

NorthWest Arkansas Community College

Bentonville, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



NORTHWEST ARKANSAS COMMUNITY 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

NorthWest Arkansas Community 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 the NorthWest Arkansas Community 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 NorthWest Arkansas Community College Foundation, Inc. (Foundation), 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 Foundation, is based solely on the report of the other auditors. The financial statements of the Foundation 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 (*Government Auditing Standards*). 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 Note 1 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 8-14, 52-54, and 55-56 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

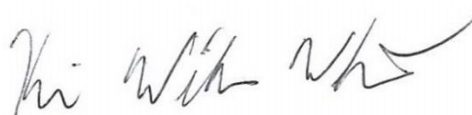
Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 December 17, 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
December 17, 2024
EDHE19823

Arkansas

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



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House Chair
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Kevin William White, CPA, JD
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

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the discretely presented component unit of the NorthWest Arkansas Community 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 December 17, 2024. Our report includes a reference to other auditors who audited the financial statements of the NorthWest Arkansas Community College Foundation, Inc. (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation 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 Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described below in the Audit Findings section of this report that we consider to be a material weakness.

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 December 17, 2024.

AUDIT FINDINGS

Material Weakness

Financial Statements should be presented fairly in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College's internal control system did not detect or prevent material misstatements in the financial statements due to lack of management oversight and turnover of key accounting personnel. The financial statements were subsequently corrected by College personnel during audit fieldwork. Key errors in the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements included:

Statement of Net Position

- Cash and cash equivalents was overstated by \$84,170.
- Accounts receivable was overstated by \$5,986,440.
- Capital assets was understated by \$202,170.
- Prepaid expenses was overstated by \$133,550.
- Accounts payable was overstated by \$8,002,260.
- Compensated absences was understated by \$20,352.
- Deferred outflows were understated by \$103,287.
- Total net position was overstated by \$161,342. This overstatement combined with misclassification within net position resulted in unrestricted net position being overstated by \$2,459,023 and net position restricted for instructional department uses being understated by \$2,297,681.

Statement of Revenues, Expenses, and Changes in Net Position

- Errors totaling \$507,474, resulted in operating expenses being understated by \$56,416.
- Errors totaling \$3,924,548, resulted in nonoperating revenues being understated by \$2,674,364.

Statement of Cash Flows

- Misclassification of cash flows resulted in cash flows from operating activities being understated by \$3,128,205 and the following cash flow categories overstated totaling the same amount:
 - Cash flows from noncapital financing activities overstated by \$3,076,039.
 - Cash flows from capital and related financing activities overstated by \$16,522.
 - Cash flows from investing activities overstated by \$35,644.
- The noncash transactions related to trustee accounts were overstated by \$65,255.
- The noncash transactions section did not include noncash transactions of \$5,843,719 related to the acquisition of right to use (ROU) SBITA assets through incurrence of a SBITA liability.
- The reconciliation of net operating loss to net cash used by operating activities did not agree to cash flows from operating activities.

Notes to the Financial Statements

- Notes to the financial statements prepared by the College were incomplete and contained material errors. Material errors were identified in Note 1 Accounts Receivable (\$3,774,420) and Note 6 Pledged Revenues (\$3,486,909).

A similar finding was noted in the previous three audits.

We recommend the College implement internal controls to ensure the accuracy of the financial statements.

Management response: Management concurs with the findings. The Accounts Receivable and Accounts Payable overstatements were due, in part, to the implementation of Student Workday in 2022 and the transition from Banner leading to revenues being stated twice by being tied to a student in Banner and being counted again in Workday. This issue was identified and is now being reviewed and manual corrections made when issues are located. Another issue resulting in an overstatement of Accounts Receivable was related to the inability of Workday to defer revenue from future Fiscal Year registrations. Workday recognized revenue at the time of registration and had to be manually adjusted to move the revenue to the proper year. The journal entry to correct this was posted to Unearned Revenue, a Payable, and should have reduced Accounts Receivable. This error has been corrected for future years adjustments. Grants reimbursement was a problem, the configuration in the ERP system (Workday) has been identified so manual corrections can be made when the system does not record a reimbursement. A review of trial balances on a monthly basis, as well as a review of past year trends will be implemented. Treasury will develop a standard operating procedure for AR and AP reconciliation each month. Cash account reconciliation will be a top priority. As experience is gained with the new ERP system, across all departments, and with a strong controller overseeing the finance team we expect to see internal controls and management oversight in place moving forward.

College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the finding identified in our audit described previously. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 17, 2024

Arkansas



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

Rep. Jimmy Gazaway
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 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>Fall Term</u>	<u>Spring Term</u>	<u>Summer I Term</u>
	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>
Student Headcount	814	7,593	7,137	2,284
Student Semester Credit Hours	2,874	58,301	52,309	10,907

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
December 17, 2024

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Overview of the Financial Statements and Financial Analysis

Northwest Arkansas Community College presents its financial statements for the fiscal year ended June 30, 2023.

The financial statements are designed to provide readers with a broad overview of finances and operations of Northwest Arkansas Community College. The College reports its activity as a business-type activity using the full accrual basis of accounting. The emphasis of discussions about the financial statements will be on current year data. The annual financial report of the College includes the following three financial statements presented with notes to the financial statements: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows – Direct Method.

Statement of Net Position

The Statement of Net Position presents information on all Northwest Arkansas Community College's assets and liabilities, with the difference between assets and liabilities being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal "snapshot" of Northwest Arkansas Community College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows and net position (assets plus deferred outflows minus liabilities and deferred inflows). GASB No. 63 defines *deferred outflows* and *deferred inflows* as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods.

The Statement of Net Position reports the assets available to continue the operations of the College. Readers of the Statement of Net Position can determine the amount of liabilities owed to vendors and lending institutions. The Net Position section of the Statement presents the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the College.

Northwest Arkansas Community College's total assets and deferred outflows as on June 30, 2023, were \$115,992,560 compared to \$108,581,972 on June 30, 2022, as reported in the asset section of the Statement of Net Position. Total assets are comprised of current assets in the amount of \$45,146,442 and noncurrent assets of \$66,463,626 and deferred outflows of \$4,382,492 for fiscal year 2023, compared to \$37,689,366 and \$67,933,065 for current and noncurrent assets, respectively and \$2,959,541 for deferred outflows in the 2022 fiscal year. Current assets are cash and other assets expected to be converted into cash or consumed in the subsequent fiscal year. Noncurrent assets consist of restricted cash and capital assets net of related depreciation.

Deferred outflows are \$3,656,140 relating to defined benefit pension plans as required by GASB 68, at June 30, 2023 and \$2,242,994 at June 30, 2022. Deferred outflows relating to OPEB liability as required by GASB 75 were \$249,510 at June 30, 2023 and \$188,008 at June 30, 2022 due to GASB 75. Deferred outflows relating to bond refunding \$476,842 at June 30, 2023 and \$528,539 at June 30, 2022.

Total liabilities of Northwest Arkansas Community College at June 30, 2023 are \$64,100,121 and \$60,254,594 at June 30, 2022. Current liabilities are obligations of the College that reasonably expect to be liquidated within the next twelve months. Northwest Arkansas Community College's current liabilities in the amount \$14,553,691 at June 30, 2023, consisted of accounts payable and accrued liabilities, the current portion of bonds and notes payable, and the current portion of compensated absences compared to \$11,503,000 for total current liabilities at June 30, 2022.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Statement of Net Position (Continued)

Noncurrent liabilities are long-term obligations of the College that are payable at some date beyond the following fiscal year. Noncurrent liabilities of \$49,546,430 at June 30, 2023 and \$48,751,594 at June 30, 2022 were comprised of the long-term portion of bonds and notes payable, compensated absences payable, as well as the liability for postretirement benefits and liability for pensions. The liability for postretirement and pension liabilities were recorded in the financial statements as of June 30, 2023 in the amount of \$9,239,201 compared to \$4,485,377 at June 30, 2022.

Deferred inflows are \$595,494 relating to defined benefit pension plans as required by GASB 68 at June 30, 2023 and \$4,216,897 at June 30, 2022. Deferred inflows relating to OPEB are required by GASB 75 were \$576,695 at June 30, 2023 and \$445,694 at June 30, 2022.

In the net position section of the Statement of Net Position, there are three main categories of net position. The first category is "Net Investment in Capital Assets" which provides the College's equity in property, plant and equipment. The second category is "Restricted Net Assets", which consists of expendable resources that are available for expenditure by the College but must be spent for purposes as determined by donor(s) and/or external entities that have placed purpose and/or time restrictions on the use of the assets. The third category is "Unrestricted Net Assets", which are available to be used by the College for any lawful purpose. By far the largest portion of Northwest Arkansas Community College's net assets is reflected in the amount invested in capital assets.

