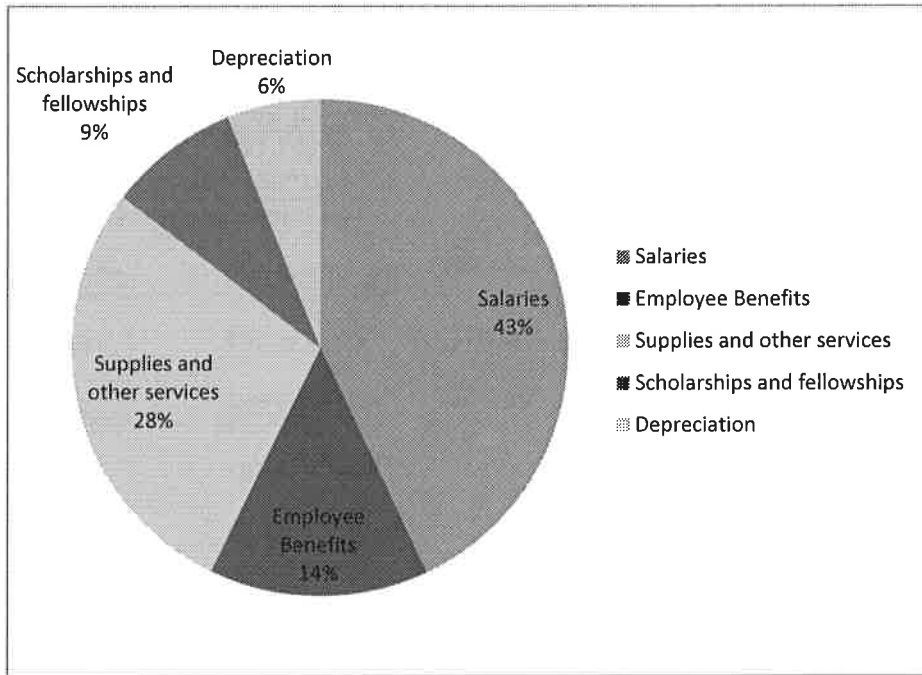
Gross tuition and fees revenues decreased \$191,116 which is a 4.1% decrease over the previous year. The following chart shows the history of gross tuition and fees revenues after 2005.



**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

The following pie chart details the percentage breakdown in the operating expenses for the fiscal year.



Increased compensation and benefit costs rose 1% over the previous year, and accounted for 57% of the total operating expense of \$18,671,821. The increase in compensation and benefits results from a merit increase salary adjustment for the fiscal year, and the accrual of uncompensated annual leave and sick leave for employees. Supplies and other services increased 1.6% which is largely due to the increases in expenses related to the auxiliary operations of the College. The 21.3% decrease in scholarships is attributable to the a decrease in Pell utilization for the fiscal year, and a shift towards increased activity in the loan programs. Total PELL awards decreased from \$4,617,961 to \$4,006,633.

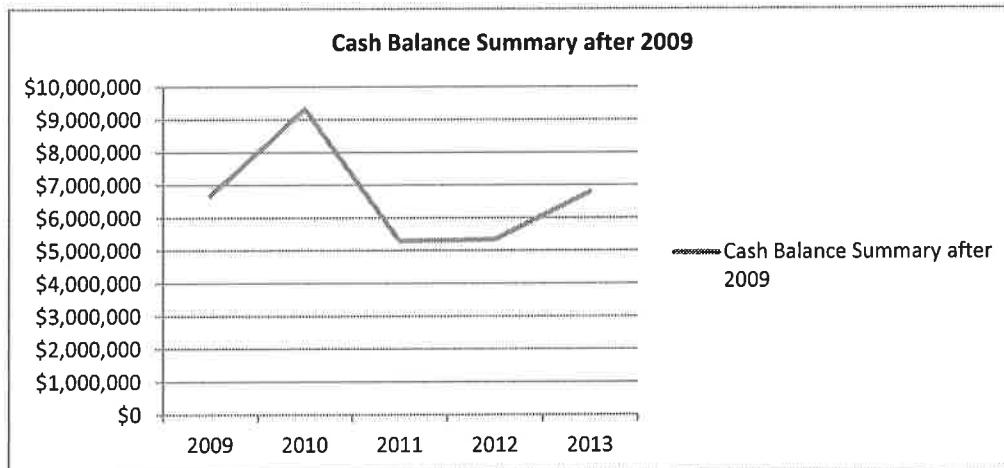
**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Cash Flows

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

Similar to operating income (loss) on the Statement of Revenues, Expenses, and Changes in Net Position, net cash provided by operating activities is of little significance to the College because the GASB requires significant sources of cash to be reported as non-capital financing. The net cash provided by the operating activities and non-capital financing activities are important for the College. This positive amount of \$1,110,671 and \$1,954,788 for fiscal years ended June 30, 2013 and June 30, 2012, respectively, indicates that these activities contributed cash and liquidity for the year.

| | Year Ended | |
|--|---------------------|---------------------|
| | June 30, 2013 | June 30, 2012 |
| Cash provided (used) by: | | |
| Operating activities | \$ (10,568,387) | \$ (10,494,619) |
| Noncapital financing activities | 11,679,058 | 12,449,407 |
| Subtotal | 1,110,671 | 1,954,788 |
| Capital and related financing activities | (838,704) | (1,960,128) |
| Investing activities | 1,175,653 | 52,124 |
| Net change in cash | 1,447,620 | 46,784 |
| Cash, beginning of year | 5,337,226 | 5,290,442 |
| Cash, end of year | <u>\$ 6,784,846</u> | <u>\$ 5,337,226</u> |



The decrease in the cash balance between 2010 and 2011 is attributable to construction outlays for the Health Science Classroom Building.

