# Ozarka College

## Melbourne, Arkansas

## Basic Financial Statements and Other Reports

## June 30, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE

OZARKA COLLEGE
TABLE OF CONTENTS
JUNE 30, 2023



## BASIC FINANCIAL STATEMENTS



## REQUIRED SUPPLEMENTARY INFORMATION



## OTHER INFORMATION

# LEGISLATIVE JOINT AUDITING COMMITTEE
## ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

***Basis for Opinions***

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

***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.

500 WOODLANE STREET, SUITE 172 • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE: (501) 683-8600 • FAX: (501) 683-8605
www.arklegaudit.gov

### *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.

### *Report on Comparative Information*

We have previously audited the College's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated June 29, 2023. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-9, 38, and 39-40 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 August 8, 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

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
August 8, 2024
EDHE68723

# 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

Ozarka College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Ozarka 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 August 8, 2024. Our report includes a reference to other auditors who audited the financial statements of the Ozarka College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Ozarka College Foundation, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Ozarka College Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of the Ozarka College Foundation, Inc.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below in the Audit Finding 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 August 8, 2024.

500 WOODLANE STREET, SUITE 172 • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE: (501) 683-8600 • FAX: (501) 683-8605
www.arklegaudit.gov

AUDIT FINDING

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. Key errors in the Comparative Statement of Net Position, the Comparative Statement of Cash Flows, and the Notes to the Financial Statements included:

Comparative Statement of Net Position and Notes to the Financial Statements

- Accounts receivable were understated by $5,336 due to the omission of a grant receivable.
- Various accounts payable totaling $7,820 were misclassified in the disaggregation of accounts payable note.
- Lease obligations note disclosure was understated by $14,602.

Comparative Statement of Cash Flows

- Net cash outflows from operating activities and net cash provided by noncapital financing activities, were understated by $222,632 and $122,981, respectively, and net cash outflows from capital and related financing activities were overstated by $99,651 primarily due to accrual adjustment errors in operating and nonoperating federal grants and contracts and other grants and gifts, and errors in the elimination of noncash transactions and proceeds from the sale of capital assets.

The financial statements and notes to the financial statements were corrected by College personnel during the audit.

The College should implement controls to ensure accurate financial reporting.

Management Response: The financial statements and notes to the financial statements were corrected by personnel during the audit. As a result of the finding, Ozarka College has implemented enhanced controls to ensure accurate financial reporting.

**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 and 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

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
August 8, 2024

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

MANAGEMENT LETTER

Ozarka 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:

| | Summer II Term 2022 | Fall Term 2022 | Spring Term 2023 | Summer I Term 2023 |
|---|---|---|---|---|
| Student Headcount | 174 | 983 | 891 | 218 |
| Student Semester Credit Hours | 837 | 9,391 | 8,392 | 1,338 |

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

Matt Fink

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
August 8, 2024

500 WOODLANE STREET, SUITE 172 • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE: (501) 683-8600 • FAX: (501) 683-8605
www.arklegaudit.gov

### Overview of Financial Statements and Financial Analysis

Financial statements for Ozarka College for the fiscal year ended June 30, 2023, were prepared according to requirements set out in GASB No. 34 and 35. A comparative analysis is presented from the prior year with the date of June 30, 2022, displayed in a separate column. The data presented includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

### Statement of Net Position

The Statement of Net Position is presented as of June 30, 2023, and reflects the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of Ozarka College. The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot as of the end of the fiscal year. Current assets and liabilities are distinguished from non-current assets and liabilities. The statement provides a picture of net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

A summarized Statement of Net Position at June 30, 2023, is as follows:

| **Assets:** | **June 30, 2023** | **June 30, 2022** |
|---|---|---|
| Current Assets | $ 7,280,708 | $ 6,880,306 |
| Noncurrent Assets | | |
| Capital Assets (net of accumulated depreciation) | 8,960,155 | 9,646,523 |
| Leased Assets (net of accumulated depreciation) | 22,415 | 49,012 |
| Other Noncurrent Assets | 1,280,486 | 902,391 |
| **Total Assets** | **17,543,764** | **17,478,232** |
| **Deferred Outflows of Resources:** | | |
| Deferred amount on refunding | 68,384 | 73,713 |
| Deferred amount related to OPEB | 83,313 | 72,193 |
| Deferred amount related to pensions | 638,248 | 459,385 |
| **Total Deferred Outflows** | **789,945** | **605,291** |
| **Total Assets and Deferred Outflows of Resources** | **18,333,709** | **18,083,523** |
| **Liabilities:** | | |
| Current Liabilities | 634,331 | 459,631 |
| Noncurrent Liabilities | 7,096,534 | 6,517,111 |
| **Total Liabilities** | **7,730,865** | **6,976,742** |
| **Deferred Inflows of Resources:** | | |
| Deferred amount related OPEB | 245,244 | 207,262 |
| Deferred amount related to pensions | 166,398 | 917,184 |
| **Total Deferred Inflows** | **411,642** | **1,124,446** |
| **Total Liabilities and Deferred Inflows of Resources** | **8,142,507** | **8,101,188** |
| **Net Position:** | | |
| Invested in capital assets, net of debt | 4,312,470 | 4,735,769 |
| Restricted | 30,070 | 1,386 |
| Unrestricted | 5,848,662 | 5,245,180 |
| **Total Net Position** | **$ 10,191,202** | **$ 9,982,335** |

Current Assets increased slightly due to an increase of $386,406 in cash and short-term investments.

Current Liabilities increased due to a pending return of federal funds.

The following were impacted due to GASB 68 and 75: non-current liabilities increased by 9% which included an increase in Net Pension Liability of $824,974 and an increase in OPEB of $15,198. In addition, deferred inflows of resources decreased by $712,804 which included a decrease of $750,786 related to pensions.