The following is a condensed Statement of Net Position:

	June 30, 2023	June 30, 2022
ASSETS:		
Current Assets	\$ 45,146,442	\$ 37,689,366
Noncurrent Assets	66,463,626	67,933,065
TOTAL ASSETS	\$ 111,610,068	\$ 105,622,431
Deferred outflows of resources	\$ 4,382,492	\$ 2,959,541
Total assets and deferred outflows	\$ 115,992,560	\$ 108,581,972
LIABILITIES:		
Current Liabilities	\$ 14,553,691	\$ 11,503,000
Noncurrent Liabilities	\$ 49,546,430	48,751,594
TOTAL LIABILITIES	\$ 64,100,121	\$ 60,254,594
Deferred inflows of resources	\$ 1,172,189	\$ 4,662,591
Total liabilities and deferred inflows	\$ 65,272,310	\$ 64,917,185
NET POSITION:		
Net Investment in Capital Assets	\$ 19,817,586	\$ 20,875,420
Restricted	19,079,766	12,432,852
Unrestricted	11,822,898	10,356,515
TOTAL NET POSITION	\$ 50,720,250	\$ 43,664,787

* Restated balances. See Note#1 for details.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Statement of Net Position (Continued)

Net Investment in Capital Assets as of June 30, 2023 and 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022 *</u>
Capital Assets not Depreciated	\$ 5,461,422	\$ 7,444,768
Other Capital Assets	99,778,051	96,604,943
Total Capital Assets	<u>105,239,473</u>	<u>104,049,711</u>
Less: Accumulated Depreciation	<u>(47,003,358)</u>	<u>(42,017,390)</u>
Capital Assets, Net	<u>58,236,115</u>	<u>62,032,321</u>
Less: Related Debt	<u>(38,418,529)</u>	<u>(41,156,901)</u>
Net Investment in Capital Assets	<u>\$ 19,817,586</u>	<u>\$ 20,875,420</u>

* Restated balances. See Note #1 for details.

The College also records compensated absences as part of noncurrent liabilities for amounts owed to employees upon retirement or employee's beneficiary upon death of the employee as well as the liability for postretirement benefits and the liability for pensions.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net assets as reported on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to report the operating and nonoperating revenues received by the College, and the operating and nonoperating expenses paid by the College, along with any other revenues, expenses, and gains/losses received or spent by the College.

In general, operating revenues are received in return for providing goods and services to customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in exchange for operating revenues, and to carry out the mission and operations of the College. Operating revenues and expenses are considered to be "exchange" transactions.

Nonoperating revenues are revenues received for which goods and services are not provided in return for the revenue. State appropriation funds provided by the State Legislature to the College are reported as nonoperating revenue because the Legislature does not receive commensurate goods or services for these revenues. Local property tax millage and investment income received are also reported as nonoperating revenue since goods and services are not provided in exchange for the revenue. Nonoperating revenues and expenses are considered to be "nonexchange" transactions.

Some of the highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- ◆ Total operating revenues increased for fiscal year 2023 to \$18,209,602 compared to \$14,513,834 in the previous fiscal year. This increase represents 25.46% change.
- ◆ Tuition and fees are reported net of scholarship discount and allowance of \$5,661,254 in 2023 and \$5,635,339 in 2022. It marks an increase of \$25,915, which is an increase of .46%.
- ◆ Total operating expenses decreased to \$57,645,931 in 2023 from \$60,377,561 in 2022. This \$2,731,630 decrease represents a decrease of 4.5%. Personal services costs increased by \$1,512,956. Supplies and services costs decreased by \$164,441, and Scholarships and fellowships decreased by \$5,039,244, and Depreciation expense increased by \$959,099.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

- ◆ State appropriations of general revenue and educational excellence funds increased for fiscal year 2023 to \$13,601,004 from \$13,306,500 in the prior year. Federal grants and state grants received decreased approximately \$5,936,034 from receipts in 2022 for a total of \$15,875,283 in 2023.
- ◆ Private grants increased from \$1,234,503 in 2022 to \$1,582,549 in 2023.
- ◆ Total local property tax millage (2.6 mills) revenue reported in the fiscal year 2023 was \$16,469,259 compared to \$12,090,450 in 2022. This is an increase of 36%. Two thirds of the millage revenue was used for operations of the College; while one-third of the millage was restricted for debt retirement.

The following is a condensed summary of the change in net position:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022
Total Operating Revenues	18,209,602	14,513,834
Total Operating Expenses	57,645,931	60,377,561
Operating Income (Loss)	(39,436,329)	(45,863,727)
Total Non-Operating Revenue/Expenses and other changes	46,491,792	47,379,798
Increase (Decrease) in Net Position	7,055,463	1,516,071
Net Position		
Beginning of Year	43,664,787	42,148,716
End of Year	50,720,250	43,664,787

**NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

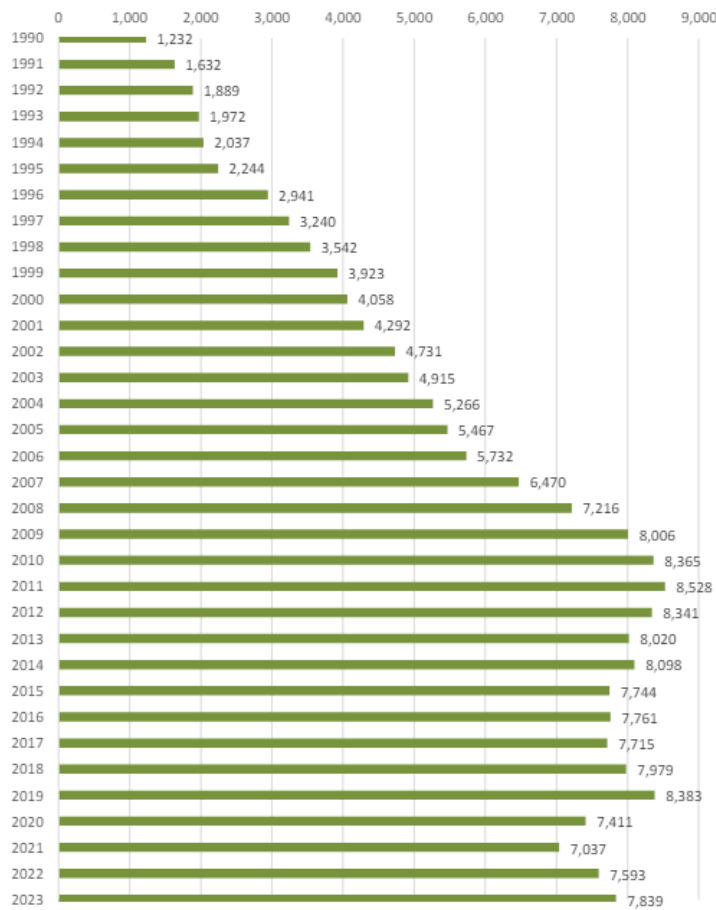
Enrollment

As a result of rapid economic development of the NWA region, student enrollment in the past has steadily increased at Northwest Arkansas Community College but this growth has slowed and showing negative numbers due to the COVID-19. The Unduplicated Student Headcount for 2023 was 10,829, increased from 9,792 in 2022.

Historical Headcount Summary

Fall 1990 to Fall 2022

Year	Total Headcount	Additional Students	Total % Change
1990	1,232		
1991	1,632	400	32.5%
1992	1,889	257	15.7%
1993	1,972	83	4.4%
1994	2,037	65	3.3%
1995	2,244	207	10.2%
1996	2,941	697	31.1%
1997	3,240	299	10.2%
1998	3,542	302	9.3%
1999	3,923	381	10.8%
2000	4,058	135	3.4%
2001	4,292	234	5.8%
2002	4,731	439	10.2%
2003	4,915	184	3.9%
2004	5,266	351	7.1%
2005	5,467	201	3.8%
2006	5,732	265	4.8%
2007	6,470	738	12.9%
2008	7,216	746	11.5%
2009	8,006	790	10.9%
2010	8,365	359	4.5%
2011	8,528	163	1.9%
2012	8,341	(187)	-2.2%
2013	8,020	(321)	-3.8%
2014	8,098	78	1.0%
2015	7,744	(354)	-4.4%
2016	7,761	17	0.2%
2017	7,715	(46)	-0.6%
2018	7,979	264	3.4%
2019	8,383	404	5.1%
2020	7,411	(972)	-11.6%
2021	7,037	(374)	-5.0%
2022	7,593	556	7.9%
2023	7,839	246	3.2%



Source: Reports submitted to ADHE

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Enrollment (Continued)

Summary of Students Served

Academic Year

Unduplicated Headcounts

Academic Year	Credit Students	Workforce Development Students	Adult Education Students	Grand Total
2001-02	6,372	5,443	2,491	14,306
2002-03	7,011	5,147	2,050	14,208
2003-04	7,183	4,800	2,139	14,122
2004-05	7,792	4,264	2,837	14,893
2005-06	8,217	4,129	2,885	15,231
2006-07	8,695	3,317	3,694	16,046
2007-08	9,839	3,675	3,615	17,396
2008-09	10,826	2,555	3,322	16,937
2009-10	11,812	1,963	3,315	17,334
2010-11	12,190	2,358	3,428	18,216
2011-12	12,311	3,330	3,296	18,937
2012-13	12,140	4,546	3,134	20,067
2013-14	11,586	2,149	2,753	16,488
2014-15	11,433	2,638	2,373	16,444
2015-16	11,172	3,625	1,874	16,671
2016-17	11,225	2,598	1,708	15,531
2017-18	11,098	2,421	1,796	15,315
2018-19	11,322	3069*	1,623	16,014
2019-20	11,390	2901*	1,410	15,701
2020-21	10,215	2,669	1,465	14,349
2021-22	9,792	2,571	1,682	14,045
2022-23	10,829	1,530	1,806	14,165

NORTHWEST ARKANSAS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Economic Outlook and Factors Impacting Future Periods

Northwest Arkansas Community College continues to build on its tradition of providing a quality and affordable educational experience for students. The college keeps pace with emerging trends in instruction delivery and personalized education, while meeting budgetary, social, and political challenges common to higher education in today's environment.