**SOUTH ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Capital Assets and Long-Term Debt Activity

At June 30, 2013, the College had \$19,121,960 of capitalized assets, net of depreciation of \$12,324,834. During the fiscal year the college made the following additions and improvements in capital assets.

| | |
|---------------------------------|-------------------|
| Equipment | \$ 324,748 |
| Buildings | 103,162 |
| Library Holdings | 32,770 |
| Land | 80,835 |
| Improvements and Infrastructure | 61,237 |
| Construction in Progress | 40,264 |
| Total | <u>\$ 643,016</u> |

More information on capital assets is presented in Note 5.

Economic Outlook

The College's financial position remained stable for fiscal year ended June 30, 2013 as evidenced by an increase in net position of \$258,787. The student headcount for fall year 2013 was 1,740 which was 1.9% lower than fiscal year 2012's headcount of 1,773. Enrollment is predicted to be flat for fiscal year 2013/14.

The College is in the third year of a ten year lease with the City of El Dorado to operate and manage the El Dorado Conference Center through fiscal year 2021. The center includes space for the College Bookstore, a one-stop Student Services area, food services, and conference facilities. The College operates the El Dorado Conference Center as an Auxiliary unit.

In addition to the state appropriations, the College receives funds from tuition and fees, investment income, grants and contracts, and some support from individuals, foundations, and corporations. The College plans to continue its strategy of seeking grants and private gifts to supplement scholarships, capital projects, student support, and academic needs of the Institution.

SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013
(With Comparative Figures as of June 30, 2012)

Exhibit A

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,512,468 | \$ 5,186,040 |
| Short-term investments | 800,000 | 1,950,925 |
| Accounts receivable (less allowances of \$68,517 and \$63,674) | 193,316 | 228,657 |
| Employee and student loans receivable (less allowance of \$0 and \$100) | 0 | 0 |
| Property taxes receivable | 246,957 | 230,750 |
| Other receivables | 940,549 | 717,962 |
| Inventories | 271,916 | 243,325 |
| Deposits with trustees | 4 | 4 |
| Prepaid expenses | 122,786 | 111,334 |
| Bond issuance cost | 1,128 | 1,128 |
| Total Current Assets | <u>9,089,124</u> | <u>8,670,125</u> |
| Noncurrent Assets | | |
| Cash and cash equivalents | 272,378 | 151,186 |
| Endowment investments | | 10,000 |
| Capital assets, net of accumulated depreciation of \$12,324,834 and \$11,544,610 (Note 5) | 19,121,960 | 19,655,065 |
| Bond issuance cost (net of accumulated amortization cost of \$4,229 and \$3,101) | 27,912 | 29,040 |
| Total Noncurrent Assets | <u>19,422,250</u> | <u>19,845,291</u> |
| TOTAL ASSETS | <u>28,511,374</u> | <u>28,515,416</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 331,149 | 416,683 |
| Refunds payable | 27,661 | 46,718 |
| Unearned revenue | 146,079 | 161,886 |
| Bonds and certificate of indebtedness payable - current portion | 126,017 | 119,953 |
| Compensated absences | 41,296 | 28,953 |
| Funds held in trust for others | 34,257 | 42,605 |
| Total Current Liabilities | <u>706,459</u> | <u>816,798</u> |
| Noncurrent Liabilities | | |
| Accounts payable | 39,375 | 92,456 |
| Bonds and certificate of indebtedness payable | 3,369,425 | 3,495,442 |
| Compensated absences | 493,439 | 472,916 |
| Net other postemployment benefit obligation | 135,788 | 129,703 |
| Total Noncurrent Liabilities | <u>4,038,027</u> | <u>4,190,517</u> |
| TOTAL LIABILITIES | <u>4,744,486</u> | <u>5,007,315</u> |
| NET POSITION | | |
| Net investment in capital assets | 15,626,519 | 16,039,670 |
| Restricted for: | | |
| Non-expendable | | |
| Scholarships | 272,182 | 146,186 |
| Expendable | | |
| Scholarships | 20,791 | 21,021 |
| Loans | 2,257 | 2,142 |
| Capital projects | 4,258 | 4,095 |
| Debt service | 256,416 | 186,846 |
| Other | 605,626 | 578,127 |
| Unrestricted | 6,978,839 | 6,530,014 |
| TOTAL NET POSITION | <u>\$ 23,766,888</u> | <u>\$ 23,508,101</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, 2013**

ASSETS

Current Assets

| | |
|-------------------------------------|------------------|
| Cash and cash equivalents | \$ 927,437 |
| Pledges receivable, current portion | 59,875 |
| Accrued interest receivable | 173 |
| Prepaid expenses | 2,921 |
| Investments | <u>1,470,095</u> |

Total Current Assets 2,460,501

Fixed Assets, at cost

| | |
|---|-----------------|
| Computer software | 6,365 |
| Property and equipment | <u>50,126</u> |
| | 56,491 |
| Less: accumulated depreciation and amortization | <u>(39,998)</u> |

Total Fixed Assets 16,493

Other Assets

| | |
|--------------------|---------------|
| Antique furniture | 2,410 |
| Pledges receivable | <u>66,611</u> |

Total Other Assets 69,021

Total Assets \$ 2,546,015

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|----------------------|---------------|
| Accounts payable | \$ 11,484 |
| Scholarships payable | 10,445 |
| Refundable advances | <u>36,730</u> |

