

North Arkansas College
Harrison, Arkansas
Basic Financial Statements
and Other Reports
June 30, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



NORTH ARKANSAS COLLEGE
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

North Arkansas College
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of North Arkansas College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the North Arkansas College Foundation, Inc., which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the North Arkansas College Foundation, Inc., is based solely on the report of the other auditors. The financial statements of the North Arkansas College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Notes 9 and 14 to the financial statements, in 2023 the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-9, 49, and 50-51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 16, 2024
EDHE18523

Arkansas

Sen. David Wallace
Senate Chair
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Senate Vice Chair



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

North Arkansas College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of North Arkansas College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 16, 2024. Our report includes a reference to other auditors who audited the financial statements of the North Arkansas College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the North Arkansas College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the North Arkansas College Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of the North Arkansas College Foundation, Inc.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted a certain matter that we reported to management of the College in a separate letter dated July 16, 2024.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive style with a large, prominent "M" and "F".

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 16, 2024

Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

North Arkansas College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2023, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2022</u>	<u>Fall Term</u> <u>2022</u>	<u>Spring Term</u> <u>2023</u>	<u>Summer I Term</u> <u>2023</u>
Student Headcount	94	1,856	1,612	495
Student Semester Credit Hours	337	17,991	15,237	2,710

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

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the governing board, College management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Handwritten signature of Matt Fink in cursive.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 16, 2024

NORTH ARKANSAS COLLEGE
Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

North Arkansas College is pleased to present its financial statements for the fiscal year ended June 30, 2023. The financial statements were prepared in accordance with the requirements of Statements No. 34 and No. 35 issued by the Governmental Accounting Standards Board (GASB). Statement No. 68 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Pensions, was implemented in FY 2014-15. In FY 2017-18, Statement no. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) was implemented. The analysis will compare current financial data to that of the previous fiscal year and will be presented for the Statement of Net Position, The Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. A section presenting general industry formulas and ratios is also included.

Statement of Net Position - Summary

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the College. The purpose of this statement is to present to the readers of the financial statements a fiscal snapshot of North Arkansas College as of the end of the fiscal year. Current assets and liabilities are distinguished from noncurrent assets and liabilities. Net position (assets plus deferred outflows minus liabilities minus deferred inflows) is presented by any restrictive nature.

	June 30, 2023	June 30, 2022	Change	
			Amount	%
Assets:				
Current Assets	\$ 12,419,338	\$ 12,400,204	\$ 19,134	0.2%
Noncurrent Assets	<u>23,965,335</u>	<u>20,631,528</u>	<u>3,333,807</u>	16.2%
Total Assets	36,384,673	33,031,732	3,352,941	10.2%
Deferred Outflows	4,362,090	2,942,375	1,419,715	48.3%
Liabilities:				
Current Liabilities	1,964,500	1,586,457	378,043	23.8%
Noncurrent Liabilities	<u>19,772,850</u>	<u>12,401,093</u>	<u>7,371,757</u>	59.4%
Total Liabilities	21,737,350	13,987,550	7,749,800	55.4%
Deferred Inflows	1,062,702	5,960,106	(4,897,404)	-82.2%
Net Position:				
Net Investments in Capital Assets	11,176,100	11,462,904	(286,804)	-2.5%
Restricted - Nonexpendable-Scholarships	340,940	340,940	0	0.0%
Restricted - Expendable	7,681,839	5,499,698	2,182,141	39.7%
Unrestricted	<u>(1,252,168)</u>	<u>(1,277,091)</u>	<u>24,923</u>	2.0%
Total Net Position	<u>\$ 17,946,711</u>	<u>\$ 16,026,451</u>	<u>\$ 1,920,260</u>	12.0%

Noncurrent Assets increased by 16.2%, which included increases in deposits with trustee of \$1,894,406, net capital assets of \$1,195,638, and restricted cash and cash equivalents of \$100,546.

The following were affected due to GASB 68 and 75: deferred outflows increased 48.3% or \$1,419,715; noncurrent liabilities increased 59.4%, which included increases in net pension liability of \$5,872,839 and OPEB of \$31,138; and deferred inflows decreased 82.2% or \$4,897,404.

Noncurrent Liabilities increased by 59.4%, which included increases in bonds and notes payable of \$1,394,329 in addition to the increases in net pension liability and OPEB above.

NORTH ARKANSAS COLLEGE
Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses and Changes in Net Position - Summary

The purpose of this statement is to present revenues received and expenses paid by the College, both operating and non-operating, and any other revenues, expenses, gains, and losses. Operating revenues include activities that have the characteristics of exchange transaction, such as student fees, organized activities related to the departments, sales and services, and certain federal indirect allowances. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating by GASB No. 34, such as state appropriations, local taxes, investment income, and most federal and state grants.

	Year Ending	Year Ending	Change	
	June 30, 2023	June 30, 2022	Amount	%
Operating Revenues	\$ 4,726,127	\$ 3,779,186	\$ 946,941	25.1%
Operating Expenses	25,430,867	26,430,631	(999,764)	-3.8%
Operating Income (Loss)	(20,704,740)	(22,651,445)	1,946,705	8.6%
Net Nonoperating Revenues & Expenses	22,554,428	27,444,361	(4,889,933)	-17.8%
Income Before Other Revenues & Expenses	1,849,688	4,792,916	(2,943,228)	-61.4%
Other Revenues & Expenses	70,572	0	70,572	-100%
Initial Increase (Decrease) In Net Position	1,920,260	4,792,916	(2,872,656)	-59.9%
Net Position - Beginning of Year	16,026,451	11,233,535	4,792,916	42.7%
Net Position - End of Year	\$ 17,946,711	\$ 16,026,451	\$ 1,920,260	12.0%

Operating revenues increased by 25.1%, which included increases in student tuition and fees of \$654,095, residence life of \$239,403, and other auxiliary enterprises of \$70,640.

Operating expenses decreased by 3.8%, which included a decrease in scholarship and fellowships of \$3,116,615. The decrease was offset by increases in personal services of \$1,256,152 and supplies and services of \$769,657.

Net nonoperating revenues and expenses decreased by 17.8% and included decreases in state appropriations and federal grants of \$3,010,609 and \$2,823,293, respectively. The decreases were offset by an increase in state grants of \$675,067.

Other revenues and expenses increased by \$70,572. Donated equipment was received in FY 2023. There were no other revenue, expenses, gains or losses to report in FY 2022.

Statement of Cash Flows - Summary

The Statement of Cash Flows presents the major sources and uses of cash during the fiscal year.

	Year Ending	Year Ending	Change	
	June 30, 2023	June 30, 2022	Amount	%
Cash Provided (Used) By:				
Operating Activities	\$ (19,602,335)	\$ (22,044,942)	\$ 2,442,607	11.1%
Noncapital Financing Activities	22,001,294	26,422,974	(4,421,680)	-16.7%
Capital and Related Financing Activities	(2,335,995)	(1,574,190)	(761,805)	-48.4%
Investing Activities	9,438	109,040	(99,602)	91.3%
Net Change In Cash	72,402	2,912,882	(2,840,480)	-97.5%
Cash - Beginning Year	10,383,480	7,470,598	2,912,882	39.0%
Cash - End of Year	\$ 10,455,882	\$ 10,383,480	\$ 72,402	0.7%

Cash used by operating activities decreased 11.1% due primarily to a decrease in scholarships and fellowships payments of \$3,116,865. The decrease was offset by an increase in payments to employees of \$629,245.

Cash provided by noncapital financing activities decreased 16.7% due primarily to net decreases in state appropriations receipts of \$3,010,609 and gifts and grants of \$1,469,255.

Cash used in capital and related financing activities increased 48.4% due primarily to an increase in the purchase of capital assets in the amount of \$677,979.

Cash provided by investing activities decreased 91.3% due to an decrease in the proceeds from sales and maturities of investments in the amount of \$97,540.

