

**Northwest Arkansas Community College
Bentonville, Arkansas**

**Annual Financial Report
Independent Auditor's Report
and Other Reports
June 30, 2000**

LEGISLATIVE JOINT AUDITING COMMITTEE



NORTHWEST ARKANSAS COMMUNITY COLLEGE
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JUNE 30, 2000

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Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN
DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN
CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Northwest Arkansas Community College
Legislative Joint Auditing Committee

We have audited the balance sheet of the Northwest Arkansas Community College, an Institution of Higher Education of the State of Arkansas, as of June 30, 2000 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 the Northwest 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 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. 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 the Northwest Arkansas Community College as of June 30, 2000 and changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001 on our consideration of the Northwest 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 *Governmental 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 the Northwest 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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
January 18, 2001
EDHE19800



Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Northwest 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 the Northwest 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 the Northwest Arkansas Community College, an Institution of Higher Education of the State of Arkansas, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. 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 Northwest Arkansas Community College'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*.

In planning and performing our audit, we considered the Northwest 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 matter(s) were reported to the Northwest Arkansas Community College 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 the Northwest 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, 2000. The Northwest Arkansas Community College'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 Northwest Arkansas Community College's management. Our responsibility is to express an opinion on the Northwest Arkansas Community College 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 Northwest Arkansas Community College'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 Northwest Arkansas Community College's compliance with those requirements.

In our opinion, the Northwest 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, 2000.

Internal Control Over Compliance

The management of the Northwest Arkansas Community College 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 Northwest Arkansas Community College 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, 2000, 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:

	<u>Second Summer Term 1999</u>	<u>Fall Term</u>	<u>Spring Term</u>	<u>First Summer Term 2000</u>
Student Headcount	567	3,923	3,725	1,025
Student Semester Credit Hours	2,263	31,365	28,351	3,818

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, Northwest Arkansas Community College 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, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 18, 2001

NORTHWEST ARKANSAS COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2000 WITH COMPARATIVE TOTALS AT JUNE 30, 1999

Exhibit A

	Current Funds		Plant Funds			Total All Funds		
	Unrestricted	Restricted	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	June 30, 2000	June 30, 1999
ASSETS								
Cash	\$ 2,330,291	\$ 86,000	\$ 1,066,350	\$ 22,800	\$ 1,790,230		\$ 5,295,671	\$ 2,889,967
Deposits with trustees					252,138		252,138	198,896
Accounts receivable (net of allowance for doubtful accounts of:								
2000, \$139,478								
1999, \$98,670)	136,292						136,292	52,520
Accounts receivable - other	67,095	67,023	11,483		5,761		151,362	506,861
Interfund receivables	67,672						67,672	72,012
Inventories	23,881						23,881	21,315
Prepaid expenses	47,812	873					48,685	38,259
Utility deposits	850						850	
Land						\$ 2,041,390	2,041,390	933,390
Buildings						8,837,655	8,837,655	8,829,843
Improvements other than buildings						739,810	739,810	672,103
Equipment						3,153,425	3,153,425	2,770,642
Library holdings						849,802	849,802	738,083
Construction in progress						180,972	180,972	18,178
Exhibits						30,595	30,595	
TOTAL ASSETS	\$ 2,673,893	\$ 153,896	\$ 1,077,833	\$ 22,800	\$ 2,048,129	\$ 15,833,649	\$ 21,810,200	\$ 17,742,069
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 134,718	\$ 1,352	\$ 10,637				\$ 146,707	\$ 773,162
Deferred revenues	169,747						169,747	150,505
Interfund payable		67,016			\$ 656		67,672	72,012
Deposits/assets held in custody for others	10,056						10,056	2,342
Accrued payroll and fringe benefits	563,901	6,100					570,001	197,287
Grant refunds payable		7,808					7,808	
Bonds payable						\$ 4,370,000	4,370,000	4,605,000
Compensated absences payable	236,951	5,451					242,402	217,438
Total Liabilities	1,115,373	87,727	10,637		656	4,370,000	5,584,393	6,017,746
Fund Balances								
Unrestricted	1,558,520		1,067,196	\$ 22,800			2,648,516	819,049
Restricted		66,169			2,047,473		2,113,642	1,548,035
Net investment in plant						11,463,649	11,463,649	9,357,239
Total Fund Balances	1,558,520	66,169	1,067,196	22,800	2,047,473	11,463,649	16,225,807	11,724,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,673,893	\$ 153,896	\$ 1,077,833	\$ 22,800	\$ 2,048,129	\$ 15,833,649	\$ 21,810,200	\$ 17,742,069