Total Current Liabilities 58,659

Net Assets

| | |
|---------------------------------|------------------|
| Unrestricted | 1,393,805 |
| Unrestricted - Board designated | 30,000 |
| Temporarily restricted | <u>1,063,551</u> |

Total Net Assets 2,487,356

Total Liabilities and Net Assets \$ 2,546,015

SOUTH ARKANSAS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Figures for the year ended June 30, 2012)

Exhibit B

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Student tuition and fees (net of scholarship allowances of \$2,600,419 and \$2,856,551) | \$ 1,841,118 | \$ 1,776,102 |
| Federal grants and contracts | 3,077,362 | 3,072,608 |
| State and local grants and contracts | 1,167,984 | 1,198,807 |
| Sales and services of educational departments | 90,207 | 76,852 |
| Auxiliary enterprises: | | |
| Vending | 10,472 | 11,502 |
| Bookstore (net of scholarship allowances of \$809,399 and \$796,429) | 656,013 | 593,095 |
| Convention Center | 498,622 | 418,316 |
| Other operating revenues | 39,412 | 9,038 |
| TOTAL OPERATING REVENUES | <u>7,381,190</u> | <u>7,156,320</u> |
| OPERATING EXPENSES | | |
| Salaries | 8,025,460 | 8,022,205 |
| Employee benefits | 2,666,027 | 2,591,600 |
| Supplies and other services | 5,251,806 | 5,169,283 |
| Scholarships and fellowships | 1,588,220 | 2,019,098 |
| Depreciation | 1,140,308 | 975,350 |
| TOTAL OPERATING EXPENSES | <u>18,671,821</u> | <u>18,777,536</u> |
| OPERATING INCOME (LOSS) | <u>(11,290,631)</u> | <u>(11,621,216)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State appropriations | 6,967,269 | 6,971,881 |
| Federal grants and contracts | 4,006,633 | 4,617,961 |
| County millage | 302,248 | 315,819 |
| Gifts | 427,462 | 575,857 |
| Interest income | 13,453 | 52,219 |
| Interest and other cost (on capital asset related debt) | (156,552) | (159,910) |
| Disposal of capital assets (net of accumulated depreciation of \$360,084 and \$502,303) | (33,920) | 10,845 |
| NET NON-OPERATING REVENUES (EXPENSES) | <u>11,526,593</u> | <u>12,384,672</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | <u>235,962</u> | <u>763,456</u> |
| OTHER REVENUES, EXPENSES, GAINS AND LOSSES | | |
| Capital grants and gifts | 22,825 | |
| Return of State appropriations | | (22,387) |
| TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES | <u>22,825</u> | <u>(22,387)</u> |
| INCREASE (DECREASE) IN NET POSITION | 258,787 | 741,069 |
| NET POSITION - BEGINNING OF YEAR | <u>23,508,101</u> | <u>22,767,032</u> |
| NET POSITION - END OF YEAR | <u>\$ 23,766,888</u> | <u>\$ 23,508,101</u> |

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

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

Exhibit B-1

**Statement of Activities
June 30, 2013**

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| Revenues, Gains and Other Support | | | |
| General contributions | \$ 1,589 | \$ 85,667 | \$ 87,256 |
| Endowed contributions | 17,580 | 4,190 | 21,770 |
| Capital campaign | | 467,869 | 467,869 |
| Special events | 126,767 | 1,600 | 128,367 |
| Investment income (loss) | 108,224 | 31,085 | 139,309 |
| Rent income | 1,716 | | 1,716 |
| Net assets released due to satisfaction of program restrictions | 126,211 | (126,211) | |
| Total revenues, gains and other support | <u>382,087</u> | <u>464,200</u> | <u>846,287</u> |
| Expenses | | | |
| Program services | | | |
| Scholarships | 64,936 | | 64,936 |
| Grants and awards | 73,253 | | 73,253 |
| Total program services | <u>138,189</u> | | <u>138,189</u> |
| Supporting services | | | |
| Management and general | 39,123 | | 39,123 |
| Fund raising | 69,453 | | 69,453 |
| Total supporting services | <u>108,576</u> | | <u>108,576</u> |
| Total expenses | <u>246,765</u> | | <u>246,765</u> |
| Change in Net Assets | 135,322 | 464,200 | 599,522 |
| Net Assets - Beginning of Year | <u>1,288,483</u> | <u>599,351</u> | <u>1,887,834</u> |
| Net Assets - End of Year | <u>\$ 1,423,805</u> | <u>\$ 1,063,551</u> | <u>\$ 2,487,356</u> |

**SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C

(With Comparative Figures for the year ended June 30, 2012)