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

The purpose of this statement is to present revenues received and expenses paid, operating and non-operating, and any other revenues, expenses, gains and losses. Operating revenues include activities that have the characteristics of exchange transactions, such as reimbursements from various services, federal and state grants, and auxiliary enterprises. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 34, such as state appropriations, federal and state grants and investment income.

A summarized Statement of Revenues, Expenses and Changes in Net Position at June 30, 2023, are as follows:

| **Operating Revenues:** | **June 30, 2023** | **June 30, 2022** |
|---|---|---|
| Student tuition and fees (net of scholarship allowances) | $ 1,174,440 | $ 839,955 |
| Federal, state and local grants and contracts | 2,091,914 | 2,174,136 |
| Auxiliary enterprises (net of scholarship allowances) | 41,704 | 37,137 |
| Other operating revenue | 89,531 | 851,986 |
| **Total Operating Revenues** | **3,397,589** | **3,903,214** |
| **Operating Expenses:** | | |
| Personal Services | $ 6,991,146 | 6,591,944 |
| Scholarships and fellowships | 1,639,404 | 3,256,953 |
| Supplies and services | 2,650,226 | 5,060,510 |
| Depreciation and amortization | 829,427 | 823,934 |
| **Total Operating Expenses** | **12,110,203** | **15,733,341** |
| **Operating Income (Loss)** | **$ (8,712,614)** | **$ (11,830,127)** |
| **Non-Operating Revenues (Expenses):** | | |
| State appropriations | 4,608,108 | 4,529,458 |
| Sales and use tax | 675,595 | 623,168 |
| Federal, state and local grants and contracts | 3,838,577 | 7,793,098 |
| Gifts | 32,855 | 127,500 |
| Investment income | 37,670 | 6,312 |
| Gain or loss on disposal of capital assets | (70,155) | (26,816) |
| Other revenues (expenses) | (129,670) | 135,551 |
| **Net Non-Operating Revenue (Expenses)** | **8,992,980** | **13,188,271** |
| **Income Before Other Revenues, Expenses, Gains or Losses** | **280,366** | **1,358,144** |
| Adjustment of Library Holdings – rate per volume | (71,499) | 12,670 |
| **Increase (Decrease) in Net Position** | **208,867** | **1,370,814** |
| **Net Position – Beginning of Year** | **9,982,335** | **8,611,521** |
| **Net Position – End of Year** | **$ 10,191,202** | **$ 9,982,335** |

Operating revenues decreased by 13%, which includes an increase of $344,485 in student tuition and fees and a decrease of $82,222 in federal, state, and local grants for funds received. The increase in tuition and fees was largely due to a change in the program fee structure for the aviation department. Prior year other operating revenue included a large payment for grant administration.

Operating expenses decreased by 23% with decreases of $1,617,549 for scholarships and fellowships due to the reduction of COVID related aid to students and decreases $2,410,284 in supplies and services for expenditures primarily associated with COVID related grants.

**Statement of Cash Flows:**

The statement of Cash Flows provides detailed information about the cash activity of the College during the year. The statement is divided into the following five sections:

- Operating Activities - provides detail of the operating cash flows and the net cash used by operating activities for the College.
- Non-Capital Financing Activities - reflect cash received and spent for non-operating financing activities.
- Investing Activities - cash flows related to the purchase, proceeds, and interest received from investing activities.
- Capital and Related Financing Activities – provides specific information on the cash used for the acquisition and construction of capital and related items.
- Change in Cash - reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

A summarized Statement of Cash Flows at June 30, 2023, is as follows:

| **Cash Provided (Used) By:** | **June 30, 2023** | **June 30, 2022** |
|---|---|---|
| Operating activities | $ (7,925,102) | $ (11,379,700) |
| Noncapital financing activities | 9,296,988 | 13,378,349 |
| Capital and related financing activities | (637,689) | (776,030) |
| Investing activities | 17,173 | 4,510 |
| **Net Change in Cash** | **751,370** | **1,227,129** |
| **Cash – Beginning of Year** | **6,068,283** | **4,841,154** |
| **Cash – End of Year** | **$ 6,819,653** | **$ 6,068,283** |

**Economic Outlook**

The economic outlook for Ozarka College is conservatively optimistic. The development of new technical programs and the addition of the Ash Flat and Mtn. View Technical Centers will continue to strengthen the workforce skills and educational opportunities for our service area and increase enrollment for high school, traditional and non-traditional students. Although, there is much uncertainty concerning the national economic condition, Ozarka College will continue to operate in a fiscally conservative manner and focus on recruitment and retention efforts to increase student enrollment in a post COVID world.