NORTH ARKANSAS COLLEGE
Management's Discussion and Analysis (Unaudited)

General Formulas and Ratios

<u>Operations</u>				<u>Measures</u>	<u>Formula</u>
Tuition Dependence - Operating	2022-2023	65.1%	Dependence on tuition and income diversification	Tuition Revenue/ Operating Revenue	
	2021-2022	64.1%			
Tuition Dependence - Operating and Nonoperating Revenue	2022-2023	11.3%	Dependence on tuition and total income diversification	Tuition Revenue/ Operating + Non- Operating Revenue	
	2021-2022	7.8%			
<u>Working Capital/Liquidity</u>					
Cash Expense Ratio	2022-2023	0.39	Cash sufficiency to support operations	Cash and Cash Equivalents / Operating Expenses	
	2021-2022	0.38			
Current Ratio	2022-2023	6.32	Sufficient current assets to cover current liabilities	Current Assets / Current Liabilities	
	2021-2022	7.82			
<u>Long-Term Assets</u>					
Composition Ratio	2022-2023	3.26	Composition of total assets to physical assets (equity)	Total Assets / Net Investment in Capital Assets	
	2021-2022	2.88			
Capitalization Ratio	2022-2023	0.49	Composition of total assets to net assets (accumulated earnings)	Net Position / Total Assets	
	2021-2022	0.49			
Primary Reserve Ratio	2022-2023	0.71	Ability to cover one year's expenses with expendable net assets (accumulated earnings)	Net Position / Total Operating Expenses	
	2021-2022	0.61			
<u>Capital Structure</u>					
Debt To Total Revenue	2022-2023	71.6%	Coverage of long-term debt as a percent of revenue	Noncurrent Liabilities / Total Revenues	
	2021-2022	39.5%			
Long-Term Debt To Total Assets	2022-2023	54.3%	Composition of long-term debt to total assets	Noncurrent Liabilities / Total Assets	
	2021-2022	37.5%			

Economic Outlook

The economic outlook for North Arkansas College remains positive, with the continued potential for new programs and grants under development to strengthen workforce skills and educational attainment for communities and residents in and around the College's northern Arkansas service area. Currently the College is in sound financial condition with a favorable ratio between current assets and current liabilities, and with sufficient operating cash reserves. Current debt service is well covered by a dedicated, voter-approved county tax millage, and there are no debt obligations encumbering operational revenues.

Throughout the past fiscal year, the College continued receiving federal funding through the final award year of the combined COVID-19 "CARES" and "ARPA" grants. This funding allowed the College to avoid reductions in staffing or instructional services offerings that many other institutions and other industries experienced. In addition, general revenues for the State of Arkansas have continued to exceed expectations, resulting in full funding of Northark's 2022-23 annual appropriations, and projected full funding throughout the coming 2023-24 fiscal year as well.

The College continues to experience moderate enrollment growth, while an operational environment of uncertainty and caution will continue in relation to inflationary trends and other factors. Northark's Management continues to monitor closely all these factors in both short- and long-term financial planning and decision-making processes to ensure timely and appropriate action in protecting and preserving the College's ability to fulfill its mission.

NORTH ARKANSAS COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

	June 30, 2023
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 9,967,914
Short-term investments	528,754
Accounts receivable (less allowance of \$528,115)	255,962
Interest receivable	520
Other receivables	832,940
Inventories	367,281
Deposits with trustee	214,758
Prepaid expenses	251,209
Total Current Assets	12,419,338
Noncurrent Assets	
Restricted cash and cash equivalents	487,968
Investments	851,891
Restricted millage receivable	598,666
Endowment investments	340,940
Deposits with trustee	1,894,406
Other assets	2,630
Capital assets (net of accumulated depreciation of \$17,347,682)	19,561,222
Right to use leased assets (net of accumulated amortization of \$285,978)	190,866
Right to use subscription assets (net of accumulated amortization of \$10,022)	36,746
Total Noncurrent Assets	23,965,335
TOTAL ASSETS	36,384,673
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on pensions	3,901,532
Deferred amount on OPEB	351,906
Deferred amount on bond refunding	108,652
Total Deferred Outflows of Resources	4,362,090
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 40,746,763
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 419,250
Bonds and notes payable - current portion	523,788
Compensated absences - current portion	291,992
Accrued post employment benefits payable - current portion	54,294
Unearned revenue	405,654
Funds held in trust for others	153,718
Lease liabilities - current portion	107,296
Subscription liabilities - current portion	6,453
Other liabilities	2,055
Total Current Liabilities	1,964,500
Noncurrent Liabilities	
Bonds and notes payable	7,969,986
Compensated absences	306,427
Accrued post employment benefits payable	1,167,031
Net pension liability	10,214,417
Lease liabilities	86,967
Subscription liabilities	28,022
Total Noncurrent Liabilities	19,772,850
TOTAL LIABILITIES	21,737,350

NORTH ARKANSAS COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

	June 30, 2023
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pensions	\$ 816,682
Deferred amount on OPEB	246,020
Total Deferred Inflows of Resources	1,062,702
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,800,052
NET POSITION	
Net investment in capital assets	11,176,100
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	340,940
Expendable:	
Scholarships and fellowships	67,117
Loans	16,050
Capital projects	6,083,855
Debt service	611,218
Other	903,599
Unrestricted	(1,252,168)
TOTAL NET POSITION	17,946,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 40,746,763

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

NORTH ARKANSAS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

Exhibit A-1

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24,113	\$ 7,845
Pledges receivable, net	93,730	89,230
Other receivable	45,314	-
Interest receivable	986	448
Prepaid expenses	1,832	5,895
Inventory	1,512	1,561
Investments	1,628,692	1,158,680
Total Current Assets	1,796,179	1,263,659
Long-Term Investments		
Securities	4,892,718	4,822,432
Allowance for Unrealized Gains / (Losses)	2,570,208	2,004,279
Total Long-Term Investments	7,462,926	6,826,711
Property and Equipment		
Land	545,226	545,226
Vehicles	11,118	11,118
Building	4,531,937	177,001
Construction in progress	-	3,598,291
Accumulated depreciation	(135,143)	(29,806)
Net Property and Equipment	4,953,138	4,301,830
Long-Term Pledges Receivable, net	236,575	318,823
Total Assets	\$ 14,448,818	\$ 12,711,023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,899	\$ 429,795
Interest payable	-	26,525
External funds	1,769,012	1,656,289
Current portion of note payable	100,516	-
Total Current Liabilities	1,871,427	2,112,609
Long-Term Liabilities		
Line of credit - construction	-	2,830,836
Note payable	3,968,917	-
Total Long-Term Liabilities	3,968,917	2,830,836
Total Liabilities	5,840,344	4,943,445
Net Assets		
Without donor restrictions	1,506,277	1,470,573
With donor restrictions	7,102,197	6,297,005
Total Net Assets	8,608,474	7,767,578
Total Liabilities and Net Assets	\$ 14,448,818	\$ 12,711,023

NORTH ARKANSAS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	Year Ended June 30, 2023
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$3,181,507)	\$ 3,077,671
Federal grants and contracts	214,603
State and local grants and contracts	63,870
Non-governmental grants and contracts	80,191
Sales and services of educational departments	800
Auxiliary enterprises:	
Athletics and related	25,764
Residence life (net of scholarship allowances of \$106,586)	239,403
Bookstore (net of scholarship allowances of \$247,533)	818,039
Other auxiliary enterprises	73,759
Other operating revenues	132,027
TOTAL OPERATING REVENUES	<u>4,726,127</u>
OPERATING EXPENSES	
Personal services	14,392,473
Scholarships and fellowships	2,673,933
Supplies and services	6,907,405
Depreciation and amortization	1,457,056
TOTAL OPERATING EXPENSES	<u>25,430,867</u>
OPERATING INCOME (LOSS)	<u>(20,704,740)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	8,818,380
Federal grants	9,318,914
State grants	2,647,599
Private gifts and grants	951,237
Investment income (expense)	116,363
Millage receipts	1,040,660
Interest on capital asset - related debt	(234,298)
Interest on leased assets	(3,389)
Interest on subscriptions	(2,899)
Bond issuance costs	(73,695)
Gain (loss) on disposal of capital assets	(20,406)
Other expense	(4,038)
NET NONOPERATING REVENUES (EXPENSES)	<u>22,554,428</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>1,849,688</u>
OTHER REVENUES, EXPENSES, GAINS OR LOSSES	
Capital grants and gifts	70,572
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>70,572</u>
INCREASE (DECREASE) IN NET POSITION	1,920,260
NET POSITION - BEGINNING OF YEAR	<u>16,026,451</u>
NET POSITION - END OF YEAR	<u>\$ 17,946,711</u>

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

NORTH ARKANSAS COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Exhibit B-1

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 164,030	\$ 558,808	\$ 722,838	\$ 79,899	\$ 495,436	\$ 575,335
Interest Income	4,579	1,328	5,907	1,573	1,708	3,281
Investment Income (loss)	16,945	576,496	593,441	(23,754)	(111,972)	(135,726)
Other Revenue	226,270		226,270	9,095		9,095
Total Revenue and Other Support	<u>411,824</u>	<u>1,136,632</u>	<u>1,548,456</u>	<u>66,813</u>	<u>385,172</u>	<u>451,985</u>
Functional Expenses						
Program Services Expense						
Scholarships		211,185	211,185		251,613	251,613
Administrative Fees	6,000		6,000	6,000		6,000
Other Program Services	156,303	120,255	276,558	448	23,466	23,914
Total Program Services Expense	<u>162,303</u>	<u>331,440</u>	<u>493,743</u>	<u>6,448</u>	<u>275,079</u>	<u>281,527</u>
Supporting Services Expense						
Management and General						
Administrative Fees	14,500		14,500	14,500		14,500
Advertising	175		175			-
Bank and Credit Card Fees	1,442		1,442	636		636
Depreciation	105,337		105,337	5,537		5,537
Dues and Memberships	2,046		2,046	55		55
Equipment Rental	-		-	7,068		7,068
Insurance	5,442		5,442	4,814		4,814
Miscellaneous	2,963		2,963	1,541		1,541
Office Expenses	1,348		1,348	31		31
Property Taxes	99		99	329		329
Professional Services	-		-	7,580		7,580
Software and Vehicle Maintenance	7,686		7,686	8,127		8,127
Rent House Expenses	4,712		4,712	16,271		16,271
Transfers to Northark	20,191		20,191	8,335	9,994	18,329
Total Management and General	<u>165,941</u>	<u>-</u>	<u>165,941</u>	<u>74,824</u>	<u>9,994</u>	<u>84,818</u>
Fundraising						
Administrative Fees	4,500		4,500	4,500		4,500
Event Supplies	43,376		43,376	39,453	9,127	48,580
Total Fundraising	<u>47,876</u>	<u>-</u>	<u>47,876</u>	<u>43,953</u>	<u>9,127</u>	<u>53,080</u>

