

**South Arkansas Community College**

**El Dorado, Arkansas**

**Annual Financial Report  
Independent Auditor's Report  
and Other Reports  
June 30, 2001**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTH ARKANSAS COMMUNITY COLLEGE  
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JUNE 30, 2001

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Sen. Kevin A. Smith  
Senate Co-Chair  
Rep. Danny W. Ferguson  
House Co-Chair  
Sen. Henry "Hank" Wilkins, IV  
Senate Co-Vice Chair  
Rep. Tommy Roebuck  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, 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 balance sheet of South Arkansas Community College, an Institution of Higher Education of the State of Arkansas, as of June 30, 2001 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended as listed in the table of contents. These financial statements are the responsibility of South Arkansas Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Arkansas Community College as of June 30, 2001 and changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002 on our consideration of South Arkansas Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents, including the schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of South Arkansas Community College. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
February 14, 2002  
EDHE19301

Sen. Kevin A. Smith  
Senate Co-Chair  
Rep. Danny W. Ferguson  
House Co-Chair  
Sen. Henry "Hank" Wilkins, IV  
Senate Co-Vice Chair  
Rep. Tommy Roebuck  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

COMBINED REPORT(S) ON COMPLIANCE, INTERNAL CONTROLS AND OTHER MATTERS

South Arkansas Community College  
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of South Arkansas Community College. This letter reflects various requirements and pronouncements of the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), the United States Office of Management and Budget (OMB), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Section I of this letter is designed to satisfy certain requirements for compliance and internal control over financial reporting, whereas, Section II is designed to satisfy certain requirements for compliance requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133.

### SECTION I: REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of South Arkansas Community College (Institution), an Institution of Higher Education of the State of Arkansas, as of and for the year ended June 30, 2001, and have issued our report thereon dated February 14, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Institution's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, and federal contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Arkansas Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Other matters involving compliance and/or internal control were reported to the Institution management in a separate letter.

SECTION II: REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of South Arkansas Community College with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Institution's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institution's management. Our responsibility is to express an opinion on the Institution compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institution's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institution's compliance with those requirements.

In our opinion, South Arkansas Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Institution is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institution internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 2001, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. Our testing was limited to the fall and spring terms of the year. The enrollment data reported was as follows:

	Second Summer Term 2000	Fall Term	Spring Term	First Summer Term 2001
Student Headcount	472	1,236	1,149	273
Student Semester Credit Hours	2,366	10,686	9,960	1,088

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

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, Institution management, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

*William R. Baum*

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 14, 2002

SOUTH ARKANSAS COMMUNITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2001 WITH COMPARATIVE TOTALS AT JUNE 30, 2000

Exhibit A

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds		Agency Funds	Total All Funds	
	Unrestricted	Restricted			Unexpended	Investment in Plant		June 30, 2001	June 30, 2000
ASSETS									
Cash	\$ 1,224,159	\$ 119,506	\$ 1,077	\$ 3,286	\$ 3,031,318		\$ 17,373	\$ 4,396,719	\$ 4,536,617
Investments	670,000	5,500		51,000	300,000			1,026,500	1,625,500
Accounts receivable (net of allowance for doubtful accounts of: 2001, \$26,784 2000, \$52,615)	67,564							67,564	95,613
Accounts receivable - other	47,352	115,147		12				162,511	158,795
Property taxes receivable (net of estimated uncollectible amounts)					144,535			144,535	
Notes receivable (net of allowance for doubtful accounts of: 2001, \$4,463 2000, \$4,463)			815					815	1,515
Due from other funds	84,140			21			12	84,173	175,127
Inventories	164,753							164,753	164,515
Prepaid expenses	77,140							77,140	62,420
Other assets	60							60	60
Land						\$ 578,561		578,561	481,591
Buildings						9,263,867		9,263,867	6,783,651
Improvements other than buildings						324,064		324,064	314,689
Equipment						3,470,750		3,470,750	3,234,207
Library holdings						1,116,401		1,116,401	828,989
Construction in progress						338,732		338,732	1,422,428
<b>TOTAL ASSETS</b>	<b>\$ 2,335,168</b>	<b>\$ 240,153</b>	<b>\$ 1,892</b>	<b>\$ 54,319</b>	<b>\$ 3,475,853</b>	<b>\$ 15,092,375</b>	<b>\$ 17,385</b>	<b>\$ 21,217,145</b>	<b>\$ 19,885,717</b>