Funding from the State of Arkansas remains problematic because the College remains under-funded relative to peer institutions. Revenue collections from the local property tax continue to increase due to a healthy real estate market and increased assessed personal property values. However, Northwest Arkansas Community College had a strong financial position at June 30, 2023. NWACC was forced to increase tuition and fees for fiscal year 2025 due to continuous inflationary pressures that have led to rising expenses.

Regional economic growth substantially impacts NWACC, with road expansions planned adjacent to and through the college campus. NWACC has completed a land purchase agreement with the city of Bentonville that will enable the expansion of 8th Street and Water Tower Street. This project has no tentative date of completion. NWACC has also acquired the railroad-owned land from the state, which previously was divided by campus property.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

	June 30 2023
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 28,709,876
Accounts receivable (less allowance of \$422,653)	6,356,465
Property taxes receivable	9,003,104
Deposits with bond trustee	948,931
Prepaid expenses	128,066
Total Current Assets	45,146,442
Noncurrent Assets:	
Restricted cash and cash equivalents	8,227,511
Capital assets (net of accumulated depreciation and amortization of \$47,003,358)	58,236,115
Total Noncurrent Assets	66,463,626
TOTAL ASSETS	111,610,068
DEFERRED OUTFLOWS OF RESOURCES	
APERS Pension	2,137,778
ATRS Pension	1,518,362
OPEB	249,510
2020 A Bond	263,779
2020 B Bond	213,063
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,382,492
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	115,992,560
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	11,149,035
Bonds payable - current portion	1,290,000
Bond issue premium	106,348
Bond issue discount	-
Note Payable - current portion	580,000
Current Lease Liability	961,793
Current SBITA Liability	358,764
Compensated absences - current portion	44,668
Current OPEB Liability	63,083
Total Current Liabilities	14,553,691
Noncurrent Liabilities:	
Bonds payable	22,425,000
Bond issue premium	293,170
Bond issue discount	(46,792)
Notes Payable	3,820,000
Lease Liability	8,073,542
SBITA Liability	4,956,704
Compensated absences payable	848,688
Liability for post retirement benefits (OPEB)	1,148,028
Proportionate Share of Pension Liability - APERS	3,992,192
Proportionate Share of Pension Liability - ATRS	4,035,898
Total Noncurrent Liabilities	49,546,430
TOTAL LIABILITIES	64,100,121

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

	June 30 2023
DEFERRED INFLOWS OF RESOURCES	
APERS Pension	\$ 48,200
ATRS Pension	547,294
OPEB Post Retirement Benefits	576,695
TOTAL DEFERRED INFLOWS OF RESOURCES	1,172,189
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,272,310
NET POSITION	
Net investment in capital assets	19,817,586
Restricted for:	
Expendable	
Instructional departments uses	4,415,352
Debt service	14,664,414
Unrestricted	11,822,898
TOTAL NET POSITION	\$ 50,720,250

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

Exhibit A-1

	JUNE 30, 2023
ASSETS	
Current assets	
Cash and cash equivalents	\$ 756,959
Investments	9,801,906
Pledges and grants receivable, net	328,739
Prepaid expenses and other assets	43,049
Total current assets	10,930,653
Property and equipment	
Buildings	34,266,416
Land improvements	478,280
Office furnishings and equipment	48,386
	34,793,082
Less accumulated depreciation	(9,601,138)
Total property and equipment	25,191,944
Assets held in reserve	3,216,304
	\$ 39,338,901
LIABILITIES AND NET ASSETS	
Liabilities	
Current maturities of bonds payable	\$ 751,491
Accounts payable	3,704
Accrued expense payable	175,935
Accrued interest payable	24,943
Deferred revenue	975,769
Total current liabilities	1,931,842
Long-term bonds payable less current maturities, net	8,013,519
Net Assets	
Without donor restrictions	21,702,711
With donor restrictions	7,690,829
Total net assets	29,393,540
	\$ 39,338,901

NORTHWEST ARKANSAS COMMUNITY 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 \$5,661,254)	\$ 17,786,851
Other operating revenues	422,751
TOTAL OPERATING REVENUES	18,209,602
 OPERATING EXPENSES	
Personal services	36,981,476
Scholarships and fellowships	2,911,181
Supplies and services	12,484,459
Depreciation and amortization expense	5,268,815
TOTAL OPERATING EXPENSES	57,645,931
OPERATING INCOME (LOSS)	(39,436,329)
 NONOPERATING REVENUES (EXPENSES)	
State appropriations	13,601,004
Federal grants	12,762,680
State grants	3,112,603
Property taxes	16,469,259
Nongovernmental grants and contracts	1,582,549
Investment income	45,216
Interest on capital asset related debt	(747,294)
Interest on ROU lease and SBITA asset	(334,225)
NET NONOPERATING REVENUES (EXPENSES)	46,491,792
INCREASE (DECREASE) IN NET POSITION	7,055,463
NET POSITION - BEGINNING OF YEAR	43,664,787
NET POSITION - END OF YEAR	\$ 50,720,250

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Exhibit B-1

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Special events revenue	\$ 83,798		\$ 83,798
Less costs of direct benefit	(47,326)		(47,326)
Contributions of cash and other financial assets	51,767	\$ 619,698	671,465
Contributions of nonfinancial assets	449,722		449,722
Total support	537,961	619,698	1,157,659
Revenue			
Net Investment income	631,987	62,678	694,665
Interest income and dividends on investments	284,974		284,974
Rental income	1,071,097		1,071,097
Net assets released from restriction	480,969	(480,969)	
Total revenue	2,469,027	(418,291)	2,050,736
Total support and revenue	3,006,988	201,407	3,208,395
Expenses			
Program expenses	3,471,167		3,471,167
General and administrative	116,144		116,144
Fundraising	49,478		49,478
	3,636,789		3,636,789
Change in net assets	(629,801)	201,407	(428,394)
Net assets at beginning of year	22,332,512	7,489,422	29,821,934
Net assets at end of year	\$ 21,702,711	\$ 7,690,829	\$ 29,393,540

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - DIRECT METHOD
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	<u>Year Ended June 30, 2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from student tuition and fees	\$ 14,529,170
Other receipts	422,751
Payments to employees	(27,040,696)
Payments for employee benefits	(9,601,461)
Payments to suppliers	(11,870,803)
Payments for scholarships and fellowships	(2,911,181)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(36,472,220)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	13,601,004
Proceeds from grants and contracts	21,540,029
Property taxes	9,224,075
Nongovernmental grants and contracts	1,491,549
Direct lending loan receipts	6,088,111
Direct lending loan payments	(4,993,013)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>46,951,755</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Property taxes allocated for debt retirement	4,612,039
Payments to trustees for bond principal	(1,180,000)
Payments to trustees for bond interest	(1,256,840)
Payments to trustee, other	(2,500)
Payments to lease principal	(927,367)
Payments to lease interest	(334,225)
Payments to SBITA principal	(528,251)
Purchases of capital assets	(1,381,610)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(998,754)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>9,366</u>
 NET INCREASE IN CASH	 9,490,147
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>27,447,240</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 36,937,387</u>

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - DIRECT METHOD
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	Year Ended June 30, 2023
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	\$ (39,436,329)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	5,268,815
Trustee fees paid from trustee deposits	2,500
Changes in assets and liabilities:	
Receivables, net	(2,693,330)
Prepaid expenses	89,464
Accounts payable	639,019
Compensated absences	(131,133)
Other post employment benefits	91,471
Net pension liability	(302,697)
NET CASH USED BY OPERATING ACTIVITIES	\$ (36,472,220)
 NONCASH TRANSACTIONS	
Interest earned on deposits by trustees	35,850
Bond interest paid from trustee funds	(805,683)
Trustee fees paid from deposits with trustee	(2,500)
Amortization of bond premium	102,754
In-kind donations	107,887
Acquisition of right to use (ROU) SBITA assets through incurrence of SBITA Liability	5,843,719

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

NorthWest Arkansas Community College (the College) is a comprehensive, public institution of higher education that serves the local, state, national, and international communities and provides varied and abundant learning opportunities to advance fundamental knowledge. The College is an institution of higher education of the State of Arkansas and its governing body is the Board of Trustees comprising nine members.

The College's financial statements reflect all funds and accounts directly under the control of the College. NorthWest Arkansas Community College began fiscal operations on January 30, 1990 and began offering classes in the 1990-91 school year.