NORTH ARKANSAS COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Exhibit B-1

	<u>Year Ended June 30, 2023</u>			<u>Year Ended June 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total Functional Expenses	\$ 376,120	\$ 331,440	\$ 707,560	\$ 125,225	\$ 294,200	\$ 419,425
Increase (Decrease) in Net Assets	35,704	805,192	840,896	(58,412)	90,972	32,560
Net Assets, Beginning of Year	<u>1,470,573</u>	<u>6,297,005</u>	<u>7,767,578</u>	<u>1,528,985</u>	<u>6,206,033</u>	<u>7,735,018</u>
Net Assets, End of Year	<u>\$ 1,506,277</u>	<u>\$ 7,102,197</u>	<u>\$ 8,608,474</u>	<u>\$ 1,470,573</u>	<u>\$ 6,297,005</u>	<u>\$ 7,767,578</u>

NORTH ARKANSAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	Year Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 3,040,574
Grants and contracts	358,664
Sales and services of educational departments	800
Auxiliary enterprises revenues:	
Athletics	25,764
Residence life	239,403
Bookstore	817,345
Other auxiliary enterprises	73,759
Other receipts	48,637
Payments to employees	(11,273,737)
Payments for employee benefits	(3,567,761)
Payments to suppliers	(6,691,850)
Scholarships and fellowships	(2,673,933)
Net Cash Provided by (Used in) Operating Activities	(19,602,335)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	8,818,380
Gifts and grants	13,121,693
Federal direct loans received	1,077,080
Federal direct loans issued to students	(1,040,542)
Other agency funds - net	24,683
Net Cash Provided by (Used in) Noncapital Financing Activities	22,001,294
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Millage receipts	1,024,096
Principal payment to bond trustee	(330,000)
Interest and fees payment to bond trustee	(274,999)
Purchases of capital assets	(2,481,818)
Principal paid on capital debt	(112,430)
Interest paid on capital debt	(28,866)
Payments to lessors	(116,787)
Payments on subscription assets	(15,191)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,335,995)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments (net of fees)	9,938
Purchases of investments	(500)
Net Cash Provided by (Used in) Investing Activities	9,438
Net Increase (Decrease) in Cash and Cash Equivalents	72,402
Cash and Cash Equivalents - Beginning of Year	10,383,480
Cash and Cash Equivalents - End of Year	\$ 10,455,882

NORTH ARKANSAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	<u>Year Ended June 30, 2023</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (20,704,740)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,457,056
Change in assets and liabilities:	
Receivables, net	(149,106)
Inventories	9,767
Prepaid expenses	15,723
Accounts payable	138,062
Deferred revenue	35,473
Postemployment benefit payable	119,352
Compensated absences	14,997
Pension payable	(538,919)
Net cash provided by (used in) operating activities	<u>\$ (19,602,335)</u>
NONCASH TRANSACTIONS	
Donated capital assets	\$ 70,572
Gain (loss) on disposal of capital assets	(20,406)
Proceeds and net premium from bond issue deposited with trustee	1,918,885
Issuance costs on bonds paid from bond proceeds	(40,445)
Underwriter's discount paid from bond proceeds	(33,250)

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

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

North Arkansas College, a comprehensive, public two-year college, offers transfer and technical degree programs, one-year technical certificates, certificates of proficiency, customized business and industry training, adult basic education (GED) classes, and non-credit community education courses. The College is especially noted for its leadership in the use of educational technology, in community outreach and partnerships, and in allied health education. The College's governing body is the Board of Trustees composed of nine elected members. The College has three campuses in Harrison, Arkansas. The campuses are located at 1515 Pioneer Drive, 1320 North Spring Road and 823 North Main Street. The College's financial statements reflect all funds and accounts directly under its control.

Component Units

Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, was issued by GASB in May 2002, - an amendment of GASB No. 14. This Statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the statement, which became effective with the fiscal year ended June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government through discrete presentations. There is one qualifying foundation for North Arkansas College: the North Arkansas College Foundation, Inc.

The North Arkansas College Foundation, Inc., (the Foundation) is a legally separate, tax exempt component unit of the College. The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the College in support of its mission and programs. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation may only be used by or for the benefit of the College, the Foundation is considered a component unit of the College. Accordingly, the financial statements of the Foundation are discretely presented in the College's financial statements.

During the year ended June 30, 2023, the Foundation transferred property, equipment, and funds of \$20,191 to the College for proper accountability and academic support. Complete financial statements for the Foundation may be obtained from the finance and administration office at North Arkansas College, 823 North Main Street, Harrison, AR 72601.

Financial Statement Presentation

GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government*, was issued in June 1999. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, was then issued in November 1999. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, library holdings, intangibles, and construction in progress are reported at cost or estimated historical cost if actual data is not available. Effective June 30, 2016, donated capital assets are reported at acquisition value at date of gift according to GASB Statement 72. Because this statement is to be applied prospectively, donated capital assets in prior years will remain at fair market value. The Institution follows the State guidelines for equipment capitalization.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, 5 to 10 years for equipment, 5 years for intangible assets, and 15 to 30 years for heavy equipment.

Operating and Nonoperating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) non-governmental grants and contracts (primarily fees paid by public schools for vocational programs), (3) federal grants and contracts (primarily administrative fees charged to federal programs) and (4) revenues from auxiliary enterprises, net of scholarship discount and allowances.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9 such as (1) state appropriations, (2) federal grants (excluding administrative fees), (3) state grants, (4) gifts, (5) non-governmental grants (private industry grants), (6) investment income and (7) millage receipts. These are reported in compliance with GASB Statement No. 34.

Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

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

Investments

Investments are stated at fair value. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the statement of revenues, expenses and changes in net position.

Endowment investments consist of deposits in savings accounts as well as deposits in the external investment pool and are reported at fair value as established by major securities markets.

Inventories

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Noncurrent Cash and Investments

Cash and investments which are externally restricted to maintain endowment funds for scholarships, to purchase or construct capital or other nonrecurring assets, are classified as noncurrent assets in the Statement of Net Position.

Restricted/Unrestricted Resources

The institution has no formal policy addressing which resources to use when both restricted and unrestricted net assets are available for the same purpose. Institution personnel decide which resource to use at the time expenses are incurred.

Scholarship Discounts and Allowances

Student tuition and fee revenue, and certain other revenues from students, are reported net of scholarship allowances on the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or non-governmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Deposits with Trustees

Deposits with trustees are externally restricted and held by Bank of the Ozarks for the College. They are maintained to make debt service payments, to maintain sinking or reserve funds as required by bond covenants, or to purchase or construct capital assets.

Funds Held in Trust for Others

The College holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the College.

Right to Use Leased Assets

The College has recorded right to use leased assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Right to Use Subscription Assets

The College has recorded right to use subscription assets as a result of implementing GASB 96. These right to use assets are subscription-based information technology arrangements. The intangible assets are initially measured at an amount equal to the initial measurement of the related subscription liability. The right to use assets are amortized on a straight-line basis over the term of the related subscription.

Unearned Revenues

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Compensated absences payable represent the College's liability (salaries plus applicable related costs) for unused catastrophic, vacation, sick and compensatory leave as of June 30, 2023. The portion of compensated absences payable estimated to be due within one year is classified as a current liability.

Unused vacation and sick leave payable for eligible employees is included in compensated absences payable and uses the following in the calculation:

Accumulated vacation days are required to be used annually, with a maximum carry-over of 240 hours. In the event of termination or retirement, all employees are paid for accumulated unused vacation hours up to a maximum of 240 hours.

Accumulated sick days are required to be used annually, with a maximum payout amount of \$7,500. In the event of retirement or death, all employees are paid for accumulated sick days based upon the established payout calculation schedule.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds, notes and leases payable and (2) estimated amounts for accrued compensated absences (noncurrent pooled catastrophic leave bank, vacation and sick leave) and other liabilities that either will not be paid or are not expected to be paid within the next fiscal year.