**Ozarka College**
**Comparative Statement of Net Position**
**June 30, 2023**

Exhibit A

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash & cash equivalents | $ 5,719,223 | $ 5,345,948 |
| Short-term investments | 705,765 | 692,634 |
| Accounts receivable (less allowance of $22,396 and $18,712) | 211,566 | 168,405 |
| Other receivables | 425,681 | 416,876 |
| Inventories | | 1,790 |
| Deposits with trustee | 10,620 | 3,605 |
| Prepaid expenses | 207,453 | 250,998 |
| Accrued interest | 400 | 50 |
| Total Current Assets | **7,280,708** | **6,880,306** |
| Noncurrent Assets: | | |
| Cash & cash equivalents | 1,100,430 | 722,335 |
| Deposits with trustee | 180,056 | 180,056 |
| Leased asset - Building (net of accumulated amortization of $19,694 and $7,878) | 3,939 | 15,755 |
| Leased asset - Copiers (net of accumulated amortization of $25,866 and $11,086) | 18,476 | 33,257 |
| Capital assets (net of accumulated depreciation of $12,904,745 and $12,165,999) | 8,960,155 | 9,646,523 |
| Total Noncurrent Assets | **10,263,056** | **10,597,926** |
| **Total Assets** | **17,543,764** | **17,478,232** |
| **Deferred Outflows of Resources** | | |
| Deferred amount on refunding | 68,384 | 73,713 |
| Deferred amount related to other postemployment benefits | 83,313 | 72,193 |
| Deferred amount related to pensions | 638,248 | 459,385 |
| Total Deferred Outflows | **789,945** | **605,291** |
| **Total Assets and Deferred Outflows of Resources** | **$ 18,333,709** | **$ 18,083,523** |
| **Liabilities** | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $ 268,087 | $ 68,613 |
| Lease liability - Building | 3,987 | 11,832 |
| Lease liability - Copiers | 14,857 | 14,742 |
| Notes payable | 20,245 | 19,499 |
| Bonds payable | 243,569 | 243,569 |
| Compensated absences | 18,890 | 18,034 |
| Liability for other postemployment benefits | 23,436 | 17,360 |
| Unearned revenue | 12,696 | 30,712 |
| Funds held in trust for others | 19,590 | 26,019 |
| Interest payable - Building lease | 5 | 20 |
| Interest payable - Copier lease | 12 | 21 |
| Interest payable | 8,957 | 9,210 |
| Total Current Liabilities | **634,331** | **459,631** |
| Noncurrent Liabilities: | | |
| Lease liability - Building | | 3,987 |
| Lease liability - Copiers | 3,732 | 18,589 |
| Notes payable | 260,400 | 280,645 |
| Bonds payable | 4,303,528 | 4,547,098 |
| Liability for other post employment benefits | 779,293 | 764,095 |
| Compensated absences | 284,787 | 262,877 |
| Net pension liability | 1,464,794 | 639,820 |
| Total Noncurrent Liabilities | **7,096,534** | **6,517,111** |
| **Total Liabilities** | **7,730,865** | **6,976,742** |

**Ozarka College**
**Comparative Statement of Net Position**
**June 30, 2023**

Exhibit A

| | 2023 | 2022 |
|---|---|---|
| **Deferred Inflows of Resources** | | |
| Deferred amount related to other postemployment benefits | $ 245,244 | $ 207,262 |
| Deferred amount related to pensions | 166,398 | 917,184 |
| Total Deferred Inflows | **411,642** | **1,124,446** |
| **Total Liabilities and Deferred Inflows** | **8,142,507** | **8,101,188** |
| **Net Position** | | |
| Invested in capital assets | 4,312,470 | 4,735,769 |
| Restricted for: | | |
| Expendable | | |
| Other | 30,070 | 1,386 |
| Unrestricted | 5,848,662 | 5,245,180 |
| **Total Net Position** | **$ 10,191,202** | **$ 9,982,335** |

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

Exhibit A-1

# Ozarka College Foundation, Inc.
## Statements of Financial Position
## June 30, 2023

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 50,218 | $ 34,998 |
| Loan receivable, net of allowance for doubtful accounts | | 93 |
| **Total current assets** | **50,218** | **35,091** |
| **Restricted assets** | | |
| Cash and cash equivalents | 200,181 | 226,201 |
| Investments | 2,681,108 | 2,447,639 |
| **Total restricted assets** | **2,881,289** | **2,673,840** |
| **Total assets** | **$ 2,931,507** | **$ 2,708,931** |
| **Liabilities & Net Assets** | | |
| **Current Liabilities:** | | |
| Scholarship payable | $ 1,238 | |
| **Total Current Liabilities** | **1,238** | |
| **Net assets** | | |
| Without donor restrictions | 668,207 | $ 530,929 |
| With donor restrictions | 2,262,062 | 2,178,002 |
| **Total net assets** | **2,930,269** | **2,708,931** |
| **Total liabilities & net assets** | **$ 2,931,507** | **$ 2,708,931** |

**Ozarka College**
**Comparative Statement of Revenues, Expenses and Changes in Net Position**
**For the Year Ended June 30, 2023**

Exhibit B

| | 2023 | 2022 |
|---|---|---|
| **Operating Revenues:** | | |
| Student tuition and fees (net of scholarship allowance of $2,655,114 and $2,827,309) | $ 1,174,440 | $ 839,955 |
| Federal grants and contracts | 1,456,611 | 1,599,391 |
| State and local grants and contracts | 635,303 | 574,745 |
| Auxiliary enterprises | | |
| Student Housing (net of scholarship allowances of $14,276 and $20,868) | 41,465 | 31,923 |
| Other auxiliary enterprises | 239 | 5,214 |
| Other operating revenues | 89,531 | 851,986 |
| **Total Operating Revenues** | **3,397,589** | **3,903,214** |
| **Operating Expenses:** | | |
| Personal services | 6,991,146 | 6,591,944 |
| Scholarships and fellowships | 1,639,404 | 3,256,953 |
| Supplies and services | 2,650,226 | 5,060,510 |
| Depreciation | 802,830 | 804,970 |
| Amortization of leased assets | 26,597 | 18,964 |
| **Total Operating Expenses** | **12,110,203** | **15,733,341** |
| **Operating Income (Loss)** | **(8,712,614)** | **(11,830,127)** |
| **Non-Operating Revenues (Expenses):** | | |
| State appropriations | 4,608,108 | 4,529,458 |
| Sales and use tax | 675,595 | 623,168 |
| Federal grants | 2,883,436 | 7,090,415 |
| State grants | 945,141 | 632,954 |
| Local/Private grants | 10,000 | 69,729 |
| Gifts | 32,855 | 127,500 |
| Investment income | 37,670 | 6,312 |
| Interest on capital asset related debt | (128,596) | (132,076) |
| Interest on leased assets | (350) | (427) |
| Gain or loss on disposal of capital assets | (70,155) | (26,816) |
| Other revenue/expense | (2) | 268,775 |
| Other expense - Paying Agent Fees | (722) | (721) |
| **Net Non-Operating Revenues (Expenses)** | **8,992,980** | **13,188,271** |
| **Income Before Other Revenues, Expenses, Gains or Losses** | **280,366** | **1,358,144** |
| Adjustment of Library Holdings - rate per volume | (71,499) | 12,670 |
| **Increase (Decrease) in Net Position** | **208,867** | **1,370,814** |
| **Net Position - Beginning of Year** | **9,982,335** | **8,611,521** |
| **Net Position - End of Year** | **$ 10,191,202** | **$ 9,982,335** |