Financial Statement Presentation

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

Component Units

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which amends GASB Statement No. 14 to provide 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. GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, to amend the rules that govern how component units are identified and presented. The statement clarifies the evaluation of fiscal dependency and adds two additional criteria for blending component units and is effective for reporting periods beginning after June 2012. Also added for reporting periods beginning after June 2012 is GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement amends the blending requirements established in GASB Statement No. 14 to require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There is one qualifying foundation for the NorthWest Arkansas Community College: The Northwest Arkansas Community College Foundation, Inc.

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Component Units (Continued)

During the year ended June 30, 2023, the Foundation distributed cash amount of \$1,513,755 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administration office at One College Drive, Bentonville, AR 72712.

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 measurement 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.

Capital Assets and Depreciation

Land, land improvements, buildings, improvements and infrastructure, equipment, library holdings, archives and collections, and construction-in-progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at acquisition value when received. The College follows the State guidelines for equipment capitalization.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 to 50 years for buildings and building improvements, 15 years for infrastructure and land improvements, 3 to 8 years for office and classroom furniture, fixtures and equipment, 5 years for motor vehicles and 10 years for library holdings.

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; and (2) sales and services of educational departments.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions, federal grants and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*, such as state appropriations and investment income.

Cash and 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.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and services 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 grants and contracts. Accounts receivable are recorded net of the estimated allowance for doubtful accounts in the amount of \$422,653.

A summary of accounts receivable balances at June 30, 2023, is as follows:

	Gross	Allowance	Net
Student Accounts Receivable	\$ 2,817,685	\$ (422,653)	\$ 2,395,032
Accounts Receivable - Other Governments	3,431,298	-	3,431,298
Other Receivables	530,135	-	530,135
Totals	\$ 6,779,118	\$ (422,653)	\$ 6,356,465

Noncurrent Cash

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other nonrecurring assets is classified as a noncurrent asset in the Statement of Net Position.

Accounts Payable and Accrued Liabilities

A summary of accounts payable and accrued liabilities at June 30, 2023, is as follows:

Vendors payable	\$ 858,796
Salaries and benefits payable	9,029,825
Accrued Interest payable	87,505
Unclaimed property payable to state	44,420
Payable to federal and state agencies for grants and contracts	1,053,954
Other payables	10,768
Unearned revenue	63,767
Total	\$ 11,149,035

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues, reported as a component of accounts payable and accrued liabilities, include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Compensated absences payable represents the College's liability (salaries plus applicable salary related costs) for unused annual leave as of June 30, 2023. Unused vacation leave for eligible employees is included in the compensated absences payable calculation. Also included is unused sick leave accrual for classified employees in accordance with state regulations. This accrual is calculated on a sliding scale and is limited to a maximum payout of \$7,500.

Accumulated vacation days have a maximum carryover 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.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year; (3) the liability for postemployment benefits; and (4) proportionate share of net pension liability. An estimate is made to allocate the compensated absences liability between the current and noncurrent components.

Property Taxes

Property taxes are levied in November based on the property assessment made between January 1 and May 31 and are enforceable liens 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.

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 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 those estimates.

Income Taxes

The College is tax exempt under Internal Revenue Service code section 501(a). It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

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

- Statement No. 91, Conduit Debt Obligations
- Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Statement No. 96, Subscription-Based Information Technology Arrangements
- Statement No. 99, *Omnibus 2022*

Management has determined that the Statements No. 91, 94, and 99 did not materially impact the college. Statement No. 96 established standards of accounting and financial reporting for subscriptions-based information technology arrangements. Details of the effects of this statement are shown in Notes 4 and 5.

Restatement of Prior Year

GASB 96 was implemented effective July 1, 2022. A restatement of net position was not necessitated for SBITAs impacted by the implementation of GASB 96. See Notes 4 and 5 for the restated right-to-use asset and liability amounts.

NOTE 2: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 750,000	\$ 750,000
Collateralized:		
The collateral is held by the College and bank's agent in a trilateral agreement in the College's name	36,185,087	35,620,161
Total Deposits	\$ 36,935,087	\$ 36,370,161

The above deposits do not include cash on hand maintained by the College in the amount of \$2,300 at June 30, 2023.

NOTE 3: Deposit with Trustees and Investments

At June 30, 2023, the College's deposits with the trustee in the amount of \$948,931 were invested in Fidelity Investments Money Market Treasury Fund and Morgan Stanley Government Advisory Portfolio Fund. The funds operate as "government money market funds" as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. Under normal conditions, the funds will invest their assets so that at least 80% of their net assets are invested in government securities and/or repurchase agreements that are collateralized fully by government securities.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3: Deposit with Trustees and Investments (Continued)

Investments Measured at the NAV

Calculation of Net Asset Value – The funds attempt to stabilize the NAV of their shares at \$1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the funds calculate a market-based NAV per share on a periodic basis. The funds cannot guarantee that their NAV will always remain at \$1.00 per share. The funds do not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the NYSE is open.

Disclosures regarding these investments are as follows:

Fidelity Investments MM Treasury Portfolio - Class 1 Fund		Asset Value
US Treasury Bills	7.65%	\$ 4,303
US Treasury Coupons	5.03%	2,829
Repurchase agreements	87.00%	48,934
US Treasury Inflation-Protected Securities	1.23%	692
Net other assets (includes cash, receivables, and payables related to open trades.)	-0.91%	(512)
Net asset value		<u>56,246</u>
Morgan Stanley Institutional Liquidity Funds Government Portfolio		
Repurchase Agreements	79.21%	707,095
US Treasury Debt	8.29%	74,004
US Government Agency Debt	12.50%	111,586
Net asset value		<u>892,685</u>
Total investments measured at the NAV		<u>\$ 948,931</u>

Government Agencies and U.S. Treasury – Fixed Income Securities – Fixed-income securities pay interest, dividends, or distributions at a specified rate. The rate may be a fixed percentage of the principal or may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase the issuer's earnings. This limits the potential appreciation of fixed-income securities as compared to equity securities.

A security's yield measures the annual income earned on a security as a percentage of its price. A security's yield will increase or decrease depending upon whether it costs less (a "discount") or more (a "premium") than the principal amounts. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3: Deposit with Trustees and Investments (Continued)

Government Agencies and U.S. Treasury – Fixed Income Securities (Continued)

The following describes the types of fixed-income securities in which the Fund principally invests:

U.S. Treasury Securities – are direct obligations of the federal government of the United States.

Government Securities – are issued or guaranteed by a federal agency or instrumentality acting under federal authority. Some government securities, including those issued by Ginnie Mae, are supported by the full faith and credit of the United States and are guaranteed only as to the timely payment of interest and principal.

Other Government Securities – receive support through federal subsidies, loans or other benefits, but are not backed by the full faith and credit of the United States. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Freddie Mac, and Fannie Mae in support of such obligations.

Some government agency securities have no explicit financial support, and are supported only by the credit of the applicable agency, instrumentality, or corporation. The U.S. government has provided financial support to Freddie Mac and Fannie Mae, but there is no assurance that it will support these or other agencies in the future.

Callable Securities – are certain U.S. Treasury or government securities in which the Fund investments are callable at the option of the issuer. Callable securities are subject to call risks.

Repurchase Agreements – Repurchase agreements are transactions in which the Fund buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sales price, reflecting the fund's return on the transaction. This return is unrelated to the interest rate on the underlying security. The fund will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Adviser.

The Fund's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Adviser or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Net Other Assets – Net other assets may include cash and receivables and payables related to open security or capital stock trades.

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 investment pools.

The short-term debt securities (external investment pool) were rated AAA-mf by Moody's Investors Service and AAA-m by Standard and Poor's.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3: Deposit with Trustees and Investments (Continued)

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. The portfolio of the external investment pool in which the College participates is wholly comprised of short-term U.S. treasury obligations. Consequently, any potential interest rate risk associated with this external investment pool would be minimal. The College does not have a policy designed to manage interest rate risk.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4: Capital Assets

The following are the changes in capital assets for the year ended June 30, 2023:

	Beginning Balance*	Additions	Retirements	Transfers	Ending Balance
Nondepreciable capital assets:					
Land	\$ 5,121,328				\$ 5,121,328
Construction in progress	2,113,711			\$ (1,983,346)	130,365
Archives and collections	209,729				209,729
Total nondepreciable capital assets	<u>7,444,768</u>	<u>-</u>	<u>-</u>	<u>(1,983,346)</u>	<u>5,461,422</u>
Other capital assets:					
Land improvements	1,844,736				1,844,736
Improvements and infrastructure	372,291				372,291
Buildings /Leasehold improvements	67,432,984	\$ 788,947		1,983,346	70,205,277
ROU Lease of Building	10,888,905				10,888,905
ROU SBITA	5,947,733				5,947,733
Equipment	9,312,268	682,285	\$ (270,077)		9,724,477
Library holdings	806,026	34,109	(45,503)		794,632
Total other capital assets	<u>96,604,943</u>	<u>1,505,341</u>	<u>(315,580)</u>	<u>1,983,346</u>	<u>99,778,051</u>
Less accumulated depreciation for:					
Land improvements	(1,555,095)	(33,698)			(1,588,793)
Buildings	(31,779,249)	(2,606,507)			(34,385,756)
Improvements and infrastructure	(372,291)				(372,291)
ROU Lease of Bldg Amortization	(1,042,391)	(1,042,161)			(2,084,552)
ROU SBITA		(735,756)			(735,756)
Equipment and archives and collections	(6,595,280)	(820,594)	237,344		(7,178,530)
Library holdings	(673,084)	(30,099)	45,503		(657,680)
Total accumulated depreciation	<u>(42,017,390)</u>	<u>(5,268,815)</u>	<u>282,847</u>		<u>(47,003,358)</u>
Other capital assets, net	<u>\$ 54,587,553</u>	<u>\$ (3,763,474)</u>	<u>\$ (32,733)</u>	<u>\$ 1,983,346</u>	<u>\$ 52,774,693</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 7,444,768	\$ -	\$ -	\$ (1,983,346)	\$ 5,461,422
Other capital assets, at cost	96,604,943	1,505,341	(315,580)	1,983,346	99,778,051
Total cost of capital assets	104,049,711	1,505,341	(315,580)	-	105,239,473
Less: accumulated depreciation	(42,017,390)	(5,268,815)	282,847	-	(47,003,358)
Capital assets, net	<u>\$ 62,032,321</u>	<u>\$ (3,763,474)</u>	<u>\$ (32,733)</u>	<u>\$ -</u>	<u>\$ 58,236,115</u>

* Beginning balance includes adjustments for GASB 96

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5: Long-Term Liabilities

A summary of long-term liabilities is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding June 30, 2023	Maturities to June 30, 2023
10-2014	10-2034	2.05% to 3.55%	\$ 2,440,000	\$ 1,620,000	\$ 820,000
10-2014	10-2034	Bond Premium	58,972	37,769	21,203
2-2015	5-2030	2.0% to 4.0%	16,475,000	8,705,000	7,770,000
2-2015	5-2030	Bond Premium	992,186	305,988	686,198
2-2015	5-2030	Bond Discount	(46,792)	(46,792)	0
7-2020	5-2035	1.35% to 2.6%	8,055,000	8,055,000	0
7-2020	5-2035	2.00%	5,335,000	5,335,000	0
7-2020	5-2035	Bond Premium	71,270	55,761	15,509
TOTAL			\$ 33,380,636	\$ 24,067,726	\$ 9,312,910

The change in long-term debt for the fiscal year ended June 30, 2023:

	Balance at June 30, 2022 *	Additions	Reductions	Balance at June 30, 2023	Amounts due within one year
Bonds	\$ 25,350,480	-	\$ (1,282,754)	\$ 24,067,726	\$ 1,396,348
Note Payable	4,400,000	-	-	4,400,000	580,000
Leases	9,962,702	-	(927,367)	9,035,335	961,793
SBITAs	5,843,719	-	(528,251)	5,315,468	358,764
Compensated Absences	1,024,489	\$ 1,401,250	(1,532,383)	893,356	44,668
Total	\$ 46,581,390	\$ 1,401,250	\$ (4,270,755)	\$ 43,711,885	\$ 3,341,573

* Beginning balance includes adjustments for GASB 96, SBITAs

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5: Long Term Liabilities (Continued)

The scheduled long-term debt principal and interest payments for bonds are as follows:

Year Ended June 30,	Bond Principal	Interest	Total Payments
2024	\$ 1,290,000	\$ 641,148	\$ 1,931,148
2025	1,685,000	592,421	2,277,421
2026	1,745,000	536,595	2,281,595
2027	1,805,000	477,822	2,282,822
2028	1,860,000	428,681	2,288,681
2029-2033	10,590,000	1,344,721	11,934,721
2034-2035	4,740,000	164,162	4,904,162
TOTALS	<u>\$ 23,715,000</u>	<u>\$ 4,185,550</u>	<u>\$ 27,900,550</u>

The scheduled long-term debt principal and interest payments for leases are as follows:

Year Ended June 30,	Lease Principal	Interest	Total Payments
2024	\$ 961,793	\$ 301,608	\$ 1,263,401
2025	810,219	270,555	1,080,774
2026	829,413	241,684	1,071,097
2027	858,998	212,099	1,071,097
2028	889,639	181,458	1,071,097
2029-2033	4,685,273	420,782	5,106,055
TOTALS	<u>\$ 9,035,335</u>	<u>\$ 1,628,186</u>	<u>\$ 10,663,521</u>

The scheduled long-term debt principal and interest payments for SBITAs are as follows:

Year Ended June 30,	SBITA Principal	Interest	Total Payments
2024	\$ 358,764	\$ 172,753	\$ 531,517
2025	637,738	161,093	798,831
2026	689,272	140,366	829,638
2027	620,759	117,965	738,724
2028	670,480	97,790	768,270
2029-2031	2,338,455	155,704	2,494,159
TOTALS	<u>\$ 5,315,468</u>	<u>\$ 845,671</u>	<u>\$ 6,161,139</u>

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5: Long Term Liabilities (Continued)

Notes Payable:

On October 4, 2019, the College entered into an agreement with Regions Equipment Finance Corporation for a loan of \$4,400,000. The College obtained the loan for the implementation of the Enterprise Resource Planning System, Workday. The debt service on the loan is supported by revenue from student technology fees. The Loan is a closed-end line of credit and converted to a permanent loan on October 1, 2022 with a fixed interest rate of 2.69%. The principal balance borrowed as of June 30, 2023, was \$4,400,000.

The scheduled long-term debt principal and interest payments for the note payable are as follows:

Year Ended June 30,	Principal	Interest	Total Payments
2024	\$ 580,000	\$ 118,360	\$ 698,360
2025	595,000	102,758	697,758
2026	610,000	86,753	696,753
2027	630,000	70,344	700,344
2028	645,000	53,397	698,397
2029-2030	1,340,000	54,338	1,394,338
TOTALS	<u>\$ 4,400,000</u>	<u>\$ 485,950</u>	<u>\$ 4,885,950</u>

NOTE 6: Pledged Revenues

Tuition – Series 2014 Bonds.

The College issued in October 2014 bonds with par value of \$2,440,000 to purchase land in Washington County, Arkansas. The College has pledged tuition revenue in support of these bonds. Total principal and interest remaining on the Series 2014 bonds are \$1,620,000 and \$348,293 respectively, payable through October 1, 2034. Principal and interest paid during the year ended June 30, 2023 were \$110,000 and \$54,638 respectively. Tuition for FY23 totaled \$15,900,477. The percentage of tuition pledged for the year ended June 30, 2023 was 1.04%.

Ad Valorem Tax-Series 2015 Bonds

The College issued refunding bonds with a par value of \$16,475,000 to defease the Capital Improvement and Refunding Bonds issued in 2005. The College has pledged one-third of the continuing ad valorem tax mills, on parity with the 2010 Series A and B, to repay these bonds. Total principal and interest remaining on the Series 2015 bonds are \$8,705,000 and \$1,173,363 respectively. For the current year, principal and interest paid were \$1,070,000 and \$341,975, respectively. One-third of property taxes received by the College for the year totaled \$5,489,753 (gross amount \$16,469,259). The percentage of ad valorem tax pledged for the year ended June 30, 2023, was 25.72%.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6: Pledged Revenues (Continued)

AD Valorem Tax- Series 2020

The College issued refunding bonds Series 2020 A and Series 2020 B with par value totaling \$13,390,000 to defease Capital Improvement bonds issued in 2010. The College has pledged one-third of the continuing ad valorem tax mills, on a parity with the 2015 bonds, to repay these bonds. Total principal and interest remaining on the 2020 bonds are \$13,390,000 and \$2,663,894 respectively. For the current year no principal and \$290,711 interest was paid. One-third of the property taxes received by the College totaled \$5,489,753 (gross amount \$16,469,259) the percentage of the ad valorem tax pledged for the year ended June 30, 2023, was 5.30%.

Note Payable

The College has a note payable as discussed in Note 5 above. This note has a pledge of one-third of the ad valorem tax revenue and if necessary student technology fees received. The total of revenues from these pledges is \$8,976,643 for the current year. No principal payments were made in the current year and interest in the amount of \$118,360 was paid. The percentage of the pledge paid was 1.32%.

NOTE 7: Interest Expense

Total interest cost for the year ended June 30, 2023 was \$1,081,519 and was charged to expense in the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 8: Commitments

The College had the following commitments in excess of \$50,000 at June 30, 2023:

1. Contracts for enterprise resource planning software subscription in the amount of \$419,029.
2. Contract for software architects to assist with the integration of Workday in the amount of \$852,269.
3. Contract for SOW for switching and wireless implementation in the amount of \$334,256

NOTE 9: Employee Retirement Plans

Teachers' Insurance and Annuity Association (TIAA)

Plan Description – The College participates in TIAA, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended and is administered by TIAA. TIAA is an insurance and investment company offering participants a traditional annuity with guaranteed principle and a specific interest rate plus the opportunity for additional growth through dividends.

TIAA also offers a variable annuity. While TIAA is considered to be an academic pension option for higher education in the U.S., it is not associated with the concept of unions or organized labor. Arkansas Code Annotated authorizes participation in the plan.