SOUTH ARKANSAS COMMUNITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2001 WITH COMPARATIVE TOTALS AT JUNE 30, 2000

Exhibit A

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds		Agency Funds	Total All Funds	
	Unrestricted	Restricted			Unexpended	Investment in Plant		June 30, 2001	June 30, 2000
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 16,346	\$ 7,253			\$ 11,472			\$ 35,071	\$ 34,566
Salaries payable	7,708	2,302						10,010	6,924
Deferred revenues	81,705							81,705	
Due to other funds	32	84,140					\$ 1	84,173	175,127
Deposits/assets held in custody for others	350						17,384	17,734	17,022
Payroll withholdings payable	5,168	486						5,654	6,332
Grant refund payable		10,003						10,003	28,989
Prepaid tuition and fees	25,310							25,310	38,677
Compensated absences payable	192,031							192,031	169,946
Other payables	25,838							25,838	414
College savings bonds loan payable						\$ 185,936		185,936	198,066
<b>Total Liabilities</b>	<b>354,488</b>	<b>104,184</b>			<b>11,472</b>	<b>185,936</b>	<b>17,385</b>	<b>673,465</b>	<b>676,063</b>
<b>Fund Balances:</b>									
Unrestricted	1,980,680				860,296			2,840,976	2,914,758
Restricted		135,969	\$ 1,892		2,604,085			2,741,946	3,374,604
Endowment - restricted				\$ 54,319				54,319	52,803
Net investment in plant						14,906,439		14,906,439	12,867,489
<b>Total Fund Balances</b>	<b>1,980,680</b>	<b>135,969</b>	<b>1,892</b>	<b>54,319</b>	<b>3,464,381</b>	<b>14,906,439</b>		<b>20,543,680</b>	<b>19,209,654</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,335,168</b>	<b>\$ 240,153</b>	<b>\$ 1,892</b>	<b>\$ 54,319</b>	<b>\$ 3,475,853</b>	<b>\$ 15,092,375</b>	<b>\$ 17,385</b>	<b>\$ 21,217,145</b>	<b>\$ 19,885,717</b>

See accompanying summary of significant accounting policies and notes to financial statements.

SOUTH ARKANSAS COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	
	Unrestricted	Restricted			Unexpended	Retirement of Indebtedness
<b>REVENUES AND OTHER ADDITIONS</b>						
Unrestricted current fund revenues	\$ 7,701,916					
Gifts, grants and contracts		\$ 2,449,762		\$ 1,100		
State appropriations - restricted					\$ 553,873	
Acquisition of plant facilities (including \$509,850 charged to current funds expenditures)						\$ 2,302,028
Retirement of indebtedness						12,129
Investment income	146,400	3,498	\$ 82	416		
Interest on loans receivable			9			
Property taxes					346,588	
Other additions	22,273	206				
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>7,870,589</b>	<b>2,453,466</b>	<b>91</b>	<b>1,516</b>	<b>900,461</b>	<b>2,314,157</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>						
Educational and general expenditures	7,264,428	2,330,575				
Auxiliary enterprises expenditures	371,895	2,260				
Administrative and collection costs		8,070				
Loan cancellations, write-offs and assignments			1,515			
Expended for plant facilities (including noncapitalized expenditures of \$111,757 )					1,903,935	
Retirement of indebtedness						\$ 12,129
Interest on indebtedness						12,427
Disposition of plant facilities						275,207
Refunded to grantors		113				
Other deductions		23,695	5			
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>7,636,323</b>	<b>2,364,713</b>	<b>1,520</b>		<b>1,903,935</b>	<b>275,207</b>

SOUTH ARKANSAS COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds		Investment in Plant
	Unrestricted	Restricted			Unexpended	Retirement of Indebtedness	
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Principal and interest	\$ (24,556)					\$ 24,556	
Nonmandatory:							
Plant additions	(75,096)				\$ 75,096		
TOTAL TRANSFERS AMONG FUNDS	(99,652)				75,096	24,556	
NET INCREASE (DECREASE) FOR THE YEAR	134,614	\$ 88,753	\$ (1,429)	\$ 1,516	(928,378)		\$ 2,038,950
FUND BALANCES AT BEGINNING OF YEAR	1,846,066	47,216	3,321	52,803	4,392,759		12,867,489
FUND BALANCES AT END OF YEAR	<u>\$ 1,980,680</u>	<u>\$ 135,969</u>	<u>\$ 1,892</u>	<u>\$ 54,319</u>	<u>\$ 3,464,381</u>	<u>\$ 0</u>	<u>\$ 14,906,439</u>

See accompanying summary of significant accounting policies and notes to financial statements.

