

**Northwest Arkansas Community College**

**Bentonville, Arkansas**

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

LEGISLATIVE JOINT AUDITING COMMITTEE

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NORTHWEST ARKANSAS COMMUNITY COLLEGE  
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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

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, 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 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 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 the Northwest 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 January 22, 2002 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 *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 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

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

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
January 22, 2002  
EDHE19801

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

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 (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 January 22, 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 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 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 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, 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, 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, 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.

### GENERAL COMMENTS

RELATED ORGANIZATION - There is in existence a nonprofit entity with significant financial resources which is related to the Northwest Arkansas Community College, but whose accounts are appropriately not recorded in the accounting system of the Institution. This related nonprofit entity was established, ostensibly, for the benefit of the Institution. One entity such as that described above, of which we have knowledge, is the Northwest Arkansas Community College Foundation Inc.

Activities surrounding the above named organization, including but not limited to the following, have not been independently evaluated by the appropriate bodies outside of the Institution:

- A. The holding of Officer, Director, and quasi-employee positions of related nonprofit entity by employees and/or directors of the Institution.
- B. Review of expenditures by related nonprofit entity by appropriate personnel.
- C. Lack of written agreement formalizing the relationship between related nonprofit entity and the Institution.

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:

	<u>Summer Term 2000</u>	<u>Fall Term</u>	<u>Spring Term</u>	<u>Summer Term 2001</u>
Student Headcount	1,065	4,089	3,852	679
Student Semester Credit Hours	4,144	31,641	28,564	2,639

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  
January 22, 2002

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

Exhibit A

	Current Funds		Plant Funds				Total All Funds	
	Unrestricted	Restricted	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	June 30, 2001	June 30, 2000
<b>ASSETS</b>								
Cash	\$ 1,151,995	\$ 113,282	\$ 5,832,644	\$ 22,800	\$ 1,695,743		\$ 8,816,464	\$ 5,295,671
Deposits with trustees					377,323		377,323	252,138
Accounts receivable (net of allowance for doubtful accounts of: 2001, \$184,212 2000, \$139,478)	249,517						249,517	136,292
Accounts receivable - other	46,127	35,309					81,436	151,362
Property taxes receivable (net of estimated uncollectible amounts)	1,907,155				939,345		2,846,500	
Due from other funds	26,697						26,697	67,672
Inventories	28,328						28,328	23,881
Prepaid expenses	25,665						25,665	48,685
Utility deposits	1,200						1,200	850
Land						\$ 2,041,390	2,041,390	2,041,390
Buildings						9,360,172	9,360,172	8,837,655
Improvements other than buildings						750,475	750,475	739,810
Equipment						3,470,746	3,470,746	3,153,425
Library holdings						962,237	962,237	849,802
Construction in progress						758,977	758,977	180,972
Exhibits						36,945	36,945	30,595
<b>TOTAL ASSETS</b>	<b>\$ 3,436,684</b>	<b>\$ 148,591</b>	<b>\$ 5,832,644</b>	<b>\$ 22,800</b>	<b>\$ 3,012,411</b>	<b>\$ 17,380,942</b>	<b>\$ 29,834,072</b>	<b>\$ 21,810,200</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 218,588	\$ 2,659	\$ 70,646				\$ 291,893	\$ 154,515
Deferred revenues	96,209						96,209	169,747
Due to other funds		26,697					26,697	67,672
Deposits/assets held in custody for others	40,654						40,654	10,056
Accrued payroll and fringe benefits	652,084						652,084	570,001
Bonds payable			4,959,983			\$ 4,600,017	9,560,000	4,370,000
Compensated absences payable	311,557	16,156					327,713	242,402
<b>Total Liabilities</b>	<b>1,319,092</b>	<b>45,512</b>	<b>5,030,629</b>			<b>4,600,017</b>	<b>10,995,250</b>	<b>5,584,393</b>
<b>Fund Balances:</b>								
Unrestricted	2,117,592		802,015	\$ 22,800			2,942,407	2,648,516
Restricted		103,079			\$ 3,012,411		3,115,490	2,113,642
Net investment in plant						12,780,925	12,780,925	11,463,649
<b>Total Fund Balances</b>	<b>2,117,592</b>	<b>103,079</b>	<b>802,015</b>	<b>22,800</b>	<b>3,012,411</b>	<b>12,780,925</b>	<b>18,838,822</b>	<b>16,225,807</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,436,684</b>	<b>\$ 148,591</b>	<b>\$ 5,832,644</b>	<b>\$ 22,800</b>	<b>\$ 3,012,411</b>	<b>\$ 17,380,942</b>	<b>\$ 29,834,072</b>	<b>\$ 21,810,200</b>