Net Position

The College's net position is classified as follows:

1) Net investment in capital assets – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net position component as the unspent proceeds, for example, *restricted for capital projects*.

2) Restricted net position –

Nonexpendable – Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable – Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

3) Unrestricted net position – Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purposes. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of 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 these estimates.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Arkansas Teacher Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS) and additions to and deductions from ATRS and APERS fiduciary net positions have been determined on the same basis as they are reported by ATRS and APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: 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 15 of the same calendar year.

The College currently receives 1.7 mills of taxable assessed real and personal property within the College's district, Boone County, Arkansas.

NOTE 3: 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.

NOTE 4: Public Fund Deposits and Investments

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the statement of net position at June 30, 2023:

<u>Cash and Cash Equivalents</u>	
Cash deposits at year end	\$ 7,450,711
Cash held on deposit in state treasury	3,000,000
Cash on hand	5,171
TOTAL	<u>\$ 10,455,882</u>

The above deposits do not include \$528,754 in certificates of deposits reported as short-term investments.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Deposits are exposed to custodial risk if they are not insured by Federal Deposit Insurance Corporation (FDIC) and are uncollateralized, collateralized with securities held by the pledging institution or collateralized with securities held by the pledging institution's agent but not in the College's name. Board of Trustees policy requires all bank deposits, including Certificates of Deposits, which exceed FDIC limits shall be fully collateralized. Such collateralization shall be evidenced by bonded, third party custody receipts provided to the College. At June 30, 2023, none of the College's bank balances were exposed to custodial credit risk.

NOTE 4: Public Fund Deposits and Investments (Continued)

Deposits with Trustee

At June 30, 2023, the College deposits with trustee included \$2,109,164 which is obligated for debt service payments for the institution's 2019 and 2022 bond issues. The funds are invested by the trustee in Bank OZK ICS DDA Institutional Money Market.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Governments are required to disclose the credit quality ratings of debt securities and external pools. The following tables contain information on the risk disclosures of the External Investment Pool.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Governments with investments in external investment pools are required to disclose the interest rate risk of such investments. Additional required disclosure information is included in the following Note, External Investment Pool. The College does not have a policy designed to manage interest rate risk.

External Investment Pool

Starting in February 2017, the College has funds with the North Arkansas College Foundation, Inc. (Foundation) that are pooled with other Foundation funds and with North Arkansas Partnership for Health Education, Inc. (NAPHE) funds. Additional funds, which included some endowment investments, were deposited in October 2019 and January 2020. The College funds are held in Commonfund's Intermediate Term-Fund, Multi-Strategy Equity Fund and Multi-Strategy Bond Fund.

Intermediate Term Fund

It is the policy of this strategy that at least 50 percent of the net assets of a portfolio will be invested in securities issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations, or in securities that are rated AAA or its equivalent by at least one of the nationally recognized rating agencies. The objective is to produce a total return in excess of its benchmark, the BofA Merrill Lynch 1-3 Year Treasury Index and to generate a higher current yield than short-term money market investments in a manner that mitigates the changes of a negative total return over any 12-month period.

Multi-Strategy Equity Fund

The multi-strategy equity strategy focuses on allocating assets across a wide spectrum of equity strategies, including investing in a portfolio of common stocks, and securities convertible into common stocks, of U.S. companies. A multi-strategy equity allocation to the U.S. equity market includes exposure to companies in the S&P 500 index as well as companies not included in the index. The objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets.

Multi-Strategy Bond Fund

The fixed income multi-strategy investment strategy generally focuses on investments in a broad spectrum of fixed income sectors. Generally, assets are invested in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. The objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets.

NOTE 4: Public Fund Deposits and Investments (Continued)

Investments Measured at the Net Asset Value

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool –				
North Arkansas College Foundation:				
Intermediate Term Fund (1)	\$763,112	\$ 0	Weekly	5 day
Multi-Strategy Equity Fund (2)	\$304,473	\$ 0	Monthly	5 day
Multi-Strategy Bond Fund (3)	\$119,242	\$ 0	Monthly	5 day

- (1) This type includes investments in a Commingled Fund which includes allocations to Income Research & Management, MetLife Investment Management, LLC and Sit Investment Associates. A five day advance notice is required and can be redeemed weekly on Wednesdays or the last business day of each month. There are no other restrictions.
- (2) Diversification is achieved by investing in common stocks and other equity securities of foreign companies in both developed and emerging markets, as well as in equity-oriented hedge funds and other hedge strategies.
- (3) Diversification is achieved by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation indexed bonds, high-yield bonds, emerging markets debt and opportunistic fixed income strategies, as well as allocations to alternative fixed income strategies such as distress strategies and fixed income-oriented hedge strategies.

North Arkansas College
Statement of Invested Assets
June 30, 2023

Security Description	Fair Value
Govt/Agency	\$ 267,180
Cash Equivalents	19,305
Mortgages	211,222
SBA Loans	2,480
CMBS	63,191
ABS	86,642
Corporates	214,677
Non-U.S.	1,860
Municipals	13,197
Emerging Market Debt	2,325
Other	274
Communication Services	25,880
Consumer Discretionary	31,056
Consumer Staples	18,268
Energy	11,570
Financials	47,498
Healthcare	39,277
Industrials	38,364
Information Technology	70,029
Materials	10,657
Real Estate	5,481
Utilities	6,394
Total	\$ 1,186,827

NOTE 4: Public Fund Deposits and Investments (Continued)

Investments Measured at the Net Asset Value (Continued)

North Arkansas College
Credit Risk Ratings
June 30, 2023

Investment Type and Fair Value	Intermediate Term Fund	Multi-Strategy Bond Fund
Government	\$ 247,935	\$ 20,045
Agency	172,540	28,725
AAA	139,878	15,490
AA	36,629	2,766
A	128,279	10,553
BBB	28,769	19,770
Below BBB / Non-Rated	9,082	14,142
Private credit		7,751
Total	\$ 763,112	\$ 119,242

North Arkansas College
Year to Maturity
June 30, 2023

Investment Type and Fair Value	Intermediate Term Fund	Multi-Strategy Bond Fund
0-1 Year	\$ 130,034	\$ 19,389
1-2 Years	212,908	7,310
2-3 Years	259,077	7,393
3-4 Years	89,208	9,980
4-5 Years	49,602	10,971
5-7 Years	18,009	16,813
7-10 Years	4,274	22,941
10-15 Years		7,548
15-20 Years		6,499
20-25 Years		3,494
25+ Years		6,904
	\$ 763,112	\$ 119,242

NOTE 4: Public Fund Deposits and Investments (Continued)

Investments Measured at the Net Asset Value (Continued)

North Arkansas College
Foreign Currency Risk by Investment Type
June 30, 2023

Investment Type and Fair Value	Intermediate Term Fund	Multi-Strategy Bond Fund	Multi-Strategy Equity Fund
Australia	\$ 4,655	\$ 238	
Austria		72	
Bahamas		83	
Bermuda			\$ 243
Brazil		394	
Canada	26,937	417	
Cayman Islands		2,734	
Chile		95	
Colombia		661	
Cyprus		72	
Denmark		60	
Finland	1,145		
France		382	
Hong Kong	1,068	155	
Iceland		863	
India		107	
Indonesia		131	
Ireland		346	335
Israel		48	
Japan	3,587	24	
Kazakhstan		155	
Luxembourg			183
Mexico		1,233	
Netherlands	4,426	394	
New Zealand		48	
Panama		72	
Saudi Arabia	3,358		
Singapore	5,876		
South Africa		203	
Spain		191	
Switzerland	2,442	601	304
United Kingdom	7,555	1,566	1,279
Uruguay		95	
	\$ 61,049	\$ 11,440	\$ 2,344

NOTE 5: Disaggregation of Receivables and Payables Balances

Accounts receivable and other receivables consisted of the following at June 30, 2023:

Accounts Receivable and Other Receivables	June 30, 2023
Accounts Receivable:	
Student tuition and fees	\$ 784,077
Less allowance for doubtful accounts	(528,115)
Net Accounts Receivable	\$ 255,962
Other Receivables:	
Auxiliary enterprises and other operating activities	\$ 6,877
Federal, state and private grants and contracts	554,899
Other	271,164
Total Other Receivables	\$ 832,940

The accounts payable and accrued liabilities consisted of the following at June 30, 2023:

Accounts payable and Accrued Liabilities	June 30, 2023
Students	\$ 21,481
Salaries and benefits	37,749
Interest	87,378
Other	272,642
Total	\$ 419,250

NOTE 6: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2023.