Funding Policy – TIAA has contributory and non-contributory plans. Contributory members contribute 4% earnings to the plan. The College contributes 6% of earnings for non-contributory members and 10% of earnings for contributory members. The College's and participant's contributions for the year ended June 30, 2023 were \$1,714,735 and \$1,143,851 respectively.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System

Plan Description – The College contributes to the Arkansas Teacher Retirement Systems (ATRS) for employees who do not elect a qualified alternative retirement plan. ATRS is established by State law, can be amended only by the Arkansas General Assembly and is administered by a Board of Trustees. ATRS is a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations. The Arkansas Teachers Retirement System issued a publicly available financial report that included financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teachers Retirement system, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 501-682-1517.

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 current employer rate is 15% of covered salaries, the maximum allowed by State law. The College's contributions to ATRS for the years ended June 30, 2023, 2022, and 2021, were \$431,101, \$383,415, and \$414,980, respectively, equal to the required contributions for the year.

Benefits Provided - 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 (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual salary) and (2) the number of years of service.

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 a minor child survivor receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The minimum benefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and year of contributory service up to a \$10,000 maximum. The minimum benenefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and year of contributory services up to a \$10,000 maximum.

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 calculated by multiplying 100% of the member's base retirement annuity by 3%.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member contributions and accumulation of service credit cease once a member enters T-DROP. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by 1% for each year of credited service. The Board of Trustees may authorize early participation in T-DROP for members with at least 28 years but less than 30 years of credited service. The plan deposit for early participation will be calculated the same as the regular T-DROP deposit with further reduction of at least .5% but not more than 1% for each month of credited service under 30 years. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive a distribution as a lump-sum cash payment or monthly annuity, roll it over into another tax-deferred account, or defer the distribution into a T-DROP cash balance account held by ATRS.

Contributions - ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 907 of 1999, effective July 1, 1999, requires all new members under contract for 181 or more days to be contributory. Act 443 of 2021, effective July 1, 2021, increased the required number of contract days to 185 or more days. Act 385 of 2005 allows noncontributory members to make an irrevocable election to become contributory on July 1 of each fiscal year.

ATRS Fiduciary Net Position – Detailed information about ATRS's fiduciary net position is available in the separately issued ATRS Annual Report available at <https://www.artss.gov/publications>.

Net Pension Liability – the components of the net pension liability of the participating employers at June 30, 2022 were are follows:

Arkansas Teacher Retirement System

Total pension liability	\$ 24,957,898,206
Plan net position	(19,679,467,252)
Net pension liability	\$ 5,278,430,954
Plan net position as a percentage of the total pension liability	78.85%

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

At June 30, 2023, the College reported a liability of \$4,035,898 for its proportionate share of the ATRS's net pension liability. The net pension liability was measured as of June 30, 2022, and the total liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2022, the College's proportion was 0.0765% for ATRS. For the year ended June 30, 2023, the College recognized pension expense of (\$15,928).

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to ATRS as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,790	\$ 8,687
Changes of assumptions	418,765	-
Net difference between projected and actual investment earnings on pension plan investments	590,706	-
Changes in proportion and differences between employer contributions and share of contributions	-	538,607
College contributions subsequent to the measurement date	431,101	
Total	<u>\$ 1,518,362</u>	<u>\$ 547,294</u>

College contributions subsequent to the measurement date of \$431,101 are reported as deferred outflows of resources and 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:

	2024		2025		2026		2027
	\$ 124,805	\$	80,984	\$	(112,736)	\$	446,914

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Actuarial Assumptions – The total liability as determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Early age normal
Wage inflation rate	2.75%
Salary increases	2.75% - 7.75%
Investment rate of return	7.25%

Mortality rates were based on the Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables used for males and females. Mortality rates were adjusted using projection scale MP-2020 from 2010.

The actuarial assumptions used in the June 30, 2022; valuation was based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

The long-term expected rate of return on pension plan investments 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 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.

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

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	5.0%
	100.00%	

Discount Rate - A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 7% and 15% of active member payroll, respectively. 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 to determine the total pension liability.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	Sensitivity of the Net Pension Liability to the Single Discount Rate		
	1% Decrease	Current Rate	1% Increase
	6.25%	7.25%	8.25%
Net Pension Liability	\$ 6,415,774	\$ 4,035,898	\$ 2,061,465

Arkansas Public Employees Retirement System

Plan Description - The APERS plan is a cost-sharing, multiple-employer defined benefit pension plan that covers all state employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan is paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. The 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 501-682-7800.

Funding Policy – APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5.25% of their salaries. Each participating employer is required by law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 15.32% of annual covered payroll. The College's contributions to APERS for the years ended June 30, 2023, 2022, and 2021 were \$564,499, \$456,652, and \$411,847 respectively, equal to the required contributions for the year.

Benefits Provided - Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 4 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3- year average compensation times the member's years of service.

The public employees plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date that are noncontributory have the option to become a contributory member at any time.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of actual service,
- at any age with 28 years of credited service,
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with 5 years of actual service or at any age with at least 25 years but less than 28 years of actual service.

The plan also provides for disability and survivor benefits.

The benefit provisions provided by the public employees' plan are established by state law and may be amended only by the General Assembly. 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%.

Contributions – The general financial objective of all Arkansas public employee retirement plans is to have rates of contribution that remain relatively level for Arkansas citizens from generation to generation. 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. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. The College's contributions for the year ended June 30, 2023 were \$564,499.

APERS Fiduciary Net Position - Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/publications>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2023 the College reported a liability of \$3,992,192 for its proportionate share of the APERS's net pension liability. The net pension liability was measured as of June 30, 2022, and the total liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2022, the College's proportion was 0.148057% for APERS. For the year ended June 30, 2023, the College recognized pension expense of \$708,831.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to APERS as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,826	\$ (48,200)
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	842,159	
Changes in proportion and differences between employer contributions and proportionate share of contributions	635,294	
College contributions subsequent to the measurement date	564,499	
Total	<u>\$ 2,137,778</u>	<u>\$ (48,200)</u>

College contributions subsequent to the measurement date of \$564,499 are reported as deferred outflows of resources and 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:

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
\$507,815	\$337,080	\$92,871	\$587,313

Actuarial Assumptions - The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return*	7.15%
Mortality rate table	RP2006 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.

*Net of investment and administrative expenses

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017 and were applied to all prior periods included in the measurement.

Long-Term Rate of Return - 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 based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
Total	100%	

Discount Rate – A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. 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 to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – the following presents the participating employers' net pension liability, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Lower than Current Rate (6.15%)	Current Rate (7.15%)	1% Higher than Current Rate (8.15%)
	\$	\$	\$
Net Pension Liability	6,346,857	3,992,192	2,048,206

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10: Partially Self-Insured Program

Beginning January 1, 2015, the College established a partially self-insured health benefit plan for employees and their eligible dependents. The Plan is administered by BlueAdvantage administrators.

- At June 30, 2023, approximately 321 active employees and their 378 dependents were participating in the plan. The estimated rates for college expense and employee withholding amounts were unchanged from previous premiums-based health coverage. The table below shows college expense, employee share and total estimated costs:

Plan Type	Monthly Cost	NWACC Cost	NWACC Percentage	Employee Cost	Employee Percentage
Employee	\$ 571.93	\$ 466.73	82%	\$ 105.20	18%
Employee/Spouse	1,429.31	1,119.86	78%	309.45	22%
Employee/Child(ren)	994.80	798.82	80%	195.98	20%
Family	1,715.28	1,341.92	78%	373.36	22%

Retirees can continue coverage paying the full amount of estimated costs until becoming eligible for Medicare coverage if their age plus service is 70 or greater, with at least 10 years of service.

All medical claims that were incurred in and reported for FY2023 by BlueAdvantage were expensed in FY2023.

The College purchases specific reinsurance to reduce its exposure to large claims. QBE was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$115,000.

NOTE 11: Operating Expenses by Functional Classification

The College's operating expenses by functional classifications for fiscal year 2023 were as follows:

	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation and Amortization	Total
Instruction	\$ 20,091,051		\$ 1,850,059		\$ 21,941,110
Academic support	4,561,500		3,725,413		8,286,913
Student services	4,174,541		1,197,580		5,372,121
Institutional support/ research	6,445,368		1,772,686		8,218,054
Scholarships and fellowships		\$ 2,911,181			2,911,181
Operations and maintenance of plant	1,709,016		3,911,625		5,620,641
Depreciation and amortization				\$ 5,268,815	5,268,815
Auxiliary enterprises			27,096		27,096
Totals	\$ 36,981,476	\$ 2,911,181	\$ 12,484,459	\$ 5,268,815	\$ 57,645,931

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12: Related Party Transactions

A master lease agreement was entered into starting June 1, 2019 with the Foundation for the lease of three facilities providing monthly lease payments in the amount of \$89,022. This lease, which has been restated as an Intangible Asset per GASB 87 effective July 1, 2021, has a term of 15 years and expires May 25, 2033. These facilities are located on the Bentonville campus; the Shewmaker Center for Global Business, The National Child Protection Training Center and the College parking facility.