| | 2013 | 2012 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 1,839,403 | \$ 1,806,295 |
| Grants and contracts | 3,929,936 | 4,440,984 |
| Sales and services of educational activities | 84,281 | 75,759 |
| Collection of student and employee loans including interest | | 7,261 |
| Auxiliary enterprise revenues | | |
| Vending | 10,472 | 11,502 |
| Bookstore | 654,967 | 593,042 |
| Convention Center | 476,526 | 418,318 |
| Other receipts | 39,412 | 9,038 |
| Payments to employees | (8,038,483) | (8,013,421) |
| Payments of employee benefits | (2,731,455) | (2,379,515) |
| Payments to suppliers | (5,245,226) | (5,437,923) |
| Loans issued to students and employees | | (6,861) |
| Scholarships | (1,588,220) | (2,019,098) |
| Net cash provided (used) by operating activities | (10,568,387) | (10,494,619) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 6,967,269 | 6,949,494 |
| Federal grants and contracts | 4,006,633 | 4,617,961 |
| Loans to students - Direct Loans & Private (Inflows) | 5,417,953 | 5,075,893 |
| County millage | 286,041 | 302,947 |
| Gifts | 427,463 | 575,857 |
| Agency funds - net | (8,348) | 3,148 |
| Loans to students - Direct Loans & Private (Outflows) | (5,417,953) | (5,075,893) |
| Net cash provided (used) by non-capital financing activities | 11,679,058 | 12,449,407 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of capital assets | 2,303 | 11,863 |
| Purchase of capital assets | (564,798) | (1,693,471) |
| Principal paid on certificate of indebtedness | (51,657) | (50,614) |
| Interest and fees paid on certificate of indebtedness | (6,931) | (7,974) |
| Principal paid on capital debt | (70,000) | (70,000) |
| Interest and service fees paid on capital debt | (147,621) | (149,932) |
| Net cash provided (used) by capital and related financing activities | (838,704) | (1,960,128) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 14,728 | 52,124 |
| Proceeds from sales and maturities of investments | 1,160,925 | 0 |
| Net cash provided by investing activities | 1,175,653 | 52,124 |
| Net increase (decrease) in cash and cash equivalents | 1,447,620 | 46,784 |
| Cash and cash equivalents-beginning of year | 5,337,226 | 5,290,442 |
| Cash and cash equivalents-end of year | \$ 6,784,846 | \$ 5,337,226 |

**SOUTH ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C

(With Comparative Figures for the year ended June 30, 2012)

| | Year ended June 30, | |
|---|------------------------|------------------------|
| | 2013 | 2012 |
| Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (11,290,631) | \$ (11,621,216) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 1,140,308 | 975,350 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in accounts receivables, net | 35,340 | 50,718 |
| (Increase) Decrease in employee and student loans receivable, net | | 400 |
| (Increase) Decrease in other receivables | (224,273) | 7,090 |
| (Increase) Decrease in inventories | (28,591) | (40,733) |
| (Increase) Decrease in prepaid expenses | (11,452) | 3,717 |
| Increase (Decrease) in accounts payable and accrued liabilities net of payables for capital assets (\$55,394 and \$0) | (193,174) | 125,222 |
| Increase (Decrease) in refunds payable | (19,057) | (23,842) |
| Increase (Decrease) in unearned revenue | (15,807) | (36,185) |
| Increase (Decrease) in compensated absences | 32,865 | 47,013 |
| Increase (Decrease) in OPEB obligation | 6,085 | 17,847 |
| Net cash provided (used) by operating activities | <u>\$ (10,568,387)</u> | <u>\$ (10,494,619)</u> |
| Non-cash transactions: | | |
| State of Arkansas vehicle replacement program | \$ 22,825 | |

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

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

Exhibit C-1

Statement of Cash Flows
June 30, 2013

Cash Flows from Operating Activities

| | |
|--|--------------|
| Change in net assets | \$ 599,522 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | |
| Net realized and unrealized gains on investments | (106,895) |
| Depreciation | 3,547 |
| Capital campaign contributions | (467,869) |
| Increase in pledge receivables | (61,916) |
| Decrease in accrued interest receivable | 67 |
| Decrease in prepaid expenses | 41 |
| Increase in accounts payable | 10,457 |
| Increase in scholarships payable | 365 |
| Increase in refundable advances | 25,305 |
| | <hr/> |
| Net cash provided by operating activities | 2,624 |

Cash Flows from Investing Activities

| | |
|--|------------------|
| Proceeds from sale of investments | 201,176 |
| Purchases in investments | (554,444) |
| | <hr/> |
| Net cash used in investing activities | (353,268) |

Cash Flows from Financing Activities

| | |
|--|----------------|
| Contributions for capital campaign | 467,869 |
| | <hr/> |
| Net cash provided by financing activities | 467,869 |

Net Increase in Cash

117,225

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

810,212

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

\$ 927,437

Supplemental disclosures of cash flow information:

The Organization received in-kind contributions for their fund raising events during the year ended June 30, 2013 in the amount of \$34,306.

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the Foundation transferred the following amounts to the College:

| | |
|-------------------------------|------------------|
| For scholarships | \$ 30,440 |
| For reimbursement of expenses | <u>35,022</u> |
| Total | <u>\$ 65,462</u> |

The College had a receivable from the Foundation on June 30, 2013, in the amount of \$6,053. Complete financial statements for the Foundation may be obtained from the Foundation office at P. O. Box 7010, El Dorado, AR 71731-7010 or viewed online at <http://www.southark.edu/financial-reports>.

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

Financial Statement Presentation

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

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Capital Assets and Depreciation

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

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

Operating and Non-operating Revenues

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

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

Cash Equivalents

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

Accounts Receivable

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

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at cost under the provisions of Statement no. 31 of the GASB. Investments consist of certificates of deposit classified as nonparticipating contracts.

Inventories

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

Non-current Cash and Investments

Cash and investments that are externally restricted for debt service payments, sinking funds, endowment funds, or reserve funds, or to purchase or construct capital or other nonrecurring assets, are classified as non-current assets in the statement of net 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 position are available for the same purpose. College personnel decide which resources to use at the time expenses are incurred.