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

Exhibit B-1

**Ozarka College Foundation, Inc.**
**Statements of Activities**
**For the Year Ended June 30, 2023**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenues, gains, and other support** | | | | | | |
| Contribution income | $ 3,557 | $ 82,095 | $ 85,652 | $ 5,144 | $ 134,572 | $ 139,716 |
| Gifts in kind | | | | | 87,500 | 87,500 |
| Other income | 106,239 | | 106,239 | 119,314 | | 119,314 |
| Investment return | 6,233 | 176,810 | 183,043 | 170 | (358,800) | (358,630) |
| Gain on sale of assets | | | | | 36,149 | 36,149 |
| Net assets released from restriction | 174,845 | (174,845) | | 165,892 | (165,892) | |
| **Total revenues, gains and other support** | **290,874** | **84,060** | **374,934** | **290,520** | **(266,471)** | **24,049** |
| **Operating expenses:** | | | | | | |
| Contract services | 25,000 | | 25,000 | 25,000 | | 25,000 |
| Scholarship expense | 57,813 | | 57,813 | 53,163 | | 53,163 |
| Office expense | 2,364 | | 2,364 | 1,882 | | 1,882 |
| Gala expense | 9,865 | | 9,865 | 9,945 | | 9,945 |
| Golf tournament | 9,539 | | 9,539 | 6,681 | | 6,681 |
| Casino night | 8,006 | | 8,006 | | | |
| Heath Sanders concert | 12,745 | | 12,745 | | | |
| Insurance | 1,339 | | 1,339 | 1,168 | | 1,168 |
| Professional fees | 10,500 | | 10,500 | 5,050 | | 5,050 |
| Program expense | 16,425 | | 16,425 | 16,357 | | 16,357 |
| Contributions to college | | | | 100,000 | | 100,000 |
| **Total Expenses** | **153,596** | | **153,596** | **219,246** | | **219,246** |
| **Change in net assets** | **137,278** | **84,060** | **221,338** | **71,274** | **(266,471)** | **(195,197)** |
| **Net assets beginning of year** | **530,929** | **2,178,002** | **2,708,931** | **459,655** | **2,444,473** | **2,904,128** |
| **Net assets end of year** | **$ 668,207** | **$ 2,262,062** | **$ 2,930,269** | **$ 530,929** | **$ 2,178,002** | **$ 2,708,931** |

**Ozarka College**
**Comparative Statement of Cash Flows**
**For the Year Ended June 30, 2023**

Exhibit C

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Student tuition and fees | $ 1,113,263 | $ 895,812 |
| Grants and contracts - State | 668,957 | 514,098 |
| Grants and contracts - Federal | 1,414,596 | 1,524,569 |
| Auxiliary enterprises revenues | | |
| Student housing | 41,435 | 31,953 |
| Other auxiliary enterprises | (69) | 5,205 |
| Other receipts | 89,531 | 851,986 |
| Payments to employees | (5,282,559) | (5,049,790) |
| Payments for employee benefits | (1,732,116) | (1,705,583) |
| Payments to suppliers | (2,598,736) | (5,190,997) |
| Scholarship and fellowships | (1,639,404) | (3,256,953) |
| **Net cash provided by operating activities** | **(7,925,102)** | **(11,379,700)** |
| **Cash Flows from Noncapital Financing Activities** | | |
| State appropriations | 4,608,108 | 4,529,458 |
| Sales and use tax | 669,147 | 618,061 |
| Grants and contracts - State | 945,141 | 632,954 |
| Grants and contracts - Federal | 3,071,023 | 7,090,415 |
| Direct Lending receipts | 752,705 | 726,398 |
| Direct Lending payments | (752,705) | (726,398) |
| Other agency funds - net | (6,429) | 6,528 |
| Other grants and gifts | 10,000 | 232,158 |
| Other revenues/expense | (2) | 268,775 |
| **Net cash provided by noncapital financing activities** | **9,296,988** | **13,378,349** |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Proceeds from sale of capital assets | 29,496 | 1,797 |
| Payments to trustee for bond principal | (245,000) | (245,000) |
| Payments to trustee for interest and fees | (111,442) | (114,137) |
| Purchases of capital assets | (252,925) | (368,610) |
| Lease payments | (26,948) | (19,211) |
| Principal paid on note | (19,499) | (18,753) |
| Interest paid on note | (11,371) | (12,116) |
| **Net cash provided by capital and related financing activities** | **(637,689)** | **(776,030)** |
| **Cash Flows from Investing Activities** | | |
| Interest on investments (net of fees) | 17,173 | 4,510 |
| **Net cash provided by investing activities** | **17,173** | **4,510** |
| **Net increase (decrease) in cash and cash equivalents** | **751,370** | **1,227,129** |
| **Cash and Cash equivalents - beginning of year** | **6,068,283** | **4,841,154** |
| **Cash and Cash equivalents - end of year** | **$ 6,819,653** | **$ 6,068,283** |