The President of NWACC during FY23 has been on the Board of Directors for Arvest Bank and the College has a normal banking relationship with this institution. The total balances on deposit with this institution at June 30, 2023 was \$1,832,889.

NOTE 13: Risk Management

The College maintains insurance coverage for a wide variety of risks. The coverage is outlined in the following table:

<u>Items Insured</u>	<u>Coverage</u>	<u>Contributions</u>	<u>Administrator</u>
Directors/Officers/Employees Professional Liability	\$3M aggregate \$25,000 deductible	N/A	RSUI
Automobile Policy	\$1M in state, \$5M out of state \$500/\$1,000 deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Buildings and Contents	100% replacement value \$25,000 deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Mobile Equipment and Artwork	Per artwork schedule	N/A	Arkansas Multi-Agency Insurance Trust Fund
Blanket Fidelity Bond	Actual loss up to \$300,000 per occurrence; \$2,500 deductible	N/A	Arkansas Fidelity Bond Trust Fund
Health Professions Professional Liability	\$2M, \$5M aggregate	N/A	Nurses Service Organization
Cyber Liability	\$25M per claim; no deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Workers Comp	Reimbursement of medical expense and loss of salary due to job-related injury or illness	The administrator is reimbursed quarterly	Arkansas Public Employees Claim System
Life Insurance Program	N/A	N/A first \$20,000	Lincoln Life Insurance
Health Care Program	N/A	Employee contributes a portion	Blue Advantage, Delta Dental of Arkansas

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13: Risk Management (Continued)

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by state employees or officials. There is a limit of \$300,000 and a \$2,500 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the College's state treasury funds.

The College participates in the Arkansas Multi-Agency Property Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. 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 Arkansas Multi-Agency Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow members 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 participates in the Arkansas Multi-Agency Cyber Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow participating agencies an affordable means of insuring their cyber data liability exposure. The College pays an annual premium for this coverage.

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

Settled claims have not exceeded the 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 14: Other Postemployment Benefits (OPEB) Liability

In June 2004 the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ended June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, became effective for the fiscal year ended June 30, 2018, replaces Statement No. 45 and establishes standards for accounting and financial reporting for the sponsor's financial statements. This statement requires the sponsor to recognize the net OPEB liability and OPEB expense on their financial statements. The total OPEB liability is the difference between the program's assets and its liabilities. The OPEB expense recognized each year is basically equal to the change in total OPEB liability, adjusted for deferred recognition of certain changes in experience. As a result of the implementation of this statement, the College accrued \$1,211,111 in retiree healthcare liability as of June 30, 2023 and an expense of \$91,471.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14: Other Postemployment Benefits (OPEB) Liability (Continued)

Plan Description - The College offers employees who retire directly from active employment and meet the "Rule of 70" (age plus service is 70 or greater, with at least 10 years of service) to continue insurance coverage. The retiree can continue coverage until age 65 or Medicare eligibility, but must pay the same premium as an active employee. The plan is considered a single employer defined benefit plan. The plan does not issue a stand-alone financial report.

The Board of Trustees of the College have the authority under which requirements to pay OPEB as the benefits come due are established or may be amended.

The measurement date of the OPEB liability is June 30, 2023. The actuarial valuation date is June 30, 2023.

Cost of Living Adjustment (COLA) – The OPEB program does not provide for automatic cost of living adjustments (COLA). OPEB benefits are subject to medical inflation, which is reflected in the actuarial assumptions.

Long-Term Expected Return on Plan Assets – The program has no invested assets at this time, so no long-term expected return on plan assets was used.

There are no assets accumulated in a trust.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14: Other Postemployment Benefits (OPEB) Liability (Continued)

Actuarial Cost Methods and Significant Assumptions

Cost Method	The entry age normal method was used.	
Discount Rate	A single discount rate of: 3.13% at 6/30/2017 2.98% at 6/30/2018 2.79% at 6/30/2019 2.66% at 6/30/2020 2.18% at 6/30/2021 4.09% at 6/30/2022 4.13% at 6/30/2023	
Health Care Cost Trend Rate	The health care cost trend rate was assumed to be 9.0% next year, 8.5% the following year, 8.0% the third year, 7.0% the fourth year, with the rate decreasing by 0.5% each year, to an ultimate rate of 4.5% in the ninth year.	
Inflation Rate	The discount rate and the health care cost trend rate incorporate an assumed annual inflation rate of 3.0%	
Base Claim Costs	The following monthly claim costs were assumed:	
	Claim Cost	\$1,455.41
	Reinsurance	\$130.00
	Total retiree cost	\$1,585.41
	Age Band	Employee Dependent
	50 to 54	\$693.05 \$563.04
	55 to 59	\$861.67 \$731.67
	60 to 64	\$1068.97 \$938.98
Source of Claim Costs	The table below shows the estimates and the costs selected.	
	Cost per other Arkansas public entities	\$1,455.41
	Cost from "unbundling" using "Health Care Cost From Birth to Death" Selected Cost	\$1,461.03
		\$1,455.41
Administrative Costs	\$140.00 annually	
Family Coverage	Assumed 55% of the group had family coverage.	
Selection of Coverage	Assumed that 40% of eligible retirees would select the coverage when they initially retired and that 0% of them would continue it past age 65.	
Data Used	Census listing of employees.	
Mortality	Mortality Table.	

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 14: Other Postemployment Benefits (OPEB) Liability (Continued)

Post-Retirement Mortality The Pub-T2.010 Mortality Table was used. The life expectancy according to this table is as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
55	32.96 years	35.38 years
65	23.00 years	25.25 years
75	14.23 years	16.04 years

Voluntary Terminations The voluntary termination assumption used by the Arkansas Teachers Retirement System was generally used. Termination at some sample ages:

<u>Age</u>	<u>Termination Rate Per 100 Members</u>
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

For those with less than five years of service, a multiple of the above rates were used. The multiples used were:

1st year of service	4.0
2nd year of service	2.5
3rd year of service	2.0
4th year of service	1.5

Expected Retirement Pattern Retirements were assumed at the following rates:

<u>Age</u>	<u>Retirement Rate Per 100 Members</u>
55-59	5.0
60	15.0
61	14.0
62	25.0
63	15.0
64	15.0
65	35.0
66	30.0
67	30.0
68	30.0
69	100.0

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14: Other Postemployment Benefits (OPEB) Liability (Continued)

Disabilities Disability rates assumed by Arkansas Teachers Retirement System were used. Rates at some sample ages are:

<u>Age</u>	<u>Disability Rate Per 100 Members</u>
20	0.10
25	0.10
30	0.08
35	0.08
40	0.14
45	0.24
50	0.53
55	0.88
60	1.00

Consideration of Future Mortality Improvements Future mortality improvements were considered in developing the results of this report.

Participant Data

	<u>July 1, 2019</u>	<u>July 1, 2021</u>	<u>July 1, 2023</u>
Active Members:			
Number of Employees	347	332	395
Number Covered	347	332	395
Average Age	49.9	49.7	48.4
Average Service	10.5	10.8	9.8
Retirees and Beneficiaries:			
Number under 65	1	3	7
Number 65 & over	0	0	0

Regarding the sensitivity of the total OPEB liability to changes in the single discount rate and changes in the assumed health care cost trend rate, the following presents the total OPEB liability, calculated using a single discount rate of 4.13%, as well as what the total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher, or using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher:

	<u>1% Decrease to 3.13%</u>	<u>Current Single Discount Rate of 4.13%</u>	<u>1% Increase to 5.13%</u>
Total OPEB Liability	1,299,229	1,211,111	1,127,882
	<u>1% Decrease in HCCTR</u>	<u>Assumed HCCTR</u>	<u>1% Increase in HCCTR</u>
Total OPEB Liability	1,097,976	1,211,111	1,346,915

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14: Other Postemployment Benefits (OPEB) Liability (Continued)

<u>Changes in Total OPEB Liability</u>	Total OPEB Liability
Balances at 6/30/2022	\$ 1,189,139
Changes for the year:	
a) Service cost	76,958
b) Interest	50,210
c) Differences between expected and actual experience	(200,154)
d) Employer contributions	
e) Employee contributions	
f) Net investment income	
g) Benefits and refunds	
h) Admin expenses	
i) Assumption change	94,958
j) Other	
Net changes	21,972
Balances at 6/30/2023	\$ 1,211,111

At June 30, 2023, the sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	444,330
Changes of assumptions	249,510	132,365
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	249,510	576,695

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

<u>Year Ending June 30:</u>	<u>Net Deferred Outflow of Resources</u>
2024	(35,697)
2025	(35,697)
2026	(35,697)
2027	(35,697)
2028	(35,697)
Thereafter	(148,700)
Total	(327,185)

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15: Subsequent Events

Bike Technician Lab

On September 12, 2023, the college entered into a contract for \$1,732,633 to remodel the former physical plant building into a bike technician lab. The project was completed in fall 2024 for a total cost of \$2,327,739 . This project was funded by a private grant.

NWACC Storm Impact Spring 2024

In the latter part of June, July and into August, 2024 a campus wide building review was undertaken by the company chosen by the insurance adjuster to assess the storm damage from the tornado strikes that affected our area on May 26, 2024. We received an overall damage report on September 19, 2024. There were 13 buildings identified with storm related damage with a total RCV (replacement value) repair estimate of just over \$7M. All storm damage expenses, on buildings noted in report, are reimbursable to some extent. We expect 80-100% reimbursement.