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

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

Exhibit B

	Current Funds		Plant Funds			
	Unrestricted	Restricted	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current fund revenues	\$ 14,811,901					
Gifts, grants and contracts		\$ 2,291,087				
State appropriations - restricted			\$ 23,084			
Acquisition of plant facilities (including \$836,742 charged to current funds expenditures)						\$ 1,867,758
Retirement of indebtedness						245,000
Investment earnings		503	171,733		\$ 74,786	
Property taxes					1,821,859	
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>14,811,901</b>	<b>2,291,590</b>	<b>194,817</b>		<b>1,896,645</b>	<b>2,112,758</b>
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	14,208,995	2,254,681				
Expended for plant facilities (including noncapitalized expenditures of \$ 4,373)			1,035,389			
Retirement of indebtedness					245,000	
Interest on indebtedness					391,664	
Disposition of plant facilities						320,465
Bond issuance cost			235,000			
Other deductions			2,781		722	
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>14,208,995</b>	<b>2,254,681</b>	<b>1,273,170</b>		<b>637,386</b>	<b>320,465</b>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)						
Nonmandatory:						
Debt allocation			475,017			(475,017)
Other nonmandatory	(43,834)		338,155		(294,321)	
<b>TOTAL TRANSFERS AMONG FUNDS</b>	<b>(43,834)</b>		<b>813,172</b>		<b>(294,321)</b>	<b>(475,017)</b>
<b>NET INCREASE (DECREASE) FOR THE YEAR</b>	<b>559,072</b>	<b>36,909</b>	<b>(265,181)</b>		<b>964,938</b>	<b>1,317,276</b>
FUND BALANCES AT BEGINNING OF YEAR	1,558,520	66,170	1,067,196	\$ 22,800	2,047,473	11,463,649
FUND BALANCES AT END OF YEAR	<u>\$ 2,117,592</u>	<u>\$ 103,079</u>	<u>\$ 802,015</u>	<u>\$ 22,800</u>	<u>\$ 3,012,411</u>	<u>\$ 12,780,925</u>

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, 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	\$ 5,090,291		\$ 5,090,291	\$ 4,575,016	\$ 515,275
State appropriations	5,732,980		5,732,980	6,076,991	(344,011)
Gifts, grants and contracts	46,237	\$ 2,291,087	2,337,324	2,047,561	289,763
Sales and services of auxiliary enterprises	10,240		10,240		10,240
Property taxes	3,672,183		3,672,183	2,112,570	1,559,613
Investment earnings	77,923	503	78,426	63,465	14,961
Other sources	182,047		182,047	183,036	(989)
<b>TOTAL REVENUES</b>	<b>14,811,901</b>	<b>2,291,590</b>	<b>17,103,491</b>	<b>15,058,639</b>	<b>2,044,852</b>
<b>EXPENDITURES</b>					
<b>Educational and General:</b>					
Instruction	7,075,032	420,533	7,495,565	6,817,021	678,544
Academic support	837,331	232,668	1,069,999	1,108,798	(38,799)
Student services	1,539,282	70,680	1,609,962	1,566,985	42,977
Institutional support	3,363,578		3,363,578	2,456,140	907,438
Operation and maintenance of plant	1,229,632		1,229,632	976,765	252,867
Scholarships and fellowships	152,123	1,530,800	1,682,923	1,324,205	358,718
<b>Total Educational and General</b>	<b>14,196,978</b>	<b>2,254,681</b>	<b>16,451,659</b>	<b>14,249,914</b>	<b>2,201,745</b>
<b>Auxiliary Enterprises:</b>					
Expenditures	12,017		12,017		12,017
<b>TOTAL EXPENDITURES</b>	<b>14,208,995</b>	<b>2,254,681</b>	<b>16,463,676</b>	<b>14,249,914</b>	<b>2,213,762</b>
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>					
Excess of transfers to revenues over restricted receipts				(41,637)	41,637
Other transfers	(43,834)		(43,834)		(43,834)
<b>NET INCREASE/DECREASE IN FUND BALANCES</b>	<b>\$ 559,072</b>	<b>\$ 36,909</b>	<b>\$ 595,981</b>	<b>\$ 767,088</b>	<b>\$ (171,107)</b>

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

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

NOTE 1: Reporting Entity

Northwest Arkansas Community College "the Institution" is a public institution of higher education. The governing body is the board of trustees comprised of nine (9) members. The Institution's financial statements reflect all funds and accounts directly under the control of the Institution. There are no component units.

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 Institution 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 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.

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

Current Funds

Current funds balances are separated into those which are restricted by donors or grantors and those which are unrestricted.

Cash and Cash Equivalents

The Institution 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.

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. Depreciation is not recorded on plant assets. It is the Institution's policy to capitalize interest costs incurred during the construction project. During the year ended June 30, 2001, no interest costs were capitalized. Interest will be capitalized upon completion of the applicable construction project.

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.