SOUTH ARKANSAS COMMUNITY COLLEGE  
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 2001

Exhibit C

	Year Ended June 30, 2001			Total Year Ended June 30, 2000	Increase (Decrease)
	Unrestricted	Restricted	Total		
<b>REVENUES</b>					
Tuition and fees	\$ 1,241,686		\$ 1,241,686	\$ 1,129,147	\$ 112,539
State appropriations	6,007,254		6,007,254	5,859,593	147,661
Gifts, grants and contracts		\$ 2,445,190	2,445,190	2,109,151	336,039
Sales and services of educational departments	8,904		8,904	8,239	665
Sales and services of auxiliary enterprises	392,080		392,080	399,536	(7,456)
Other sources	198,392		198,392	251,236	(52,844)
<b>TOTAL REVENUES</b>	<b>7,848,316</b>	<b>2,445,190</b>	<b>10,293,506</b>	<b>9,756,902</b>	<b>536,604</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>					
Educational and General:					
Instruction	3,617,183	918,929	4,536,112	4,313,241	222,871
Public service	298,278	44,885	343,163	276,094	67,069
Academic support	314,358	4,716	319,074	396,354	(77,280)
Student services	336,315	416,531	752,846	859,571	(106,725)
Institutional support	1,789,018	15,650	1,804,668	1,309,363	495,305
Operation and maintenance of plant	790,593	14,031	804,624	652,548	152,076
Scholarships and fellowships	118,683	915,833	1,034,516	822,909	211,607
Educational and General Expenditures	7,264,428	2,330,575	9,595,003	8,630,080	964,923
Mandatory transfers for:					
Principal and interest	24,556		24,556	24,556	
Excess endowment earnings				275	(275)
Total Educational and General	7,288,984	2,330,575	9,619,559	8,654,911	964,648
Auxiliary Enterprises:					
Expenditures	371,895	2,260	374,155	380,854	(6,699)
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<b>7,660,879</b>	<b>2,332,835</b>	<b>9,993,714</b>	<b>9,035,765</b>	<b>957,949</b>

SOUTH ARKANSAS COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit C

	Year Ended June 30, 2001			Total	Increase
	Unrestricted	Restricted	Total	Year Ended June 30, 2000	(Decrease)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Excess of restricted receipts over transfers to revenues				\$ 18,520	\$ (18,520)
Other transfers	\$ (75,096)		\$ (75,096)	(700,000)	624,904
Other additions (deductions)	22,273	\$ (23,602)	(1,329)	(18,974)	17,645
 NET INCREASE/DECREASE IN FUND BALANCES	 \$ 134,614	 \$ 88,753	 \$ 223,367	 \$ 20,683	 \$ 202,684

See the accompanying summary of significant accounting policies and notes to financial statements.

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 1: Reporting Entity

South Arkansas Community College was established July 31, 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 (9) member group. The Board is the level of government that has governing responsibility over all activities related to higher education that come under the South Arkansas Community College. The College receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Trustees is not included in any other governmental "reporting entity" since board members are appointed by the Governor of the State and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

NOTE 2: Summary of Significant Accounting Policies

Accrual Basis

The financial statements of the Institution have been prepared on the accrual basis, except for depreciation accounting. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net earnings or loss for the period, as would an income statement.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the Institution, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds, which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, where applicable, funds that have similar characteristics have been combined into fund groups.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized for the purposes established by the source of such funds whereas unrestricted funds are under the control of the Institution to use in achieving any of its educational purposes.

Current Funds

Current funds balances are separated into those which are restricted by donors or grantors and those which are unrestricted. Restricted current revenues are reported to the extent of expenditures for current operating purposes.