Unearned Revenues

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

Compensated Absences Payable

Accrued compensated absences payable – other than sick leave reflects accumulated compensatory, holiday, and annual leave and required employer contributions at June 30, 2013 for full-time benefits eligible employees. Accumulated unpaid annual leave and holidays are accrued at the employee's current hourly rate of pay up to a maximum of 240 hours. Compensatory accrued time is limited to 240 hours per federal regulations.

Act 1288 of 2005, allows compensation for unused sick leave at retirement or death for two-year college classified employees. Act 220 of 2009 extended compensation for unused sick leave to non-classified employees. Accrued compensated absences payable – sick leave reflects accumulated sick leave and required employer contributions at June 30, 2013, 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 9).

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien for the subsequent year 1 for real and for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15th of the same calendar year.

Scholarship Discounts and Allowances

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

Note 2: Public Fund Deposits and Investments

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

| | Carrying Amount | Bank Balance |
|---|--------------------|-----------------|
| Insured (FDIC) | \$ 500,004 | \$ 500,004 |
| Collateralized: | | |
| Collateral held by the pledging bank or pledging bank's trust department in the College's name | 7,083,392 | 7,396,566 |
| Total Deposits | \$ 7,583,396 | \$ 7,896,570 |

The above deposits do not include cash on deposit in the state treasury in the amount of \$1,109 or cash on hand in the amount of \$345 for change funds as of June 30, 2013. The above total deposits include certificates of deposit of \$800,000 as of June 30, 2013, reported as investments and classified as nonparticipating contracts and deposits with trustees of \$4.

Note 3: Disaggregation of Receivable and Payable Balances

The accounts receivable of \$193,316 at June 30, 2013, consisted of student accounts receivable of \$261,833, which was reduced by an allowance for doubtful accounts of \$68,517.

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 3: Disaggregation of Receivable and Payable Balances (Continued)

Other receivables of \$920,455 at June 30, 2013, consisted of:

| | |
|--|-------------------|
| Reimbursement from federal and state agencies for grants and contracts | \$ 811,514 |
| Vendor refunds | 92,844 |
| Conference Center receivable | 29,552 |
| Accrued interest receivable | 69 |
| Due from Foundation | 6,053 |
| Due from employees and employee organization | 517 |
| Total | <u>\$ 940,549</u> |

The accounts payable and accrued liabilities of \$370,524 at June 30, 2013, consisted of:

| | <u>Current</u> | <u>Non-Current</u> |
|---|-------------------|--------------------|
| Due to vendors | \$ 236,441 | \$ 39,375 |
| Salaries and benefits | 54,598 | |
| Accrued interest payable | 37,257 | |
| Unclaimed property payable to the state | 2,853 | |
| Total | <u>\$ 331,149</u> | <u>\$ 39,375</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, 2013**

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2013:

| | Balance June 30, 2012 | Additions | Retirements | Balance June 30, 2013 |
|--|-----------------------------|---------------------|-------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,507,334 | \$ 80,835 | | \$ 1,588,169 |
| Construction-in-progress | 9,429 | 40,264 | | 49,693 |
| Total capital assets not depreciated | <u>\$ 1,516,763</u> | <u>\$ 121,099</u> | | <u>\$ 1,637,862</u> |
| Other capital assets: | | | | |
| Improvements and infrastructure | \$ 856,124 | \$ 61,237 | | \$ 917,361 |
| Buildings | 25,270,982 | 103,162 | \$ 32,514 | 25,341,630 |
| Equipment | 2,720,654 | 324,748 | 215,435 | 2,829,967 |
| Library holdings | 620,018 | 32,770 | 147,948 | 504,840 |
| Intangibles - software | 215,134 | | | 215,134 |
| Total other capital assets | <u>29,682,912</u> | <u>521,917</u> | <u>395,897</u> | <u>29,808,932</u> |
| Less accumulated depreciation for: | | | | |
| Improvements and infrastructure | 378,296 | 39,405 | | 417,701 |
| Buildings | 8,466,669 | 818,215 | 2,813 | 9,282,071 |
| Equipment | 2,161,168 | 221,448 | 209,323 | 2,173,293 |
| Library Holdings | 401,840 | 46,872 | 147,948 | 300,764 |
| Intangibles - Software* | 136,637 | 14,368 | | 151,005 |
| Total accumulated depreciation | <u>11,544,610</u> | <u>1,140,308</u> | <u>360,084</u> | <u>12,324,834</u> |
| Other capital assets, net | <u>\$ 18,138,302</u> | <u>\$ (618,391)</u> | <u>\$ 35,813</u> | <u>\$ 17,484,098</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 1,516,763 | \$ 121,099 | | \$ 1,637,862 |
| Other capital assets at cost | <u>29,682,912</u> | <u>521,917</u> | <u>\$ 395,897</u> | <u>29,808,932</u> |
| Total cost of capital assets | 31,199,675 | 643,016 | 395,897 | 31,446,794 |
| Less accumulated depreciation | <u>11,544,610</u> | <u>1,140,308</u> | <u>360,084</u> | <u>12,324,834</u> |
| Capital assets, net | <u>\$ 19,655,065</u> | <u>\$ (497,292)</u> | <u>\$ 35,813</u> | <u>\$ 19,121,960</u> |

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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 \$215,168 for the fiscal year ended June 30, 2013. Debt service payments on the certificate of indebtedness, 2003, amounted to \$58,588 for the fiscal year ended June 30, 2013.