Exhibit C

# Ozarka College
## Comparative Statement of Cash Flows
## For the Year Ended June 30, 2023

| | 2023 | 2022 |
|---|---|---|
| **Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:** | | |
| **Operating Income (loss)** | **$ (8,712,614)** | **$ (11,830,127)** |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization expense | 829,427 | 823,934 |
| Non cash operating expenses | 3,505 | 2,500 |
| Change in assets and liabilities: | | |
| Receivables, net | (44,279) | (135,081) |
| Inventories | 1,790 | (815) |
| Prepaid expenses | 43,545 | (93,884) |
| Accounts payable and accrued liabilities | 5,313 | 7,534 |
| Unearned revenue | (18,016) | 8,904 |
| Compensated absences | 22,766 | 5,590 |
| Other post-employment benefits | 48,136 | 57,243 |
| Net pension liability | (104,675) | (225,498) |
| **Net cash provided (used) by operating activities** | **$ (7,925,102)** | **$ (11,379,700)** |
| **Noncash Transactions** | | |
| Adjustment of library holdings - rate per volume | $ (71,499) | $ 12,670 |
| Investment earnings on deposit with trustee | 7,015 | 207 |
| Reinvested investment earnings | 13,132 | 1,619 |
| Ozarka College Foundation Contribution | 3,000 | 2,500 |
| U of A Cossatot Community College - noncash gift | 29,855 | |
| Expenses (closing costs) netted with proceeds from the sale of assets | 505 | |

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

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

The State Board for Vocational Education was created under the provisions of Act 328 of 1957 for the purpose of establishing in various sections of Arkansas, secondary level schools for specializing in vocational technical training. Efforts of the agencies were to be directed toward specialized training of students of high school age and as a service to the community in the area of adult education.

Ozarka Vocational Technical School, an institution of higher education of the State of Arkansas, began operations in July 1975. Effective July 1, 1991, the College's name was changed to Ozarka Technical College under the provisions of Ark. Code Ann. § 6-53-301. The College is now under the jurisdiction of the Arkansas Higher Education Coordinating Board. The governing body is the Board of Trustees comprised of seven members. Effective July 1, 1999, the College's name was changed to Ozarka College.

The Ozarka College Foundation, Inc., (Foundation) is a legally separate, tax-exempt component unit of Ozarka College (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 Foundation board is self-perpetuating and consists of friends of the College. As of June 30, 2023, there were 21 board positions filled of the 25 allowed by the Foundation by-laws. Although the College does not control the timing or amount of receipts from the Foundation, the majority of 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.

During the year ended June 30, 2023, the Foundation distributed $85,240 in cash and gifts to the College for both restricted and unrestricted purposes. Gifts consist of $3,000 in non-operating gifts as reflected in the Statement of Revenues, Expense, and Changes in Net Position. Completed financial statements for the Foundation can be obtained from the Finance Office, Ozarka College, Post Office Box 10, Melbourne, AR 72556.

The Foundation's financial information in the College's financial statements has been presented on the accrual basis of accounting in accordance with generally accepted accounting principles. No modifications have been made to the Foundation's financial information in the College's financial statements.

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, cash flows, and replaces the fund-group perspective previously required.

In June 2011, the GASB issued Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The use of net position as the residual of all other elements presented in a statement of financial position has also been identified. This statement amends the net asset reporting requirement in Statement no. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In fiscal year 2016, the College implemented GASB Statement no. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. Further information can be found in Note 2.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments. Further information can be found in Note 10.

Ozarka College implemented GASB Statement no. 87, *Leases*, in fiscal year 2022. The College recorded right to use lease assets as a result of implementation. These assets are measured at an amount equal to the initial measurement of the related lease liability. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, software, equipment, 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. Library holdings are valued at a rate per volume by categories. The rate per volume was derived from a publication of average costs.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 to 15 years for library holdings, and 3 to 7 years for software and equipment.

Operating and Nonoperating Revenues

Operating revenues include activities that have characteristics of exchange transactions, such as student tuition and fees, most federal and state grants, and auxiliary enterprises.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9 and GASB Statement no. 34. Such revenues include state appropriations, sales and use tax, Pell grants and other grants used exclusively for scholarships, and investment income.

Cash Equivalents

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

Accounts Receivable

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments, which consist of certificates of deposit classified as nonparticipating contracts, are stated at cost under the provisions of Statement no. 31 of the Governmental Accounting Standards Board.

Inventories

Inventories are valued at cost with cost being generally determined on a specific cost basis for the food service inventory.

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences Payable

Compensated absences payable represent the College's liability for unused annual leave, certain unused sick leave, and related matching costs at June 30, 2023. For presentation purposes only, employees eligible for retirement are included in the sick leave portion of the liability. Employees meeting the following criteria are eligible for retirement: (1) the employee is retiring from Ozarka College at the age of 55 or above, (2) the employee's actual age and actual number of years of service to Ozarka College at the time of retirement combine to a total of 75 or more.

NOTE 2: Public Fund Deposits and Investments

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

| | Carrying Amount | Bank Balance |
|---|---|---|
| FDIC (Insured) | $ 1,046,912 | $ 1,063,142 |
| Collateralized: | | |
| Collateral held by the pledging bank or pledging bank's trust department in the College's name | 6,478,356 | 6,559,221 |
| Total Deposits | $ 7,525,268 | $ 7,622,363 |

The above deposits do not include cash on hand in the amount of $150 for the year ended June 30, 2023. The above total deposits include certificates of deposit of $705,765 reported as investments and classified as nonparticipating contracts.

Deposits with Trustee

**The Federated U.S. Treasury Cash Reserves Fund**

This fund operates as a "government money market fund" as defined in or interpreted under Rule 2a-7 of the Investment Company Act of 1940, as amended. Under normal conditions, this fund will invest its assets so that at least 80% of its net assets are invested in government securities that are collateralized fully by government securities.

NOTE 2: Public Fund Deposits and Investments (Continued)

**Investments Measured at the NAV**

Calculation of Net Asset Value – The Fund attempts to stabilize the NAV of its Shares at $1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the Fund calculates a market-based NAV per Share on a periodic basis. The Fund cannot guarantee that its NAV will always remain at $1.00 per Share. The fund does not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the New York Stock Exchange is open.

| Security Description | Amount |
|---|---|
| **U.S. Treasury (DSR 2021 series bonds) (1)** | $ 186,178 |
| **U.S. Treasury (Bond Fund 2021 series bonds) (1)** | 4,498 |
| **Total investments * measured at the NAV** | $ 190,676 |

* reported as deposits with trustee

1) *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.