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2000

Exhibit B

	Current Funds		Plant Funds			
	Unrestricted	Restricted	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current fund revenues	\$ 13,036,879					
Gifts, grants, and contracts		\$ 1,979,643	\$ 217,972			
State appropriations - restricted			1,142,143			
Acquisition of plant facilities (including \$1,567,893 charged to current funds expenditures, donations and other)						\$ 1,940,536
Retirement of indebtedness						235,000
Investment income		480	1,829		\$ 64,257	
Property taxes - restricted					1,056,285	
TOTAL REVENUES AND OTHER ADDITIONS	13,036,879	1,980,123	1,361,944		1,120,542	2,175,536
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	12,228,154	2,021,760				
Expended for plant facilities			372,643			
Retirement of indebtedness					235,000	
Interest on indebtedness					245,827	
Disposition of plant facilities						69,126
Other deductions			585		445	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	12,228,154	2,021,760	373,228		481,272	69,126
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)						
Nonmandatory			32,026		(32,026)	
NET INCREASE (DECREASE) FOR THE YEAR	808,725	(41,637)	1,020,742		607,244	2,106,410
FUND BALANCES AT BEGINNING OF YEAR	749,795	107,806	46,454	\$ 22,800	1,440,229	9,357,239
FUND BALANCES AT END OF YEAR	\$ 1,558,520	\$ 66,169	\$ 1,067,196	\$ 22,800	\$ 2,047,473	\$ 11,463,649

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2000

Exhibit C

	Year Ended June 30, 2000			Total Year Ended June 30, 1999	Increase (Decrease)
	Unrestricted	Restricted	Total		
REVENUES					
Tuition and fees	\$ 4,575,016		\$ 4,575,016	\$ 3,806,790	\$ 768,226
State appropriations	6,076,991		6,076,991	4,720,596	1,356,395
Gifts, grants and contracts	25,801	\$ 2,021,760	2,047,561	1,776,136	271,425
Property taxes	2,112,570		2,112,570	2,065,642	46,928
Investment earnings	63,465		63,465	50,082	13,383
Other	183,036		183,036	99,525	83,511
TOTAL REVENUES	13,036,879	2,021,760	15,058,639	12,518,771	2,539,868
EXPENDITURES					
Educational and General:					
Instruction	6,302,499	514,522	6,817,021	5,587,743	1,229,278
Academic support	891,131	217,667	1,108,798	986,378	122,420
Student services	1,376,410	190,575	1,566,985	1,337,809	229,176
Institutional support	2,446,145	9,995	2,456,140	2,103,131	353,009
Operation and maintenance of plant	976,765		976,765	971,270	5,495
Scholarships and fellowships	235,204	1,089,001	1,324,205	1,132,929	191,276
Total Educational and General Expenditures	12,228,154	2,021,760	14,249,914	12,119,260	2,130,654
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Excess of restricted receipts over transfers to revenues				31,415	(31,415)
Excess of transfers to revenues over restricted receipts		(41,637)	(41,637)		(41,637)
Other transfers				355,529	(355,529)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		(41,637)	(41,637)	386,944	(428,581)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ 808,725	\$ (41,637)	\$ 767,088	\$ 786,455	\$ (19,367.00)

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Reporting Entity

Northwest Arkansas Community College "the College" is a public institution of higher education. The governing body is the board of trustees comprised of nine (9) members.

In 1986, a group of community leaders formed the Rogers/Bentonville Community College Foundation with the purpose of establishing a new community college. On September 6, 1989, the Governor of Arkansas appointed nine individuals to the board of trustees of the College. The board of trustees is the level of government that has responsibilities over all activities relating to the College. The College's financial statements reflect all funds and accounts directly under the control of the College. There are no component units. The College began fiscal operations on January 30, 1990 and began offering classes in the 1990-91 school year.