| <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, 2013</u> | <u>Principal Payments Made Thru June 30, 2013</u> |
|----------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|---|
| 10/28/2003 | 10/1/2018 | 2.05% | \$ 750,000 | \$ 299,312 | \$ 450,688 |
| 10/1/2009 | 4/1/2039 | 3.25 - 5% | 3,590,000 | 3,240,000 | 350,000 |
| Totals | | | <u>\$ 4,340,000</u> | <u>\$ 3,539,312</u> | <u>\$ 800,688</u> |

Changes in long-term liabilities are as follows:

| | <u>Balance July 1, 2012</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2013</u> | <u>Principal due within one year</u> |
|--|-----------------------------|-------------------|-------------------|------------------------------|--------------------------------------|
| Certificate of indebtedness payable (2003) | \$ 350,969 | | \$ 51,657 | \$ 299,312 | \$ 52,721 |
| General obligation bonds payable (2009) | 3,310,000 | | 70,000 | 3,240,000 | 75,000 |
| Discount on bonds | (45,574) | | (1,704) | (43,870) | (1,704) |
| Compensated absences payable - other than sick leave | 365,539 | \$ 333,905 | 346,314 | 353,130 | 30,400 |
| Compensated absences payable - sick leave | 136,330 | 50,101 | 4,826 | 181,605 | 10,896 |
| Totals | <u>\$ 4,117,264</u> | <u>\$ 384,006</u> | <u>\$ 471,093</u> | <u>\$ 4,030,177</u> | <u>\$ 167,313</u> |

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 6: Long-term Liabilities (Continued)

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

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 127,721 | \$ 148,760 * | \$ 276,481 |
| 2015 | 128,807 | 145,236 | 274,043 |
| 2016 | 134,916 | 141,690 | 276,606 |
| 2017 | 136,047 | 137,958 | 274,005 |
| 2018 | 142,202 | 134,203 | 276,405 |
| 2019-2023 | 489,619 | 621,440 | 1,111,059 |
| 2024-2028 | 570,000 | 522,800 | 1,092,800 |
| 2029-2033 | 710,000 | 380,649 | 1,090,649 |
| 2034-2038 | 895,000 | 189,800 | 1,084,800 |
| 2039 | 205,000 | 10,250 | 215,250 |
| Total | <u>\$ 3,539,312</u> | <u>\$ 2,432,786</u> | <u>\$ 5,972,098</u> |

* Includes interest payable of \$37,257 recorded as a current liability at June 30, 2013

Note 7: Bonds Payable and Pledged Revenues

A. Bonds payable consisted of the following at June 30, 2013:

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% \$3,240,000

B. Pledged Revenues consisted of the following at June 30, 2013:

| Bond Issue | Maturity Date | Purpose of Debt | Remaining Prin + Interest | FY 2013 Prin + Interest | Revenue Source | FY 2013 Revenue | % of Rev Pledged in FY 13 |
|---------------|------------------|---|------------------------------|----------------------------|-------------------|--------------------|---------------------------------|
| 2009 | 2039 | Construction- Health Science Building | \$ 5,654,286 | \$ 215,168 | County Millage | \$ 302,248 | 71.2% |

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 8: Commitments

The College was contractually obligated on the following at June 30, 2013:

A. Construction Contract

| Project Name | Estimated Completion Date | Contract Balance |
|--------------------------------|------------------------------|---------------------|
| On-call professional service | | |
| On call Architect Contract | June 30, 2015 | \$ 274,768 |
| Total Construction Obligations | | \$ 274,768 |

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

| Copier Leases | Amount |
|---------------|-----------|
| 2014 | \$ 41,054 |
| 2015 | 30,709 |
| 2016 | 8,818 |
| 2017 | 3,010 |
| 2018 | 1,430 |
| Total | \$ 85,021 |

Rental payments for operating leases with initial terms in excess of one year, for the year ended June 30, 2013, were \$49,263.

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.

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

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

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 9: Other Postemployment Benefits (Continued)

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 \$135 and \$420, respectively.

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

| | | |
|----|---|------------------|
| 1. | Actuarially Required Contribution | \$44,722 |
| 2. | Interest on Net OPEB Obligation | 6,809 |
| 3. | Adjustment to (1) | <u>-8,679</u> |
| 4. | Annual OPEB Cost (1) + (2) - (3) | 42,852 |
| 5. | Actual Contribution Made | <u>36,767</u> |
| 6. | Increase in Net OPEB Obligation (4) – (5) | 6,085 |
| 7. | Net OPEB Obligation Beginning of Year | <u>129,703</u> |
| 8. | Net OPEB Obligation End of Year | <u>\$135,788</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:

| | | | | |
|-----------|----|--------|-------|------------|
| 6/30/2013 | \$ | 42,852 | 85.8% | \$ 135,788 |
| 6/30/2012 | | 43,109 | 58.6% | 129,703 |
| 6/30/2011 | | 40,951 | 29.5% | 111,856 |

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013 was as follows:

| | | |
|---|-----------|----------------|
| Actuarial accrued liability (AAL) | \$ | 292,085 |
| Actuarial value of plan assets | | |
| Unfunded actuarial accrued liability (UAAL) | <u>\$</u> | <u>292,085</u> |
| Funded ratio (actuarial value of plan assets/AAL) | | 0 % |
| Covered payroll | \$ | 8,045,268 |
| UAAL as a percentage of covered payroll | | 3.6 % |

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.

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 9: Other Postemployment Benefits (Continued)

In the July 1, 2011, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.25 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, 2011, was thirty years.