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2: Summary of Significant Accounting Policies (Continued)

Endowment and Similar Funds

Endowment and similar funds are subdivided into appropriate classifications. Endowment funds have been received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gift may never be expended. Funds functioning as endowment are funds, which the Board of Trustees of the Institution, rather than the donor, has determined are to be retained and invested until the Board, at its discretion, authorizes their expenditure. The principal of such funds may be either restricted or unrestricted as to use.

Income derived from investments of endowment and similar funds is accounted for in the funds to which it is restricted, or if unrestricted, as revenues in unrestricted current funds.

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 that are classified as nonparticipating contracts.

Accounts Receivable

Unrestricted current fund accounts receivable are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts. Unrestricted current fund receivables represent charges due the College from various educational activities, student fees and room and board. Restricted current fund accounts receivable consist mainly of unreimbursed expenses relating to research contracts with federal, state and private agencies.

Inventories

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

Investment in Plant

Plant assets consisting of land, buildings, library holdings, equipment, improvements and construction in progress are stated at cost or, if contributed, at fair market value on date of gift.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The Institution does not record encumbrances in its accounting system and none are recorded in the accompanying financial statements.

Due to and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2: 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 on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year.

NOTE 3: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,063
Uninsured, Collateralized	805,954	1,824,501
Total Deposits	\$ 905,954	\$ 1,924,564

The above deposits do not include cash on deposit in the state treasury or cash on hand in the amounts of \$2,420,420 and \$345 for the year ended June 30, 2001, respectively.

Investments are reported at cost under the provision of Statement No. 31 of the Governmental Accounting Standards Board. The Institution's investments at year-end are shown below by category to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by South Arkansas Community College or its agent in the Institution's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Institution's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Institution's name. The investments below are classified as nonparticipating contracts.

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 2,096,500	\$ 0	\$ 0	\$ 2,096,500	\$ 2,096,500

NOTE 4: Income Taxes

The Institution is tax exempt under 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 FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 5: Long-Term Debt

Debt payments on bonds amounted to \$24,556 for the fiscal year ended June 30, 2001.

A summary of long-term debt is as follows:

<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, 2001</u>	<u>Maturities To June 30, 2001</u>
4/21/1995	4/10/11	6.37%	\$ 235,000	\$ 185,936	\$ 49,064

The changes in long-term debt are as follows:

	<u>Balance July 1, 2000</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2001</u>
College savings bonds loan payable	\$ 198,065	\$ 0	\$ 12,129	\$ 185,936

Total long-term debt principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 12,914	\$ 11,642	\$ 24,556
2003	13,750	10,806	24,556
2004	14,640	9,916	24,556
2005	15,587	8,969	24,556
2006	16,596	7,960	24,556
To Maturity	<u>112,449</u>	<u>22,609</u>	<u>135,058</u>
Totals	<u>\$ 185,936</u>	<u>\$ 71,902</u>	<u>\$ 257,838</u>

NOTE 6: Commitments

The Institution was contractually obligated for the following at June 30, 2001:

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Administration Building Renovation	02/28/02	\$ 918,498
Workforce Education Building	10/01/02	37,538

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 7: Retirement Plans

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

Plan Description. The Institution 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 is administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principle and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas law authorizes participation in the plan.

Funding Policy. TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 6 - 8% of earnings to the plan. The Institution contributes 10% of earnings for non-contributory and contributory members. The Institution's and participants' contributions for the year ended June 30, 2001 were \$305,274 and \$224,406, respectively.

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established the by Arkansas General Assembly. The current employer rate is 12%. The Institution's contributions to ATRS for the years ended June 30, 2001, 2000 and 1999 were \$76,548, \$67,137 and \$60,277, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The Institution contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under PERS as a qualified retirement system. PERS 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 PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 10% of annual covered payroll. The Institution's contributions to PERS for the years ended June 30, 2001, 2000 and 1999 were \$52,380, \$46,789 and \$39,148, respectively, equal to the required contributions for each year.