North Arkansas College
Inventory Rollforward

Capital Assets	July 1, 2022	Additions	Retirements	Transfers	June 30, 2023
Land	\$ 1,213,632	\$ -	\$ -	\$ -	\$ 1,213,632
Land Improvements	1,713,630	-	-	105,587	1,819,217
Buildings & Improvements	22,069,710	5,874	-	2,081,951	24,157,535
Furniture & Equipment	6,739,433	717,237	(302,124)	-	7,154,546
Library Holdings	225,049	11,064	-	-	236,113
Intangibles	1,854,966	-	-	9,995	1,864,961
Infrastructure	117,383	-	-	-	117,383
Assets Under Construction	724,835	1,818,215	-	(2,197,533)	345,517
Total Capital Assets	\$ 34,658,638	\$ 2,552,390	\$ (302,124)	\$ -	\$ 36,908,904
Accum. Depreciation	July 1, 2022	Additions	Retirements	Transfers	June 30, 2023
Land Improvements	\$ (988,964)	\$ (55,916)	\$ -	\$ -	\$ (1,044,880)
Buildings & Improvements	(10,054,588)	(691,204)	-	-	(10,745,792)
Furniture & Equipment	(4,061,789)	(433,914)	281,720	-	(4,213,983)
Library Holdings	(167,889)	(12,426)	-	-	(180,315)
Intangibles	(941,540)	(139,098)	-	-	(1,080,638)
Infrastructure	(78,284)	(3,790)	-	-	(82,074)
Total Accum. Depreciation	\$ (16,293,054)	\$ (1,336,348)	\$ 281,720	\$ -	\$ (17,347,682)
Net Capital Assets	\$ 18,365,584	\$ 1,216,042	\$ (20,404)	\$ -	\$ 19,561,222

NOTE 7: Long-Term Liabilities

A summary of long-term debt is as follows:

Issue Type	Issue Date	Maturity Date	Interest Rate	Amount Authorized	Balance June 30, 2023	Maturities to June 30, 2023
Special Obligation Refunding Bonds - Series 2019	11/12/2019	2/1/2037	2% - 3%	\$ 6,535,000	\$ 5,545,000	\$ 990,000
Special Obligation Capital Improvement - Series 2022	9/13/2022	8/1/2042	3% - 4%	\$ 1,900,000	\$ 1,900,000	\$ -
Total				\$ 8,435,000	\$ 7,445,000	\$ 990,000

Long-term liabilities activity for the year ended June 30, 2023 was as follows:

Long-term Liabilities	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 5,875,000	\$1,900,000	\$ 330,000	\$ 7,445,000	\$ 405,000
Plus bond premium	18,340	18,885	2,010	35,215	2,207
Total bonds payable	5,893,340	1,918,885	332,010	7,480,215	407,207
Note Payable	1,125,989	-	112,430	1,013,559	116,581
Compensated absences	574,102	803,330	779,013	598,419	291,992
Lease liabilities	157,219	150,441	113,397	194,263	107,296
Subscription liabilities	-	46,767	12,292	34,475	6,453
Totals	\$ 7,750,650	\$ 2,919,423	\$ 1,349,142	\$ 9,320,931	\$ 929,529

NOTE 7: Long-Term Liabilities (Continued)

Debt payments on bonds amounted to \$506,568 for the fiscal year ended June 30, 2023.

Total principal and interest payments on bonds payable are as follows:

Year ended June 30,	Principal	Interest	Total
2024	\$ 405,000	\$ 206,218	\$ 611,218
2025	415,000	194,593	609,593
2026	430,000	186,062	616,062
2027	435,000	177,274	612,274
2028	450,000	167,937	617,937
2029 - 2033	2,410,000	668,570	3,078,570
2034 - 2038	2,290,000	303,663	2,593,663
2039 - 2043	610,000	62,400	672,400
Totals	\$ 7,445,000	\$ 1,966,717	\$ 9,411,717

Notes Payable

The College obtained a promissory note on June 13, 2016, for an energy performance contracting project in the amount of \$1,742,043 with a fixed interest rate of 2.63%. The note term is 15 years with payments made from Current Funds Unrestricted.

Total principal and interest payments on note payable are as follows:

Year ended June 30,	Principal	Interest	Total
2024	\$ 116,580	\$ 24,716	\$ 141,296
2025	118,477	22,819	141,296
2026	121,613	19,683	141,296
2027	124,833	16,463	141,296
2028	128,104	13,192	141,296
2029 - 2031	403,952	18,765	422,717
Totals	\$ 1,013,559	\$ 115,638	\$ 1,129,197

NOTE 8: Long-Term Lease Obligations

Right to Use Leased Assets

The College has recorded five right to use leased assets. The assets are right to use assets for leased buildings and equipment. The related leases are discussed in the Leases subsection of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the College for the year ended June 30, 2023, was as follows:

Right to use leased assets	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Leased buildings	\$ 310,939	\$ 150,441	\$ -	\$ 461,380
Leased equipment	15,464	-	-	15,464
Total right to use leased assets	\$ 326,403	\$ 150,441	\$ -	\$ 476,844
Less accumulated amortization for:				
Leased buildings	\$ (163,950)	\$ (107,595)	\$ -	\$ (271,545)
Leased equipment	(11,340)	(3,093)	-	(14,433)
Total accumulated amortization	\$ (175,290)	\$ (110,688)	\$ -	\$ (285,978)
Right to use leased assets, net	\$ 151,113	\$ 39,753	\$ -	\$ 190,866

Leases

The College has entered into agreements to lease certain buildings and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on November 1, 2018 to lease postage meter equipment and requires 20 quarterly payments of \$1,091. There are no variable payments components of the lease. The lease liability is measured at a discount rate of 14.46%, which is the stated rate in the lease agreement. As a result of the lease, the College has recorded a right to use asset with a net book value of \$1,031 and a lease liability of \$1,411 at June 30, 2023.

The second agreement was executed on November 1, 2019, to lease the building at 823 N. Main St, Harrison, Arkansas, and originally required 44 monthly payments of \$3,750. On July 1, 2023, the lease was renewed for 36 monthly payments of \$3,750. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.313%. As a result of the lease and renewal, the College has recorded a right to use asset with a net book value of \$128,340 and a lease liability of \$128,340 at June 30, 2023.

The third agreement was executed on July 1, 2021, to lease the building at 804 West Freeman Ave., Berryville, Arkansas and requires 36 monthly payments. The lease agreement requires monthly payments of \$3,750 the first year, \$3,900 the second year, and \$4,050 the third year. The lease liability is measured at a discount rate of 2.636%. As a result of the lease, the College has recorded a right to use asset with a net book value of \$44,919 and a lease liability of \$47,913 at June 30, 2023.

NOTE 8: Long-Term Lease Obligations (Continued)

Leases (Continued)

The fourth agreement was executed on March 1, 2022, to lease the building at 102 Larimer Drive, Green Forest, Arkansas and required 16 monthly payments of \$1,250. On July 1, 2023, the lease was renewed for 12 monthly payments of \$1,250. The lease liability is measured at a discount rate of 3.313%. As a result of the lease, the College has recorded a right to use asset with a net book value of \$14,734 and a lease liability of \$14,734 at June 30, 2023.

The fifth agreement was executed on July 1, 2017, to lease the building at 402 Oak Street, Leslie, Arkansas. The lease was renewed October 1, 2023, and requires 12 monthly payments of \$625. The lease liability is measured at a discount rate of 3.313%. As a result of the lease, the College has recorded a right to use asset with a net book value of \$1,842 and a lease liability of \$1,865 at June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, are as follows:

Year ended June 30,	Principal	Interest	Total
2024	\$ 107,296	\$ 4,633	\$ 111,929
2025	42,764	2,236	45,000
2026	44,203	797	45,000
Total	\$ 194,263	\$ 7,666	\$ 201,929

NOTE 9: Long-Term Subscription Obligations

Right to Use Subscription Assets

The College has recorded one subscription-based information technology arrangement (SBITA) in accordance with GASB Statement No. 96. A SBITA is defined by GASB as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The related SBITA is discussed in the SBITA subsection of this note.

The right to use subscription assets are intangible assets that are amortized on a straight-line basis over the terms of the related subscription arrangements.

Right to use asset activity for the College for the year ended June 30, 2023, was as follows:

Right to use subscription assets	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Subscription-based IT arrangement	\$ -	\$ 46,768	\$ -	\$ 46,768
Total right to use subscription assets	\$ -	\$ 46,768	\$ -	\$ 46,768
Less accumulated amortization for Subscription-based IT arrangement	\$ -	\$ (10,022)	\$ -	\$ (10,022)
Total accumulated amortization	\$ -	\$ (10,022)	\$ -	\$ (10,022)
Right to use subscription assets, net	\$ -	\$ 36,746	\$ -	\$ 36,746

NOTE 9: Long-Term Subscription Obligations (Continued)

Subscription-Based Information Technology Arrangement

The College has entered a subscription-based information technology arrangement (SBITA). The SBITA qualifies as other than short-term under GASB 96 and, therefore, has been measured at the present value of subscription payments expected to be made during the subscription term. The subscription term includes the period during which the College has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the College or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the College or SBITA vendor will not exercise that option).