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

Note 10: Retirement Plans

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

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

Funding Policy. TIAA/CREF offers contributory plans and members may contribute 6 – 10% of their gross earnings to the plan. The College contributes 10% of employees' earnings for contributory members. (A few employees were grandfathered in who continued to contribute 4 – 5% with the College contributing 6 – 8%.) Additionally, employees may elect to participate in supplemental retirement plans funded totally by the individual. The College's and participants' contributions for the year ended June 30, 2013 were \$328,340 and \$279,657 and for the year ended June 30, 2012, were \$340,916 and \$286,116, 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 contacting the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at the rate determined by the Board of Trustee, based on the annual actuarial valuation. The 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, 2013, 2012, and 2011 were \$348,707, \$383,893, and \$421,539, respectively.

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 10: Retirement Plans (Continued)

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 and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by contacting the Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, 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 fiscal 12/13 employer rate for higher education entities was 14.24% of covered salaries. The College's contributions to APERS for the years ended June 30, 2013, 2012, and 2011, were \$174,708, \$130,008, and \$99,331, respectively, equal to the required contributions for each year.

Summary of employer contributions:

| <u>Retirement Plan</u> | <u>Institutional Contributions for the Years Ended June 30,</u> | | |
|--------------------------------|---|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Alternate Retirement Plan | \$ 328,340 | \$ 340,916 | \$ 326,788 |
| AR Public Employees Retirement | 174,708 | 130,008 | 99,331 |
| AR Teachers Retirement | <u>348,707</u> | <u>383,893</u> | <u>421,539</u> |
| Total | <u>\$ 851,755</u> | <u>\$ 854,817</u> | <u>\$ 847,658</u> |

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 11: Natural Classifications with Functional Classifications

The operating expenses by functional classification were as follows:

| For the Year Ended June 30, 2013 | | | | | | |
|----------------------------------|---------------------|---------------------|------------------------|---------------------|---------------------|----------------------|
| | Salaries | Fringe Benefits | Supplies & Services | Scholarships | Depreciation | Total |
| Instruction | \$ 4,476,042 | \$ 1,394,189 | \$ 1,092,604 | | | \$ 6,962,835 |
| Public Service | 169,733 | 66,430 | 117,630 | | | 353,793 |
| Academic Support | 126,481 | 46,556 | 56,698 | | | 229,735 |
| Student Support | 1,170,772 | 399,918 | 480,376 | | | 2,051,066 |
| Institutional Support | 1,386,147 | 480,397 | 816,834 | | | 2,683,378 |
| M & O | 518,842 | 215,163 | 956,778 | | | 1,690,783 |
| Scholarships | | | | \$ 1,588,220 | | 1,588,220 |
| Depreciation | | | | | \$ 1,140,308 | 1,140,308 |
| Subtotal | 7,848,017 | 2,602,653 | 3,520,920 | 1,588,220 | 1,140,308 | 16,700,118 |
| Auxiliary | 177,443 | 63,374 | 1,730,886 | | | 1,971,703 |
| Total | <u>\$ 8,025,460</u> | <u>\$ 2,666,027</u> | <u>\$ 5,251,806</u> | <u>\$ 1,588,220</u> | <u>\$ 1,140,308</u> | <u>\$ 18,671,821</u> |

Total scholarships for fiscal year 12-13 were \$4,998,038; however, \$3,409,818 was reported as scholarship allowances on the Statement of Revenues, Expenditures, and Changes in Net Position.

Note 12: Loan Funds

Student/Employee Loan Fund

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

| Balances as of: | June 30, 2013 | | |
|-----------------|----------------------|-----------------------|-----------------|
| | Student Loan Fund | Employee Loan Fund | Total |
| Cash in Bank | <u>\$ 707</u> | <u>\$ 1,549</u> | <u>\$ 2,256</u> |

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 | \$ 273,520 |
| Less: Non-Expendable Portion of True Endowments | <u>272,182</u> |
| Donor-Restricted Endowments Available for Expenditure | <u><u>\$ 1,338</u></u> |

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

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

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 \$2,500 deductible. The Department of Finance and Administration withholds the premium from the College's state treasury funds.

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

**SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 15: Risk Management (Continued)

The College carries professional liability insurance to protect the trustees of the College. The limits of liability for each claim shall be not less than \$1,000,000 with a \$10,000 deductible. An annual premium is paid for this coverage.

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

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

Note 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 and operating expenses of the Conference Center facility. If such expenses for the operation, less gross revenues from the conference center, exceed \$300,000, the City will also reimburse the College half of the amount over \$300,000 with certain limitations. The City will also reimburse the College for one half of the salary and related expenses of the employee designated to market and manage the conference center. The lease is for ten years with four, ten year renewal terms.

Note 17: Title III Program Endowment Fund Campaign

The Title III Grant Program included \$341,000 designated for the College to establish an endowment fund for expenditures related to educational purposes. The College has the opportunity to receive the funding if nonfederal contributions can be used to match the federal funding dollar-for-dollar during the five year Title III Grant period.