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 Unites 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 invests are callable at the option of the issuer. Callable securities are subject to call risks.

NOTE 3: Income Taxes

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

NOTE 4: Capital Assets

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

| | Balance 7/1/2022 | Additions | Retirements | Balance 6/30/2023 |
|---|---|---|---|---|
| Nondepreciable capital assets: | | | | |
| Land | $ 310,499 | | | $ 310,499 |
| Other capital assets: | | | | |
| Improvements | $ 475,321 | $ 18,890 | $ (51,000) | $ 443,211 |
| Buildings | 16,627,417 | 6,109 | (113,239) | 16,520,287 |
| Equipment | 2,174,956 | 263,116 | | 2,438,072 |
| Software (intangible asset) | 451,652 | | | 451,652 |
| Library holdings | 1,772,677 | 3,350 | (74,848) | 1,701,179 |
| Total other capital assets | 21,502,023 | 291,465 | (239,087) | 21,554,401 |
| Less accumulated depreciation for: | | | | |
| Improvements | 279,024 | 20,046 | (16,705) | 282,365 |
| Buildings | 8,453,515 | 518,761 | (47,379) | 8,924,897 |
| Equipment | 1,426,015 | 220,341 | | 1,646,356 |
| Software (intangible asset) | 451,652 | | | 451,652 |
| Library holdings | 1,555,793 | 43,682 | | 1,599,475 |
| Total accumulated depreciation | 12,165,999 | 802,830 | (64,084) | 12,904,745 |
| Other capital assets, net | $ 9,336,024 | $ (511,365) | $ (175,003) | $ 8,649,656 |
| Capital asset summary: | | | | |
| Nondepreciable capital assets | $ 310,499 | | | $ 310,499 |
| Other capital assets, at cost | 21,502,023 | $ 291,465 | $ (239,087) | 21,554,401 |
| Total cost of capital assets | 21,812,522 | 291,465 | (239,087) | 21,864,900 |
| Less accumulated depreciation | 12,165,999 | 802,830 | (64,084) | 12,904,745 |
| Capital assets, net | $ 9,646,523 | $ (511,365) | $ (175,003) | $ 8,960,155 |

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2023 | Maturities to June 30, 2023 |
|---|---|---|---|---|---|
| 9/20/2019 | 9/20/2024 | 3.85% | $ 350,000 | $ 280,645 | $ 69,355 |
| 1/19/2021 | 12/1/2042 | 1 - 3% | 5,065,000 | 4,575,000 | 490,000 |
| Unamortized premium | | | (31,479) | (27,903) | (3,576) |
| Totals | | | $ 5,383,521 | $ 4,827,742 | $ 555,779 |

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | $ 4,790,667 | | $ 243,570 | $ 4,547,097 | $ 243,569 |
| Notes Payable | 300,144 | | 19,499 | 280,645 | 20,245 |
| Compensated Absences | 280,911 | $ 425,403 | 402,637 | 303,677 | 18,890 |
| Totals | $ 5,371,722 | $ 425,403 | $ 665,706 | $ 5,131,419 | $ 282,704 |

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

| Year Ended | Bonds Payable | | | Note Payable | | |
|---|---|---|---|---|---|---|
| June 30, | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | $ 245,000 | $ 107,719 * | $ 352,719 | $ 20,245 | $ 10,624 * | $ 30,869 |
| 2025 | 250,000 | 104,313 | 354,313 | 260,400 | 2,545 | 262,945 |
| 2026 | 255,000 | 100,334 | 355,334 | | | |
| 2027 | 255,000 | 95,871 | 350,871 | | | |
| 2028 | 265,000 | 90,862 | 355,862 | | | |
| 2029-2033 | 1,420,000 | 366,294 | 1,786,294 | | | |
| 2034-2038 | 1,185,000 | 177,975 | 1,362,975 | | | |
| 2039-2043 | 700,000 | 53,400 | 753,400 | | | |
| Totals | $ 4,575,000 | $ 1,096,768 | $ 5,671,768 | $ 280,645 | $ 13,169 | $ 293,814 |

*Includes interest payable of $8,657 and $300, respectively, reported as a current liability at June 30, 2023.

NOTE 6: Retirement Plans

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

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

Funding Policy. TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 6% of earnings to the plan. The College contributes 12% of earnings for all applicable employees. The participants' and the College’s contributions for the year ended June 30, 2023, were $49,395 and $69,990, respectively.

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System

Summary of Significant Accounting Policies

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

(a) General Information about the Pension Plan

*Plan description:* Eligible employees of Ozarka College are provided with pensions through the Arkansas Teacher Retirement System (ATRS), administered by the Arkansas Teacher Retirement System 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 licensed and regulated by Division of Developmental Disabilities Services of the Department of Human Services. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly.

ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. The report may be obtained by contacting:

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

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

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 (FAS; 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 average) and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with 10 years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying 100% of the member's base retirement annuity by 3%.

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

(b) Contributions

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

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2023, the employer contribution rate was 15.00% of covered employee payroll. Contributions to ATRS from Ozarka College were $84,135 for the year ended June 30, 2023.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 7.00% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members were automatically enrolled as contributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

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

At June 30, 2023, Ozarka College reported a liability of $814,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. Ozarka 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 .0154% for ATRS.