The arrangement for the right to use Microsoft Campus commenced on January 1, 2022. The arrangement requires 3 annual payments of \$7,595. The College is reasonably certain that the arrangement will be extended and therefore has calculated the present value based on a 7-year term. The subscription liability is measured at a discount rate of 3.313%. As a result of the SBITA, the College has recorded a right to use asset with a net book value of \$36,746 and a subscription liability of \$34,475 at June 30, 2023.

There are several variable payment components of the arrangement that are not included in measurement the subscription liability, principal, and interest. These variable components are recognized as outflows of resources. These components are based on the quantity of user licenses. The total amount paid during the year ended June 30, 2023, that was not included in the liability, principal, and interest was \$33,745.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023, are as follows:

Year ended June 30,	Principal	Interest	Total
2024	\$ 6,453	\$ 1,142	\$ 7,595
2025	6,667	928	7,595
2026	6,887	708	7,595
2027	7,116	479	7,595
2028	7,352	243	7,595
Total	\$ 34,475	\$ 3,500	\$ 37,975

NOTE 10: Retirement Plans

Arkansas Teacher Retirement System

Plan Description. The College 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, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas 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.

NOTE 10: 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 7% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The employer contribution rate for FY 2022-23 was 15% of covered salaries, the maximum allowed by the State law. The College's contributions to ATRS for the years ended June 30, 2023, 2022, and 2021 were \$476,886, \$455,933, and \$460,194, respectively, equal to the required contributions for each year. Participants' contributions for the year ended June 30, 2023 were \$184,859.

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, administered by a Board of Trustees, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5.5% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The employer contribution rate for FY 2021-22 was 15.32% of annual qualifying payroll. The College's contributions to APERS for the years ended June 30, 2023, 2022, and 2021 were \$731,942, \$666,553, and \$631,293, respectively, equal to the required contributions for each year. Participants' contributions for the year ended June 30, 2023 were \$244,740.

Alternative Pension Plan of North Arkansas College

Plan Description. The College participates in the Alternative Pension Plan of North Arkansas College, 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 Variable Annuity Life Insurance Company (VALIC), Teacher Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Ameriprise, formerly IDS/American Express. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and specific interest rate plus the opportunity additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas law authorizes participation in the plan. VALIC and Ameriprise offer traditional and variable annuities. The administrator provides insurance policies and annuity contracts and, once issued, become the property of the participant.

Funding Policy. VALIC, Ameriprise, and TIAA/CREF have contributory and non-contributory plans. Contributory member contributes a minimum of 6% of earnings to the plan. The College contributes 10% of earnings for all applicable employees. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2023 were \$147,365 and \$171,276, respectively.

NOTE 11: Postemployment Benefits Other than Pensions (OPEB)

(a) General Information

Plan description: North Arkansas College provides postemployment healthcare benefits to all permanent full-time employees through BlueAdvantage, a component of the single employer defined benefit healthcare plan administered by the Arkansas Higher Education Consortium (AHEC). To be eligible, an employee must retire directly from active employment of North Arkansas College, be at least age sixty with at least ten years of service or be at least age 55 and meet the “Rule of 70” criteria (age plus years of service equals 70). The College has the authority to affiliate with AHEC and establish by policy the defined benefits and amount remitted by the employer to AHEC. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. Expenditures for post-retirement health care benefits are paid as they come due and there is no actuarially determined College payment requirement to the Plan.

Benefits Provided: The retiree pays 100 percent of the health insurance premium and can continue their health and dental insurance until they are eligible for Medicare. Eligible employees may elect single or family coverage; however, the retiree will be entirely responsible for the total cost of the insurance premium for the spouse and for any unmarried dependents. Eligible employees may also choose to buy up, to a plan with a lower deductible. The employee is responsible for the differences in the premium.

At June 30, 2023, the College had the following employees that were covered by benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	165
Total Employees Covered	174

(b) Total OPEB Liability

The College plan uses a measurement date of June 30, 2023. The total OPEB liability for the College plan was \$1,221,325.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of the date noted below. The actuarial valuation used the following assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2023
Inflation rate	3%
Salary increases	Subject to medical inflation
Discount rate (1)	4.13%
Healthcare cost trend rates	8.0% grading to 4.5% over 6 years
Retirees’ share of benefit-related costs	0%
Actuarial experience study dates	None

(1) The discount rate determination was based upon high quality AA or higher bond yields in effect for the 20-year, tax exempt general obligation municipal bonds using the S&P Municipal Bond 20 Year High Grade Rate Index.

NOTE 11: Postemployment Benefits Other than Pensions (OPEB) (Continued)

(b) Total OPEB Liability (Continued)

The mortality rate assumptions were based on the Pub-T 2010 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP 2020.

(c) Changes in the Total OPEB Liability

Balance, June 30, 2022	\$1,188,614
Changes for the current fiscal year:	
Service cost	48,445
Interest cost	49,605
Changes of benefit terms	0
Differences between expected and actual experience	(60,904)
Changes in assumption or other inputs	(4,435)
Benefit payments	0
Net changes	32,711
Balance, June 30, 2023	\$1,221,325

Changes of assumptions reflect a change in the discount rate from 4.09% in FY 2022 to 4.13% in FY 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of North Arkansas College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
Single discount rate of 4.13%	\$1,271,237	\$1,221,325	\$1,053,931

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of North Arkansas College, as well as what the College's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current discount rate	1% Increase
Current health care cost trend rate 6.5%	\$1,076,523	\$1,221,325	\$1,395,019

NOTE 11: Postemployment Benefits Other than Pensions (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the College recognized an OPEB expense of \$119,352. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$224,885	\$55,829
Changes of assumptions	127,021	190,191
Benefits paid subsequent to the measurement date	0	0
Total	\$351,906	\$246,020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$21,302
2025	\$21,302
2026	\$21,302
2027	\$21,302
2028	\$21,302
Thereafter	(\$624)
Total	\$105,886

NOTE 12: Risk Management

Due to the diverse risk exposure, the insurance maintained by the College contains a comprehensive variety of coverage. This coverage is as follows:

Buildings and Contents – Arkansas Multi-Agency Insurance Trust Fund (AMAIT)

Building Coverage: \$49,276,630.38 replacement value limit (\$10,000 deductible for each incident)

Contents Coverage: \$20,224,695.35 replacement value limit (\$10,000 deductible for each incident)

Contributions: Annual premiums

Commercial General Liability – Cadence Insurance Company (BXS Insurance)

Coverage Limit: \$1,000,000 each occurrence, \$2,000,000 general aggregate, \$2,000,000 products – completed, \$1,000,000 personal & advertising injury, \$5,000 medical expense (any one person)

Contributions: Annual premiums

NOTE 12: Risk Management (Continued)

Professional Errors and Omissions Policy – Greenwich Insurance Co. (United Insurance)

Coverage Limit: \$1,000,000 liability each year (\$5,000/\$15,000 deductible)

Contributions: Annual premiums

Automobile fleet – Arkansas Multi-Agency Insurance Trust Fund (AMAIT)

Coverage: 31 vehicles, 8 trailers

Liability – combined limit: \$1,000,000 in-state, \$5,000,000 out-of-state

Collision: \$1,000 deductible

Comprehensive: \$500 deductible

Contributions: Annual premiums

Cyber Security-Arkansas Multi-Agency Insurance Trust Fund (AMAIT)

North Arkansas College participates in the State of Arkansas Multi-Agency Cyber Insurance Plan with a statewide aggregate loss limit. No specific institutional limit applies to North Arkansas College. The policy is a “claims made” insurance plan and includes the following coverages and deductibles:

Basic Cyber Loss	\$0 Retention per Occurrence
First Party Liability	\$0 Retention per Occurrence
Third Party Liability	\$0 Retention per Occurrence
Fines, Penalties & Assessments	\$0 Retention per Occurrence
Hardware	\$25,000 Retention per Occurrence

Health care program – Arkansas Higher Education Insurance Consortium

Contributions: Employer contribution of 88% employee coverage and 70% family coverage

Dental care program – Delta Dental

Contributions: Employer contribution of 90% employee coverage and 60% family coverage

Life insurance program – Lincoln Financial

Contributions: Coverage of \$20,000 for full-time employees

Long-term disability – Lincoln Financial

Contributions: Coverage up to 60% of salary for disability or long-term illness

Worker’s Compensation – Arkansas Public Employees Claims Division

Coverage: Reimbursement of medical expense and loss of salary due to job-related injury or illness.

Contributions: The administrator is reimbursed quarterly for claims paid and administrative expenses.