Title III endowment funds can be used for educational purposes. For the year ended June 30, 2013, endowment funds were deposited in an interest-bearing account. Contributions, matching, and investment income are as follows:

| | <u>6/30/2013</u> | <u>6/30/2012</u> | <u>6/30/2011</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|-------------------|-------------------|
| Interest | | | \$ 391 | \$ 391 |
| Contribution | \$ 46,005 | \$ 79,991 | 28,000 | 153,996 |
| Matching | 79,991 | | 28,000 | 107,991 |
| Total | <u>\$ 125,996</u> | <u>\$ 79,991</u> | <u>\$ 56,391</u> | <u>\$ 262,378</u> |
| Expendable Interest 50% | | | <u>\$ 196</u> | <u>\$ 196</u> |

SOUTH ARKANSAS COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 17: Title III Program Endowment Fund Campaign (Continued)

The College's spending policy is:

As set forth in the Department of Education's Endowment Grant program, the College must invest and may not spend the endowment corpus for the 20 year grant period (at the conclusion of the grant period the College may use endowment fund corpus and all of the endowment fund income for any educational purposes). During the 20-year grant period the College may spend up to 50% of the endowment fund income prior to the date of expenditure. Allowable expenditures include costs necessary to operate the Institution, costs to administer and manage the endowment fund, and costs associated with buying and selling securities.

For purposes of calculating the amount that may be expended, endowment fund income is determined by subtracting the total value of the endowment fund from the endowment fund corpus and the aggregate amount of the previously withdrawn endowment fund income.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document state otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

Note 18: Related Party Transaction

Mr. Stephen Cameron is a member of the Board of Trustees of South Arkansas Community College through December 31, 2016. Mr. Stephen Cameron is the CEO of First Financial Bank of El Dorado. In December, 2012, the College deposited substantially all of its operational deposits into First Financial Bank of El Dorado.

Note 19: Subsequent Events

On August 21, 2013, the College executed a contract of \$204,880 for a campus parking lot. Subsequent change orders increased the contracted amount to \$280,924.

On February 17, 2014, the College executed a contract of \$970,000 for the Heritage Plaza project.

On July 16, 2014, the College issued \$3,330,000 in refunding bonds with interest rates of 2 to 4 percent to advance refund bonds dated October 1, 2009.

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2013**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

| Cost Element | Fiscal Year Ended Amount | June 30, 2013 % of Payroll ¹ |
|--|-----------------------------|--|
| 1 Unfunded actuarial accrued liability at July 1, 2012 | \$ 292,085 | 3.6% |
| Annual Required Contribution (ARC) | | |
| 2 Normal Cost | 23,921 | |
| 3 Amortization of the unfunded actuarial accrued liability (UAAL) over 30 years | 18,570 | |
| 4 Interest | 2,231 | |
| 5 Annual Required Contribution (ARC = 2 + 3 + 4) | <u>\$ 44,722</u> | 0.6% |
| Annual OPEB Cost (Expense) | | |
| 6 ARC | \$ 44,722 | |
| 7 Interest on beginning of year accrual | 6,809 | |
| 8 Amortization of beginning of year accrual | 8,679 | |
| 9 Fiscal 2008 OPEB cost (6 + 7 - 8) | <u>\$ 42,852</u> | 0.5% |
| End of Year Accrual (Net OPEB Obligation) | | |
| 10 Beginning of year accrual | \$ 129,703 | |
| 10a Actuarial adjustment | 0 | |
| 11 Annual OPEB Cost | 42,852 | |
| 12 Employer contribution (benefit payments) ² | 36,767 | |
| 13 End of year accrual (10 + 10a + 11 - 12) | <u>\$ 135,788</u> | 1.7% |

¹ Annual payroll for the plan participants as of July 1, 2013 is \$8,045,268.

² Actual contributions paid in fiscal year 2013 of \$26,429 plus implicit subsidy of \$10,338.

Schedule of Employer Contributions

| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions ³ | Percentage Contributed |
|----------------------|---------------------|--------------------------------------|---------------------------|
| June 30, 2013 | \$42,852 | \$36,767 | 85.8% |
| June 30, 2012 | \$43,109 | \$25,262 | 58.6% |
| June 30, 2011 | \$40,951 | \$12,085 | 29.5% |

³ Since there is no funding, these are actual payments plus implicit subsidy.

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2013**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

| 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) |
|--------------------------|-----------------------------|-----------------------------|---|------------------------|-------------------------------------|--|
| 7/1/2013 | \$ 0 | \$ 292,085 | \$ 292,085 | 0.0% | \$8,045,268 | 3.6% |
| 7/1/2012 | 0 | 292,085 | 292,085 | 0.0% | 8,022,205 | 3.6% |
| 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% |

The annual OPEB cost of \$42,852 for fiscal year 2013 and accrual of \$135,788 as of June 30, 2013, 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, 2013 | \$42,852 | 85.8% | \$135,788 |
| June 30, 2012 | 43,109 | 58.6% | 129,703 |
| June 30, 2011 | 40,951 | 29.5% | 111,856 |

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 2013.

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.

**SOUTH ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2013**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Methods and Assumptions

Valuation year: July 1, 2011 – June 30, 2012

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: 5.25%

Projected Payroll Growth Rate: N/A

Health Care Cost Trend Rate: 10% in fiscal year 2012, 9% in fiscal year 2013, 8% in fiscal year 2014, and then decreasing by one half percentage point per year to an ultimate rate of 5% in fiscal year 2020, and after.

| <u>Year</u> | <u>Rate</u> |
|-------------|-------------|
| 2012 | 10.0% |
| 2013 | 9.0% |
| 2014 | 8.0% |
| 2015 | 7.5% |
| 2016 | 7.0% |
| 2017 | 6.5% |
| 2018 | 6.0% |
| 2019 | 5.5% |
| 2020 | 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:

| | Implicit Subsidy | Maximum Explicit Subsidy* | MAX TOTAL NET | Minimum Retiree Payment |
|------------------------|---------------------|---------------------------------|---------------------|-------------------------------|
| Retiree, no Medicare | \$164.09 | \$450.00 | \$614.09 | \$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.