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 7: Retirement Plans (Continued)

South Arkansas Community College Defined Contribution Retirement Plan

Plan Description. The Institution contributes to the South Arkansas Community College Retirement Plan, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by Traveler's Insurance Company. The administrator provides insurance policies and annuity contracts and when they are issued they become the property of the participant. Act 480 of 1983 provides alternative retirement plans, as approved by the Arkansas State Board of Workforce Education and Career Opportunities, for the staff members of the vocational-technical schools.

Funding Policy. The participants' contributions are tax-sheltered and amount to 6% of compensation. The Institution's contribution rate is 12%. Participants become vested after one year. The participants' and the Institution's contributions for the year ended June 30, 2001 were \$4,430 and \$8,859, respectively.

NOTE 8: Related Organizations

The financial statements do not include assets, liabilities, fund balances and changes in fund balances, relating to South Arkansas Community College Foundation, Inc.

The Institution operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's financial condition as of August 31, 2001, follows:

ASSETS	
Cash and investments	\$ 157,631
Physical properties	16,143
Other	<u>38,330</u>
 TOTAL ASSETS	 <u><u>\$ 212,104</u></u>
 LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenses	\$ 6,639
Other liabilities	10,800
Fund balances	<u>194,665</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 212,104</u></u>

Major components of the changes in fund balances during 2001 consisted of:

Donations	\$ 147,169
Other revenue and additions	<u>27,779</u>
Total	<u>174,948</u>
 Expenditures	 <u>79,437</u>
 Net Increase/(Decrease) in Fund Balance	 <u><u>\$ 95,511</u></u>

SOUTH ARKANSAS COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 9: Loan Fund

The College maintains loan funds that are available to 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 in April 1992. Students can request a loan of up to \$50 that is non-interest-bearing in hardship cases. The employee loan fund originated February 1993 and consists of funds donated by employees for the purpose of making loans to employees. Employees can request an interest-bearing loan of up to eighty percent (80%) of earnings, including accrued compensated absences, for the current pay period. Repayment is made by payroll deduction from the next payroll.

SOUTH ARKANSAS COMMUNITY COLLEGE  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 1

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
U. S. Department of Education:			
Federal Supplemental Educational Opportunity Grants (Note 3)	84.007		\$ 56,369
Federal Family Educational Loans	84.032		232,377
Federal Work-Study Program (Note 4)	84.033		60,083
Federal Pell Grant Program	84.063		<u>779,235</u>
<b>TOTAL STUDENT FINANCIAL AID CLUSTER</b>			<u><u>1,128,065</u></u>
<b>OTHER PROGRAMS</b>			
U.S. Department of Education:			
Student Support Services	84.042A		199,605
Passed Through the State Department of Education:			
Vocational Education - Basic Grants to States	84.048	(2)	57,105
Adult Education (Basic Grant)	84.002	V002A6005-96A	44,255
Tech-Prep Education	84.243	(2)	69,584
Passed Through the State Department of Workforce Education:			
Adult Education Institutional - Correctional	84.002A	(2)	6,600
Total U. S. Department of Education			<u>377,149</u>
U. S. Department of Health and Human Services:			
Passed Through the State Department of Education:			
Child Care and Development Block Grant	93.575	(2)	<u>2,116</u>
U. S. Department of Labor			
Passed Through the Southwest Arkansas Planning and Development District, Inc.:			
Job Training Partnership Act	17.250	(2)	352
Career Development System Implementation Grant	(2)	(2)	17,496
Career Opportunities Grant	(2)	00-01-7	<u>112,805</u>
Total U. S. Department of Labor			<u>130,653</u>
<b>TOTAL OTHER PROGRAMS</b>			<u><u>509,918</u></u>
<b>TOTAL EXPENDITURES OF FEDERAL FUNDS</b>			<u><u>\$ 1,637,983</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Arkansas Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note 2: Federal CFDA Number - The Federal CFDA Number or other identifying number was not available.

Note 3: Includes institutional matching of \$14,611.

Note 4: Includes institutional matching of \$14,261.

SOUTH ARKANSAS COMMUNITY COLLEGE  
FEDERAL AWARD PROGRAMS -  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 2

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.007, 84.032, 84.033, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs \$300,000.00

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings noted.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings and questioned costs noted.

SOUTH ARKANSAS COMMUNITY COLLEGE  
FEDERAL AWARD PROGRAMS -  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 3

There were no findings in the prior audit.