Medical Professional Liability – HPSO (Healthcare Providers)

Coverage: \$1,000,000 per claim, \$5,000,000 aggregate

Contributions: Annual premiums

Student Accident – Markel Insurance Company (Health Special Risk)

Coverage: \$10,000 medical per person per accident, \$10,000 accidental death and dismemberment per person per accident. \$250,000 aggregate

Contributions: Annual premiums

Athletic Teams/Camps – Zurich American Insurance (Bob McCloskey Ins)

Coverage: Medical - \$25,000 Disappearing Deductible, AD&D - \$50,000, Aggregate - \$5,000,000

Contributions: Annual premiums

NOTE 12: Risk Management (Continued)

Fidelity Bond – Arkansas Fidelity Bond Trust Fund

Coverage: Loss incurred due to fraudulent or dishonest acts, \$300,000 per occurrence (\$2,500 deductible)

Contributions: Annual premiums

The College participates in the Property Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department (AMAIT). The program's general objectives are to formulate, develop and administer on behalf of members, a program of insurance to obtain lower costs for property coverage and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The College pays an annual premium for this coverage.

The College participates in the Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department (AMAIT). The general objective of the program is to allow member districts a means of insuring vehicles. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The College pays an annual premium for this coverage.

The College maintains workers' compensation coverage through the State of Arkansas program, Arkansas Code Annotated § 11-9-305. Annual premiums are based on a formula calculated by the Arkansas Department of Finance and Administration.

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

NOTE 13: Other Organizations

The Arkansas Health Education Center, Inc. (AHEC) was incorporated on March 13, 1997, and is a section 501 (c) (3) organization. AHEC now conducts business as North Arkansas Partnership for Health Education (NAPHE). The purpose of NAPHE is to provide the area public school students with an awareness of work related experiences and orientation to allied health careers, become the primary provider for high quality allied health education in this region, coordinate continuing education and training for health care occupations, establish a site or facility dedicated to health care related learning, become proficient in utilizing new technologies in an education setting, improve the overall quality of health care by providing a more competent labor pool in health care occupations, establish a medical library for students of North Arkansas College and for health care workers, and identify and meet the need for new allied health degree programs. Financial statements of NAPHE for June 30, 2023 may be obtained from the administrative office at 823 North Main Street, Harrison, AR 72601.

In previous years, the College provided cooperative financial support to NAPHE along with North Arkansas Regional Medical Center. That formal partnership and commitment was discontinued on June 30, 2020, but the College continues to collaborate with NAPHE in mission-related activities, and continues to provide certain minimal, business-related services to the NAPHE organization for a set annual fee based on an approved Memorandum of Understanding.

NOTE 14: Accounting Pronouncements

The GASB issued the following Statement, which became effective for the fiscal year ended June 30, 2023:

- Statement no. 96, *Subscription-Based Information Technology Arrangements*

The following issued Statements do not materially impact the College:

- Statement no. 91, *Conduit Debt Obligations*
- Statement no. 94, *Public-Private and Public-Public Partnerships and Availability Payment*
- Statement no. 99, *Omnibus 2022*

NOTE 15: Endowment Funds

The College has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships. Endowment funds are invested in saving accounts and within the External Investment Pool. Arkansas Code Annotated § 28-69-804 states “Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.” Investments in the External Investment Pool follow the same spending policy as North Arkansas College Foundation, Inc. The spending policy is 4% of a three – year moving average of the total value of endowment funds. Computations, of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure, are as follows:

Total Endowments at June 30, 2023	\$	408,057
Less: Non-Expendable Portion of Endowment		340,940
Donor-Restricted Endowments Available for Expenditure	\$	<u>67,117</u>

NOTE 16: Natural Classifications by Function

The College's operating expenses for fiscal year ended June 30, 2023, by traditional functions were as follows:

Function	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation	Total 2023
Instruction	\$ 7,352,063		\$ 1,268,816		\$ 8,620,879
Research					
Public Service	385,899		287,443		673,342
Academic support	1,544,174		865,341		2,409,515
Student Service	2,194,938		914,479		3,109,417
Institutional support	1,731,878		1,014,709		2,746,587
Scholarships & fellowships		\$ 2,586,050			2,586,050
Operation & maintenance of plant	760,743		1,050,060		1,810,803
Auxiliary enterprises	422,778	87,883	1,506,557		2,017,218
Depreciation and amortization				\$ 1,457,056	1,457,056
Total	\$ 14,392,473	\$ 2,673,933	\$ 6,907,405	\$ 1,457,056	\$ 25,430,867

NOTE 17: Unearned Revenue

Unearned revenue consisted of the following at June 30, 2023:

	<u>June 30, 2023</u>
Prepaid tuition and fees	\$ 246,206
Grants and contracts	157,093
Prepaid student housing rent	<u>2,355</u>
Total	<u>\$ 405,654</u>

NOTE 18: Pledged Revenue

The College has pledged receipts of the ad valorem tax levied annually on taxable real and personal property located in Boone County, Arkansas to repay \$6,535,000 in refunding bonds issued in 2019. In 2022, the College issued an additional \$1,900,000 in construction bonds in parity with the outstanding bonds. The total principal and interest remaining to be paid on the Series 2019 and 2022 bonds is \$6,713,098 and \$2,698,619, respectively. Proceeds from the Series 2019 bonds were used in the refunding of existing bond issues and are payable through 2037. The Series 2022 bond proceeds will be used for the construction of the Center for Robotics and Manufacturing Innovation project and are payable through 2043.

The bonds are payable solely from property tax millage. Principal and interest paid during the current year was \$481,493 for the Series 2019 bonds and \$25,075 for the Series 2022 bonds. The aggregate principal and interest paid during the current year was \$506,568. Total property tax millage receipts for the current year totaled \$1,040,660. The percentage of revenues pledged for the year ended June 30, 2023 was 49%.

NOTE 19: Pensions

(a) General Information about the Pension Plans

Plan descriptions: Eligible employees of North Arkansas College are provided with pensions through the Arkansas Teacher Retirement System (ATRS), administered by the Arkansas Teacher Retirement System board of trustees, and Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System board of trustees. ATRS and APERS are cost-sharing multiple-employer defined benefit plans. Benefit provisions are established and amended by Arkansas Code Title 24.

Each plan issues a publicly available financial report, which may be obtained by contacting the appropriate plan:

Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201
(501) 682-1517
<https://www.artrs.gov/publications>

Arkansas Public Employees Retirement System
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
<http://www.apers.org/publications>

Benefits Provided: Each plan provides retirement, disability and death benefits and annual adjustments to plan members and beneficiaries, as follows:

APERS

The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

NOTE 19: Pensions (Continued)

(a) General Information about the Pension Plans (Continued)

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual or reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

As of July 1, 2011, the College no longer offers new employees the option of electing Arkansas Teacher Retirement System as a retirement plan unless the new employee is already an active ATRS member. Employees who had already elected this option will continue to participate in the plan.

Contributions. Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for each plan are as follows:

APERS

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2023, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 38.99%, with the rate for North Arkansas College at 15.32%. Contributions to APERS from North Arkansas College were \$731,942 for the year ended June 30, 2023.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978, to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005. Act 365 of 2021 will gradually increase the contribution rate for contributory members. The first phase went into effect July 1, 2022, and it increased the contribution rate from 5% to 5.25%. The phased increases will continue to raise by .25% each subsequent July 1 until it reaches a maximum of 7% in 2029.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

NOTE 19: Pensions (Continued)

(a) General Information about the Pension Plans (Continued)

ATRS

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2023, the employer contribution rate was 15% of covered employee payroll. Contributions to ATRS from North Arkansas College were \$476,886 for the year ended June 30, 2023.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 7% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as noncontributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, North Arkansas College reported liabilities of \$10,214,417 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. North Arkansas College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2023, the College's proportion was .0909% for ATRS and .2009% for APERS.

For the year ended June 30, 2023, North Arkansas College recognized pension expense of \$669,909. For the year ended June 30, 2023, North Arkansas College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$222,489	\$75,717
Changes of assumptions	\$497,904	
Net differences between projected and actual earnings on pension plan investments	\$1,844,810	
Changes in proportion and differences between College contributions and proportionate share of contributions	\$127,501	\$740,965
College contributions subsequent to the measurement date	\$1,208,828	
Total	\$3,901,532	\$816,682

NOTE 19: Pensions (Continued)

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,208,828 reported as deferred outflows of resources related to pensions resulting from North Arkansas College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	438,103
2025	258,965
2026	(162,696)
2027	1,341,650
Thereafter	0
Total	\$ 1,876,022

Actuarial assumptions. The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	ATRS	APERS
Date of actuarial valuation	June 30, 2022	June 30, 2022
Inflation rate	2.75%	3.25%
Salary increases	2.75% to 7.75%, including inflation	3.25% - 9.85%, including inflation
Investment rate of return	7.25%	7.15%
Mortality rates	Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010. (100% for males and 100% for females).	RP-2006 Weighted generational mortality tables for healthy, annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.
Actuarial experience study dates	July 1, 2015, through June 30, 2020	July 1, 2012, through June 30, 2017

NOTE 19: Pensions (Continued)

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

ATRS

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

APERS

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020-2029 were provided by the plan investment consultant.