Governmental Accounting Standards Board Statement Number 14 (GASB 14) addresses the issue of the financial reporting entity. According to GASB 14, the financial reporting entity consists of: (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the College would be a component unit of the State of Arkansas (primary government). GASB 14 defines a component unit as a legally separate organization for which the elected officials of the primary government are financially accountable. Although this statement is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit. The component unit should apply the provisions of GASB 14 as if it were a primary government. The GASB is studying circumstances under which organizations such as those described in Note 8 might be included in the financial reporting entity. Appropriate pronouncements will be issued at a later date. Disclosure of such affiliated organizations will be via notes to the financial statements pending the aforementioned pronouncements.

NOTE 2: Summary of Significant Accounting Policies

Accrual Basis

The financial statements of the College 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.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as expenditures in the case of applicable plant additions.

Fund Accounting

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 College 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.

Cash and Cash Equivalents

The College considers all highly liquid financial instruments with an original maturity of three months or less when purchased, including repurchase agreements, to be cash equivalents. The carrying amount approximates the fair value due to the short maturity.

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 the allowance for estimated uncollectible accounts. The allowance for uncollectible accounts is based upon historical collection experience. Unrestricted current fund receivables represent charges due to the College from various educational activities. Restricted current fund accounts receivable consists mainly of unreimbursed expenses relating to grants from federal, state and private agencies.

Inventories

Inventories, which are immaterial, are valued at cost.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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 College does not record encumbrances in its accounting system and none are reported in the accompanying financial statements.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 2: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

Compensated Absences Payable

Compensated absences payable represents the College's liability (salaries plus applicable salary related costs) for unused annual leave at June 30, 2000. Accumulated vacation days are required to be used annually, with a maximum accumulation of 240 hours. In the event of termination or retirement, the employees are paid for their accumulated vacation days.

Capitalization of Interest on Construction Projects

The College generally capitalizes interest related to qualifying assets. The amount of interest generally capitalized is interest cost on the applicable debt netted against any interest earned on temporary investments of the proceeds of said debt from the date of borrowing until the specified qualifying assets acquired with the debt are ready for their intended use. In the fiscal years ended June 30, 2000 and 1999, there were no borrowings made specifically for construction.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 248,886	\$ 294,338
Uninsured, Collateralized	3,233,973	3,439,165
Total Deposits	\$ 3,482,859	\$ 3,733,503

The above deposits do not include cash held on deposit in the state treasury or cash on hand maintained by the College in the amounts of \$1,810,462 and \$2,350 respectively as of June 30, 2000.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 4: Income Taxes

The College 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.

NOTE 5: Long-Term Debt

Debt service payments on existing bonds amounted to \$481,272 for the fiscal year ended June 30, 2000.

The retirement of some bond issues is secured, by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds. 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, 2000</u>	<u>Maturities To June 30, 2000</u>
10-92	11-12	4.25-5.8%	<u>\$ 5,635,000</u>	<u>\$ 4,370,000</u>	<u>\$ 1,265,000</u>

The changes in long-term debt are as follows:

	<u>Balance July 1, 1999</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2000</u>
Bonds	<u>\$ 4,605,000</u>	<u>\$ 0</u>	<u>\$ 235,000</u>	<u>\$ 4,370,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 245,000	\$ 234,782	\$ 479,782
2002	255,000	222,777	477,777
2003	265,000	209,773	474,773
2004	280,000	195,735	475,735
2005	295,000	180,638	475,638
To Maturity	<u>3,030,000</u>	<u>749,300</u>	<u>3,779,300</u>
Totals	<u>\$ 4,370,000</u>	<u>\$ 1,793,005</u>	<u>\$ 6,163,005</u>

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6: Commitments

The College was contractually obligated for the following at June 30, 2000:

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Campus Road Construction	November, 2000	\$ 113,417
Maintenance Building	February, 2001	463,168

B. Operating Leases - The following represents future minimum rental payments (aggregate) at June 30, 2000. The leases are comprised of four (4) facility rentals, and various office and computer lab equipment leases:

<u>Year Ended June 30,</u>	<u>Amount</u>
2001	\$ 623,059
2002	394,435
2003	376,459
2004	297,478
2005	178,250
To Maturity	62,833
Total	<u>\$ 1,932,514</u>

NOTE 7: Retirement Plans

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

Plan Description -The College participates in Teachers' Insurance and Annuity Association/College Retirement Equities Fund (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 Code Annotated authorizes participation in the plan.