NWACC Cyber Event July 2024

On July 31, 2024 NWACC experienced a ransomware incident that disrupted campus information technology systems and applications. We have worked closely with our insurer and their expert teams to address the issue and were able to quickly restore our operations and assist our students in continuing on their educational path. However, there are system changes underway and the incident is still under investigation. Our initial insurance report is due on October 31, 2024 and we are still assessing current expenses to date as well as future expenses that will carry forward into subsequent years.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

Other Postemployment Benefits (OPEB) (Unaudited)

Schedule of Investment Returns:

FY Ending June 30,	Annual Money-Weighted Rate of Return
2014	0.0%
2015	0.0%
2016	0.0%
2017	0.0%
2018	0.0%
2019	0.0%
2020	0.0%
2021	0.0%
2022	0.0%
2023	0.0%

The amounts shown are net of investment expenses.

The actuary calculated these rates with the information that was provided, therefore these rates are annual money weighted. Monthly money-weighted returns are not available and the difference between the above and monthly money-weighted returns is estimated to be insignificant.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2023

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

Fiscal Year Ending June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB Liability										
Service Cost	76,958	99,933	58,842	57,723	52,680	51,547				
Interest	50,210	27,756	35,491	34,223	33,297	31,855				
Benefit changes	0	0	0	0	0	0				
Difference Between Actual & Expected Experience	(200,154)	0	(246,777)	0	(151,977)	0				
Assumption Changes	94,958	(161,779)	70,840	15,105	172,761	15,645				
Benefit Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>				
Net Change in Total OPEB Liability	21,972	(34,090)	(81,604)	107,051	106,761	99,047				
Total OPEB Liability - Beginning	<u>1,189,139</u>	<u>1,223,229</u>	<u>1,304,833</u>	<u>1,197,782</u>	<u>1,091,021</u>	<u>991,974</u>				
Total OPEB Liability -	<u>1,211,111</u>	<u>1,189,139</u>	<u>1,223,229</u>	<u>1,304,833</u>	<u>1,197,782</u>	<u>1,091,021</u>	<u>991,974</u>			
Plan Fiduciary Net Position										
Contributions - Employee	0	0	0	0	0	0	0	0	0	0
Contributions - Employer	0	0	0	0	0	0	0	0	0	0
Net Investment Income	0	0	0	0	0	0	0	0	0	0
Benefit Payments	0	0	0	0	0	0	0	0	0	0
Administrative Expense	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Net Change in Plan Net Position	0	0	0	0	0	0	0	0	0	0
Plan Fiduciary Net Position - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position - Ending	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB Liability - Ending	1,211,111	1,189,139	1,223,229	1,304,833	1,197,782	1,091,021	991,974			
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
Covered Employee Payroll	27,648,825	26,494,564	20,621,977	17,480,682	26,428,897	20,606,166	19,504,726			
Net OPEB Liability as a percentage of Covered Employee Payroll	4.38%	4.49%	5.93%	7.46%	4.53%	5.29%	5.09%			

NORTHWEST ARKANSAS COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2023

Other Postemployment Benefits (OPEB) (Unaudited) (Continued)

Schedule of Sponsor Contributions

Fiscal Year Ending June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$152,293	\$161,401	\$126,311	\$ 119,084	\$ 108,575	\$ 102,230				
Contributions in relation to the actuarially determined contribution	\$0	\$0	\$0	0	0	0				
Contribution deficiency (excess)	\$152,293	\$161,401	\$126,311	\$119,084	\$108,575	\$102,230				
Covered employee payroll	\$27,648,825	\$26,494,564	\$20,621,977	\$17,480,682	\$26,428,897	\$20,606,166				
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				

Notes to Schedule:

Valuation date:	Actuarially determined contributions are calculated as of June 30 after the valuation date
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar over 30 years from July 1, 2017
Remaining amortization period:	24 years
Asset valuation method:	Market Value
Assumed inflation:	3.00% per year
Assumed single discount rate:	2.98% at 6/30/2018, 2.79% at 6/30/2019, 2.66% at 6/30/2020, 2.18% at 6/30/2021, 4.09 at 6/30/2022, 4.13% at 6/30/2023
Assumed retirement age:	See Note 14 - Significant Assumptions
Mortality	PUB-T qwith MP 2020 (RP 2014 before 2020)

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

**Retirement Plan - Arkansas Teacher Retirement System
Schedule of College's Proportionate Share of Net Pension Liability – ATRS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan Net Pension Liability - End of Year	\$5,278,430,954	\$2,768,842,672	\$5,660,881,938	\$4,171,365,050	\$3,638,962,119	\$4,203,863,874	\$4,411,442,759	\$3,256,909,832	\$2,625,006,279
NWACC's portion of net pension liability	0.08%	0.08%	0.09%	0.09%	0.10%	0.10%	0.11%	0.11%	0.12%
NWACC's proportionate share of net pension liability	\$4,035,898	\$2,303,234	\$5,119,891	\$3,958,177	\$3,643,255	\$4,287,628	\$4,779,459	\$3,537,832	\$3,180,410
NWACC's covered payroll ATRS	\$2,596,337	\$2,711,007	\$2,832,164	\$2,923,655	\$3,035,634	\$3,023,020	\$3,174,278	\$3,176,707	\$3,539,117
NWACC's share of net pension liability as a percentage of covered payroll	155.45%	84.96%	180.77%	135.38%	120.02%	141.83%	150.57%	111.37%	89.86%
Plan fiduciary net position as a percentage of 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 of the previous year.

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

**NorthWest Arkansas Community College
Schedule of Contributions – ATRS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$431,101	\$383,415	\$414,980	\$405,162	\$408,078	\$425,803	\$422,252	\$446,613	\$444,739
Contributions in relation to the contractually required contributions	\$431,101	\$383,415	\$414,980	\$405,162	\$408,078	\$425,803	\$422,252	\$446,613	\$444,739
Contributions deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
NWACC's covered payroll	\$2,773,954	\$2,596,337	\$2,711,007	\$2,832,164	\$2,923,655	\$3,035,634	\$3,023,020	\$3,174,278	\$3,176,707
Contribution as a percentage of covered payroll	15.54%	14.76%	15.31%	14.31%	13.96%	14.03%	13.97%	14.07%	14.00%

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

**Retirement Plan – Arkansas Public Employee Retirement System
Schedule of College’s Proportionate Share of Net Pension Liability – APERS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan Net Pension Liability - End of Year	\$2,696,383,462	\$768,832,293	\$2,863,584,499	\$2,412,528,798	\$2,205,935,041	\$2,584,140,475	\$2,391,348,072	\$1,841,733,370	\$1,418,912,236
NWACC's portion of net pension liability	0.15%	0.13%	0.11%	0.09%	0.09%	0.09%	0.09%	0.10%	0.11%
NWACC's proportionate share of net pension liability	\$3,992,192	\$993,004	\$3,231,604	\$2,205,853	\$1,997,466	\$2,268,191	\$2,180,286	\$1,834,935	\$1,510,507
NWACC's covered payroll APERS	\$2,976,062	\$2,575,676	\$2,215,805	\$1,813,049	\$1,659,501	\$1,578,450	\$1,651,914	\$1,770,813	\$1,914,535
NWACC's share of net pension liability as a percentage of covered payroll	134.14%	38.55%	145.84%	121.67%	120.37%	143.70%	131.99%	103.62%	78.90%
Plan fiduciary net position as a percentage of 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 of the previous year.

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

**NorthWest Arkansas Community College
Schedule of Contributions – APERS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$564,499	\$456,652	\$411,847	\$343,475	\$269,206	\$251,451	\$230,101	\$241,318	\$261,372
Contributions in relation to the contractually required contributions	\$564,499	\$456,652	\$411,847	\$343,475	\$269,206	\$251,451	\$230,101	\$241,318	\$261,372
Contributions deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NWACC's covered payroll	3,568,632	2,976,062	2,575,676	\$2,215,805	\$1,813,049	\$1,659,501	\$1,578,450	\$1,651,914	\$1,770,813
Contribution as a percentage of covered payroll	15.82%	15.34%	15.99%	15.50%	14.85%	15.15%	14.58%	14.61%	14.76%

NORTHWEST ARKANSAS COMMUNITY 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	\$ 115,992,560	\$ 102,738,253	\$ 91,301,926	\$ 83,509,715	\$ 81,560,846
Total Liabilities and Deferred Inflows	65,272,310	59,073,466	49,318,261	45,662,989	43,525,290
Total Net Position	50,720,250	43,664,787	41,983,665	37,846,726	38,035,556
Total Operating Revenues	18,209,602	14,513,834	11,995,594	16,086,905	16,154,067
Total Operating Expenses	57,645,931	60,377,561	52,340,054	55,235,092	51,214,181
Total Net Non-Operating Revenues	46,491,792	47,379,798	44,481,399	38,959,357	37,364,621
Total Other Revenues, Expenses, Gains or Losses					2,951,737