For each major asset class that is included in each pension plans' target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	53.00%	5.3%
Fixed income	15.00%	1.3%
Alternatives	5.00%	4.8%
Real assets	15.00%	4.0%
Private equity	12.00%	7.6%
Cash equivalents	0.00%	0.5%

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%

NOTE 19: Pensions (Continued)

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate for each plan was determined as follows:

APERS

The single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The current member contribution rate is 5.25% of active member payroll, respectively. Although not all members contribute, the member rate is scheduled to increase by 0.25% increments ending in Fiscal Year 2030. The ultimate member rate will be 7%, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

ATRS

The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made in accordance with this schedule. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

Sensitivity of College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability for each plan calculated using the discount rate stated above, as well as what the College's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current discount rate	1% Increase
ATRS – Current discount rate 7.25%	\$7,628,245	\$4,798,613	\$2,451,046
APERS– Current discount rate 7.15%	\$8,610,139	\$5,415,804	\$2,778,594

Pension plan fiduciary net position. Detailed information about each pension plan's fiduciary net position is available in the separately issued financial report of each plan.

NOTE 20: Net Position (Deficit)

The deficit unrestricted net position was primarily the result of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions* in FY 2014-15 and the FY 2017-18 implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The total unrestricted net position (deficit) of the College as of June 30, 2023 was (\$1,252,168), which included deficits relating to activity associated with net pension and OPEB obligations for the year ended June 30, 2023 in the amounts of \$7,129,567 and \$1,115,439, respectively.

NOTE 21: Commitments

The College was contractually obligated for the following at June 30, 2023:

Project Name	Design & Construction Contracts	Payments thru 6/30/2023	Payables Recorded at 6/30/2023	Balance Remaining on Contract	Estimated Completion Date
Art Facility Expansion	\$753,040	\$34,100	\$0	\$718,940	Feb 2024
Center for Robotics & Manufacturing Innovation	\$442,000	\$177,764	\$0	\$264,236	Jan 2025

NOTE 22: Subsequent Events

Design services are underway for the planned Center for Robotics and Manufacturing Innovation to be constructed on the South Campus in Harrison. On March 1, 2023, the College entered into a contract for construction services and on February 21, 2024, a contract amendment was signed establishing a guaranteed maximum price of \$7,778,382. The project is expected to be completed in the Spring of 2025. The Center will house Technical Education Programs in Robotics, Industrial Manufacturing, and Electronics, and will serve as a hub for the College's Workforce and Economic Development services.

North Arkansas College
Required Supplementary Information (Unaudited)
June 30, 2023

Postemployment Benefits Other than Pensions (OPEB)

Schedule of Changes in the College's Total OPEB Liability and Related Ratios

	Measurement Date					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service Cost	\$ 48,445	\$ 65,016	\$ 44,780	\$ 43,927	\$ 21,920	\$ 21,437
Interest	49,605	29,431	28,269	27,315	18,107	17,547
Change of benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	(60,904)	0	129,363	0	219,192	0
Changes of assumptions or other inputs	(4,435)	(223,352)	74,741	12,070	101,187	7,779
Benefit payments	0	0	0	(0)	(0)	(0)
Net change in total OPEB liability	32,711	(128,905)	277,153	83,312	360,406	46,763
Total OPEB liability - beginning	<u>1,188,614</u>	<u>1,317,519</u>	<u>1,040,366</u>	<u>957,054</u>	<u>596,648</u>	<u>549,885</u>
Total OPEB liability - ending	<u>\$ 1,221,325</u>	<u>\$ 1,188,614</u>	<u>\$ 1,317,519</u>	<u>\$ 1,040,366</u>	<u>\$ 957,054</u>	<u>\$ 596,648</u>
Covered employee payroll	\$ 7,889,894	\$ 7,233,752	\$ 7,383,684	\$ 7,187,796	\$ 6,814,781	\$ 6,955,399
Total OPEB liability as a percentage of covered employee payroll	15.48%	16.43%	17.84%	14.47%	14.04%	8.58%

(1) North Arkansas College implemented GASB Statement 75 in fiscal year 2018. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedule:

Changes of assumption: The assumed single discount rate was changed from 2.66% to 2.18% at 6/30/21, to 4.09% at 6/30/22, and to 4.13% at 6/30/23.

No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

North Arkansas College
Required Supplementary Information (Unaudited)
June 30, 2023

**Schedule of the College's Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System**

	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
College's proportion of the net pension liability (asset)	0.2009%	0.2140%	0.2084%	0.2022%	0.1753%	0.1684%	0.1510%	0.1421%	0.1440%
College's proportionate share of the net pension liability	\$ 5,415,804	\$ 1,645,230	\$ 5,968,297	\$ 4,878,238	\$ 3,866,311	\$ 4,351,673	\$ 3,610,888	\$ 2,617,015	\$ 2,043,439
College's covered payroll	\$ 4,350,868	\$ 4,120,711	\$ 4,066,645	\$ 4,099,105	\$ 3,186,110	\$ 3,038,118	\$ 2,737,542	\$ 2,539,849	\$ 2,547,033
College's proportionate share of the net pension liability as a percentage of its covered payroll	124.48%	39.93%	146.76%	119.01%	121.35%	143.24%	131.90%	103.04%	80.23%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

*The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the College's Proportionate Share of the Net Pension Liability
Arkansas Teacher Retirement System**

	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
College's proportion of the net pension liability (asset)	0.0909%	0.0974%	0.1052%	0.1097%	0.1122%	0.1179%	0.1257%	0.1322%	0.1432%
College's proportionate share of the net pension liability	\$ 4,798,613	\$ 2,696,348	\$ 5,955,254	\$ 4,574,008	\$ 4,083,515	\$ 4,955,619	\$ 5,543,614	\$ 4,304,807	\$ 3,758,401
College's covered payroll	\$ 3,091,478	\$ 3,173,752	\$ 3,294,267	\$ 3,436,293	\$ 3,319,767	\$ 3,494,542	\$ 3,681,798	\$ 3,885,748	\$ 4,147,342
College's proportionate share of the net pension liability as a percentage of its covered payroll	155.22%	84.96%	180.78%	133.11%	123.01%	141.81%	150.57%	110.78%	90.62%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

*The amounts presented for each fiscal year were determined as of June 30.

Note: Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

North Arkansas College
Required Supplementary Information (Unaudited)
June 30, 2023

**Schedule of College Contributions
Arkansas Public Employees Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 73,942	\$ 666,553	\$ 631,293	\$ 623,010	\$ 604,618	\$ 485,213	\$ 440,527	\$ 396,944	\$ 358,970
Contributions in relation to the contractually required contribution	(73,942)	(666,553)	(631,293)	(623,010)	(604,618)	(485,213)	(440,527)	(396,944)	(358,970)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
College's covered payroll	\$ 4,777,689	\$ 4,350,868	\$ 4,120,711	\$ 4,066,645	\$ 4,099,105	\$ 3,186,110	\$ 3,038,118	\$ 2,434,530	\$ 2,433,890
Contributions as a percentage of covered payroll	15.32%	15.32%	15.32%	15.32%	14.75%	15.23%	14.50%	16.30%	14.75%

**Schedule of College Contributions
Arkansas Teacher Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 476,886	\$ 455,933	\$ 460,194	\$ 469,433	\$ 481,081	\$ 476,209	\$ 489,236	\$ 515,452	\$ 520,745
Contributions in relation to the contractually required contribution	(476,886)	(455,933)	(460,194)	(469,433)	(481,081)	(476,209)	(489,236)	(515,452)	(520,745)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
College's covered payroll	\$ 3,179,240	\$ 3,091,478	\$ 3,173,752	\$ 3,294,267	\$ 3,436,293	\$ 3,319,767	\$ 3,494,542	\$ 3,440,555	\$ 3,829,808
Contributions as a percentage of covered payroll	15.00%	14.75%	14.50%	14.25%	14.00%	14.34%	14.00%	14.98%	13.60%

Note: Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NORTH ARKANSAS COLLEGE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

Schedule 1

	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets and Deferred Outflows	\$ 40,746,763	\$ 35,977,004	\$ 33,845,292	\$ 30,865,280	\$ 29,450,311
Total Liabilities and Deferred Inflows	22,800,052	19,947,656	22,611,757	20,962,404	19,910,027
Total Net Position	17,946,711	16,029,348	11,233,535	9,902,876	9,540,284
Total Operating Revenues	4,726,127	3,782,083	3,189,291	2,961,753	2,808,608
Total Operating Expenses	25,430,867	26,430,631	24,958,817	22,954,269	22,351,878
Total Net Non-Operating Revenues	22,554,428	27,444,361	23,078,185	20,355,108	19,873,496
Total Other Revenues, Expenses, Gains or Losses	70,572		22,000		(1,757,917)