For the year ended June 30, 2023, Ozarka College recognized pension expense of $(10,831). For the year ended June 30, 2023, Ozarka College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 15,697 | $ 1,753 |
| Net differences between projected and actual earnings on pension plan investments | 119,197 | |
| Changes of assumptions | 84,502 | |
| Changes in proportion and differences between employer contributions and share of contributions | 48,698 | 81,323 |
| College contributions subsequent to the measurement date | 84,135 | |
| Total | $ 352,229 | $ 83,076 |

$84,135 reported as deferred outflows of resources related to pensions resulting from Ozarka College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---|---|
| 2024 | $ 43,867 |
| 2025 | $ 46,212 |
| 2026 | $ (7,287) |
| 2027 | $ 102,226 |

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

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

| | ATRS |
|---|---|
| Date of actuarial valuation | June 30, 2022 |
| Inflation rate | 2.75% |
| Salary increases | 2.75% to 7.75%, including inflation |
| Investment rate of return | 7.25% |
| Mortality rates | Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality using projection scale MP-2020 from 2010. |
| Actuarial experience study dates | July 1, 2015 through June 30, 2020 |

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

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

| ATRS | | |
|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Total equity | 53% | 5.3% |
| Fixed income | 15% | 1.3% |
| Alternatives | 5% | 4.8% |
| Real assets | 15% | 4.0% |
| Private equity | 12% | 7.6% |
| Cash equivalents | 0% | 0.5% |

*Discount rate.* The discount rate for the ATRS plan was determined as follows:

The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate of 6.75% and that employer contributions will be 14.75% of payroll. 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.

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

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

| | 1% Decrease 6.25% | Current discount rate 7.25% | 1% Increase 8.25% |
|---|---|---|---|
| ATRS – Current discount rate 7.25% | $1,294,627 | $814,396 | $415,979 |

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

Arkansas Public Employees Retirement System

Summary of Significant Accounting Policies

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

(a) General Information about the Pension Plan

*Plan descriptions:* Eligible employees of Ozarka College are provided with pensions through Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System Board of Trustees. APERS is a cost-sharing multiple-employer defined benefit pension plan that covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this System, college and university employees, and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers, and quasi-judicial members. The benefit provisions offered by the APERS plan are established by State law and may be amended only by the Arkansas General Assembly.

APERS issues a publicly available financial report that includes financial statements and required supplementary information for APERS. The report may be obtained by contacting:

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

NOTE 6: Retirement Plans (continued)

Arkansas Public Employees Retirement System (Continued)

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

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

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

(b) Contributions

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

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly, certain municipal and county elected officials, and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2023, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 38.99%. The College's required contribution rate was 15.32% for the year ended June 30, 2023. Contributions to APERS from Ozarka College were $78,096 for the year ended June 30, 2023.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978 to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5.25% of their earnings to APERS. All other noncontributory members are given the opportunity to become contributory.

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

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

At June 30, 2023, Ozarka College reported liabilities of $650,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. Ozarka College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2022, the State's proportion was .0241% for APERS.

For the year ended June 30, 2023, Ozarka College recognized pension expense of $68,387. For the year ended June 30, 2023, Ozarka College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 15,612 | $ 7,853 |
| Net differences between projected and actual earnings on pension plan investments | 137,202 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 55,109 | 75,469 |
| College contributions subsequent to the measurement date | 78,096 | |
| Total | $286,019 | $83,322 |

$78,096 reported as deferred outflows of resources related to pensions resulting from Ozarka College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---|---|
| Year ended June 30: | |
| 2024 | $ 41,346 |
| 2025 | $ 7,575 |
| 2026 | $(20,003) |
| 2027 | $ 95,683 |

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

| | APERS |
|---|---|
| Date of actuarial valuation | June 30, 2022 |
| Inflation rate | 3.25% |
| Salary increases | 3.25% - 9.85%, including inflation |
| Investment rate of return | 7.15% |
| Mortality rates | RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. |
| Actuarial experience study dates | July 1, 2012 through June 30, 2017 |

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 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.

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

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:

| APERS | | |
|---|---|---|
| Asset Class | 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% |

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

The 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.

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

| | 1% Decrease 6.15% | Current discount rate 7.15% | 1% Increase 8.15% |
|---|---|---|---|
| APERS – Current discount rate 7.15% | $1,034,014 | $650,398 | $333,689 |

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

The total pension expense for both plans, recorded in personal services expenditures, for fiscal year ended June 30, 2023, was $57,556. Individual plan pension expense was $68,387 for APERS and $(10,831) for ATRS.

Alternative Retirement Plan – Variable Annuity Life Insurance Company

Plan Description. The College contributes to the Alternative Retirement Plan – Variable Annuity Life Insurance Company, 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 the Arkansas State Board of Career Education and Variable Annuity Life Insurance Company (VALIC). VALIC provides insurance policies and annuity contracts and when they are issued they become the property of the participant. Arkansas law authorizes participation in the plan.

Funding Policy. The participants' contributions are tax-sheltered and amount to a minimum of 6% of compensation. The College's contribution rate is 12%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2023, were $229,901 and $369,290, respectively.

NOTE 7: Natural Classifications by Function

The College's operating expenses by function were as follows:

| | Total Personal Services | Scholarships and Fellowships | Supplies and Services | Depreciation | Amortization | Total |
|---|---|---|---|---|---|---|
| Instruction | $ 3,683,509 | | $ 961,209 | | | $ 4,644,718 |
| Public service | 229,929 | | 69,370 | | | 299,299 |
| Academic support | 71,260 | | 26,153 | | | 97,413 |
| Student services | 975,694 | | 392,124 | | | 1,367,818 |
| Institutional support | 1,541,532 | | 704,122 | | | 2,245,654 |
| Scholarships & fellowships | | $ 1,639,404 | | | | 1,639,404 |
| Operation & maintenance of plant | 489,222 | | 467,831 | | | 957,053 |
| Auxiliary enterprises | | | 29,417 | | | 29,417 |
| Depreciation and amortization | | | | $ 802,830 | $ 26,597 | 829,427 |
| Total | $ 6,991,146 | $ 1,639,404 | $ 2,650,226 | $ 802,830 | $ 26,597 | $ 12,110,203 |

NOTE 8: Disaggregation of Receivable and Payable Balances

Accounts receivable from students were $233,962 at June 30, 2023. This amount was reduced by an allowance for doubtful accounts of $22,396.