Interfund Receivables and Payables

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

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Compensated absences payable represents the Institution's liability (salaries plus applicable salary related costs) for unused annual leave at June 30, 2001. 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.

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. Property taxes due to be collected in calendar year 2001, but not received as of June 30, 2001, are included in taxes receivable.

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 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)	\$ 224,630	\$ 224,961
Uninsured, Collateralized	7,266,357	7,549,038
Total Deposits	\$ 7,490,987	\$ 7,773,999

The above deposits do not include cash on deposit in the state treasury or cash on hand in the amounts of \$1,321,127 and \$4,350 for the year ended June 30, 2001, respectively.

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.

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

NOTE 5: Long-Term Debt

Debt payments on bonds amounted to \$636,664 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>
10-1992	11-2012	4.25-5.8%	\$ 5,635,000	\$ 4,125,000	\$ 1,510,000
11-2000	11-2020	4.8-5.9%	5,435,000	5,435,000	
Totals			<u>\$ 11,070,000</u>	<u>\$ 9,560,000</u>	<u>\$ 1,510,000</u>

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>
Bonds	<u>\$ 4,370,000</u>	<u>\$ 5,435,000</u>	<u>\$ 245,000</u>	<u>\$ 9,560,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 280,000	\$ 535,940	\$ 815,940
2003	290,000	521,723	811,723
2004	305,000	506,448	811,448
2005	320,000	490,100	810,100
2006	335,000	472,663	807,663
To Maturity	<u>8,030,000</u>	<u>4,018,806</u>	<u>12,048,806</u>
Totals	<u>\$ 9,560,000</u>	<u>\$ 6,545,679</u>	<u>\$ 16,105,679</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>
Fine Arts Expansion	January 2002	\$ 1,468,728

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

NOTE 6: Commitments (Continued)

B. Operating Leases - The following represents future minimum rental payments (aggregate) at June 30, 2001. The leases are comprised of four (4) facility rentals, various office and computer equipment leases.

Year Ended June 30,	Amount
2002	\$ 746,669
2003	705,826
2004	440,691
2005	318,802
2006	120,433
Total	\$ 2,332,421

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 4% of earnings to the plan. The Institution contributes 6% of earnings for non-contributory and 10% for contributory members. The Institution's and participants' contributions for the year ended June 30, 2001 were \$443,938 and \$229,014, 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.

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

NOTE 7: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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 \$197,484, \$166,814 and \$141,509, 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 \$96,862, \$104,507 and \$85,094, respectively, equal to the required contributions for each year.

NOTE 8: Related Organizations

The financial statements do not include assets, liabilities, fund balances, and changes in fund balances, relating to the Northwest Arkansas Community College Foundation, Inc., which operates as a nonprofit 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, 2001, follows:

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

NOTE 8: Related Organizations (Continued)

ASSETS	
Cash and investments	\$ 3,171,186
Notes receivable	515
Physical properties	4,818
Other	<u>1,653,033</u>
TOTAL ASSETS	<u>\$ 4,829,552</u>
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 3,485
Net Assets	<u>4,826,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,829,552</u>

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

Donations	\$ 4,616,260
Other revenue and additions	310,469
Total	<u>4,926,729</u>
Expenditures	<u>308,379</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 4,618,350</u>

NOTE 9: Contingencies/Litigation

The Institution has been a party to litigation and other claims in the ordinary course of business. The most important case involved a suit by certain taxpayers 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 ending June 30, 2002.

NOTE 10: Subsequent Events

Subsequent to June 30, 2001 the Institution entered into construction contracts for improvements to the main facility in the amount of \$4,097,467.

NORTHWEST 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		\$ 111,600
Federal Family Education Loans (Note 2)	84.032		857,675
Federal Work-Study Program (Note 3)	84.033		127,635
Federal Pell Grant Program	84.063		<u>958,068</u>
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			<u><u>2,054,978</u></u>
<b>OTHER PROGRAMS</b>			
U. S. Department of Education:			
Adult Education-State Grant Program (Pass-Through Grantor - Arkansas State Department of Workforce Education and Career Opportunities)	84.002	10490	67,751
Vocational Education-Basic Grants to States (Pass-Through Grantor - Arkansas State Department of Workforce Education and Career Opportunities)	84.048	Unavailable	<u>96,402</u>
Total U. S. Department of Education			164,153
Department of Health and Human Services:			
Temporary Assistance for Needy Families (Pass-Through Grantor - Arkansas State Department of Workforce Education and Career Opportunities)	93.558	L04-01-000	<u>23,411</u>
<b>TOTAL OTHER PROGRAMS</b>			<u>187,564</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,242,542</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, 2001. Federal Family Education Loans were not recorded on the Institution'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, 2001.

NORTHWEST 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
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

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, 2001

Schedule 3

There were no findings in the prior audit.