Funding Policy- TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 4% of earnings to the plan. The College contributes 6% of earnings for non-contributory members and 10% of earnings for contributory members. The College's and participants' contributions for the year ended June 30, 2000 were \$404,512 and \$193,051, respectively.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 7: Retirement Plans (Continued)

Arkansas Teacher Retirement System

Plan Description – The College contributes to the Arkansas Teacher Retirement Systems (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 Teachers 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 Teachers 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 code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The College's contributions to ATRS for the years ending June 30, 2000, 1999, and 1998 were \$166,814, \$141,509, and \$127,397, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description – The 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 provide 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 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 – APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 10% of annual covered payroll. The College's contributions to APERS for the years ending June 30, 2000, 1999, and 1998 were \$104,507, \$85,094, and \$84,235; respectively, equal to the required contributions for each year.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: Related Organizations

The financial statements of the College do not include financial data relating to the Northwest Arkansas Community College Foundation, Inc., which operates as a non-profit benevolent corporation for charitable educational purposes. The foundation's financial statements were audited by other certified public accountants. A summary of the Foundation's financial condition as of June 30, 2000, follows:

ASSETS	
Cash and investments	\$ 200,143
Contributed support receivables	6,000
Loans receivable	<u>1,574</u>
 TOTAL ASSETS	 <u><u>\$ 207,717</u></u>
LIABILITIES AND FUND BALANCES	
Fund balances	<u>\$ 207,717</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 207,717</u></u>

Major components of the changes in fund balances during the fiscal year ended June 30, 2000 consisted of:

Donations	\$ 218,120
Other revenue and additions	<u>44,487</u>
Total	<u>262,607</u>
 Expenditures	 <u>1,269,142</u>
Net Increase/(Decrease) in Fund Balance	<u><u>\$ (1,006,535)</u></u>

NOTE 9: Contingencies/Litigation

The College has been a party to litigation and other claims in the ordinary course of business. The most important case involved a suit by certain tax payers in Benton County alleging that a portion of the 1998 property taxes were improperly assessed. A partial refund of those taxes is possible. The outcome of this case will likely be known in the fiscal year ended June 30, 2001.

NOTE 10: Subsequent Events

The College approved and issued General Obligation Limited Tax Improvement Bonds on November 30, 2000 in the amount \$5,435,000. The bonds are to be paid over the next 20 years with interest ranging from 4.8% to 5.9%.

After June 30, 2000 the College entered into construction contracts for various improvements in the amount of \$286,345.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 1

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
STUDENT FINANCIAL AID - CLUSTER			
U. S. Department of Education			
Federal Supplemental Educational Opportunity Grants (Note 3)	84.007		\$ 120,507
Federal Family Education Loans (Note 2)	84.032		576,567
Federal Work- Study Program (Note 3)	84.033		116,297
Federal Pell Grant Program	84.063		767,627
Total Student Financial Aid - Cluster			<u>1,580,998</u>
OTHER PROGRAMS			
U.S. Department of Education:			
Passed Through State Department of Education - Vocational Education - Basic Grants to States	84.048	Unavailable	<u>89,815</u>
TOTAL EXPENDITURES OF FEDERAL FUNDS			<u><u>\$ 1,670,813</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 Northwest 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 Family Education Loans (CFDA 84.032) - The expenditure amount is equal to the loans disbursed for the fiscal year ended June 30, 2000. Federal Family Education Loans were not recorded on the College's general ledger.
- Note 3: Institutional Match - The Federal Work- Study Program and the Federal Supplemental Educational Opportunity Grants Program amounts include both federal disbursements and institutional matching of 25% for the fiscal year ended June 30, 2000.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 FEDERAL AWARD PROGRAMS-
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2000

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
- Report 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 Program or Cluster
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS-
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 2

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.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 3

There were no findings in the prior audit.