Other receivables of $425,681 consisted of $118,316 due from sales and use tax, reimbursements of $236,667 from various agencies for grants and contracts, $9,112 from various grants and organizations for student aid, and auxiliary enterprises and other receivables of $61,586.

The accounts payable and accrued liabilities of $268,087 at June 30, 2023 consisted of $17,082 due to vendors, $2,038 for student aid, $60,634 salaries and benefits payable and $188,333 due to federal agency for admin allowance overpayment.

NOTE 9: Sales and Use Tax

Effective October 2002, the voters of the City of Ash Flat approved the levy of a three-eighths of one percent sales and use tax. This sales tax will assist in the operation and maintenance and capital improvements of the facilities located at the Ash Flat campus.

On April 10, 2012, the voters of the City of Melbourne passed a one percent city sales tax of which three-eighths of one percent was designated for Ozarka College. This sales tax is designated for the construction and maintenance of buildings and improvements on the Melbourne Campus.

NOTE 10: Other Postemployment Benefits

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

NOTE 10: Other Postemployment Benefits (Continued)

General Information about OPEB Plan:

**Plan Description**

Ozarka College offers a single-employer, defined benefit OPEB plan for all permanent benefits eligible employees. Employees who retire directly from active employment who have reached age 55 and their age plus years of service total 75 years with Ozarka College are eligible to participate in the Ozarka OPEB Plan. The College allows continued group health insurance coverage until the retiree reaches Medicare eligibility and contributes to health insurance premiums (individual or family coverage) for qualified employees until the retiree is 65 years of age.

**Employees Covered by Benefit Terms**

At June 30, 2023, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payment | 2 |
| Active employees | 89 |
| | 91 |

| | |
|---|---|
| **Medical Plan** | Arkansas Higher Education Consortium Benefits Trust |
| Deductible: | Basic - $3,000 individual/$6,000 family<br>Core - $2,000 individual/$4,000 family<br>Enhanced - $1,000 individual/$2,000 family<br>Twice the above amounts for out-of-network |
| Out of Pocket Limit: | Basic - $6,000 individual/$12,000 family<br>Core - $6,000 individual/$12,000 family<br>Enhanced - $4,500 individual/$9,000 family<br>No limit for out-of-network claims |
| Copayment: | Basic - $20 primary care physician, $50 specialist<br>Core - $20 primary care physician, $50 specialist<br>Enhanced - $20 primary care physician, $50 specialist |
| Coinsurance: | Generally 20% in-network, 40% out-of-network |

**Total OPEB Liability**

Ozarka College’s total OPEB liability of $802,729 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no.75.

NOTE 10: Other Postemployment Benefits (Continued)

**Actuarial Assumptions and other input**

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 3.00 percent

Discount Rate: Single discount rate of:
- 3.13% at 06/30/17
- 2.98% at 06/30/18
- 2.79% at 06/30/19
- 2.66% at 06/30/20
- 2.18% at 06/30/21
- 4.09% at 06/30/22
- 4.13% at 06/30/23

Health Care Cost Trend Rate: 9.00% for next year, 8.00% for the following year, 7.50% for the third year, 7.00% for the fourth year, with the rate decreasing by 0.50% each year, to an ultimate rate of 5.00%.

Base Claim Cost: The following monthly claim costs were assumed:

| | College |
|---|---|
| Premium | $495.00 |
| Implicit Subsidy | $784.64 |

Mortality: Deaths were projected on the basis of the Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.

Mortality rates at a few sample ages are:

| | MORTALITY RATE PER 100 | | | |
|---|---|---|---|---|
| Age | Males 2030 | Males 2040 | Females 2030 | Females 2040 |
| 25 | .0257 | .0227 | .0122 | .0108 |
| 30 | .0390 | .0341 | .0208 | .0181 |
| 35 | .0529 | .0464 | .0309 | .0270 |
| 40 | .0651 | .0574 | .0409 | .0360 |
| 45 | .0823 | .0727 | .0515 | .0455 |
| 50 | .1173 | .1036 | .0716 | .0631 |
| 55 | .1757 | .1551 | .1102 | .0969 |
| 60 | .2806 | .2463 | .1722 | .1508 |

Life expectancy according to this table is as follows:

| Age | Males 2030 | Males 2040 | Females 2030 | Females 2040 |
|---|---|---|---|---|
| 55 | 32.96 | 33.69 | 35.38 | 36.02 |
| 65 | 23.00 | 23.68 | 25.25 | 25.86 |
| 75 | 14.23 | 14.76 | 16.04 | 16.54 |

NOTE 10: Other Postemployment Benefits (Continued)

Voluntary Terminations: The voluntary termination assumptions used by the Arkansas Teachers Retirement System have been used. Termination at some sample ages are:

| Age | Termination Rate Per 100 Members |
|---|---|
| 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:

| | |
|---|---|
| 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:

| Age | Retirement Rate Per 100 Members |
|---|---|
| 55 to 59 | 5.00 |
| 60 | 15.00 |
| 61 | 14.00 |
| 62 | 25.00 |
| 63 | 15.00 |
| 64 | 15.00 |
| 65 | 35.00 |
| 66 | 30.00 |
| 67 | 30.00 |
| 68 | 30.00 |
| 69 | 100.00 |

Disabilities: The disability rates assumed by the Arkansas Teachers Retirement System have been used. Rates at some sample ages are:

| Age | Disability Rate Per 100 Members |
|---|---|
| 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 |

NOTE 10: Other Postemployment Benefits (Continued)

**Changes in Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| **Balance at 06/30/22** | $ 781,455 |
| **Changes for the year:** | |
| Service cost | 37,881 |
| Interest | 32,630 |
| Differences between expected and acutal experience | 22,028 |
| Changes in assumptions | (66,084) |
| Benefit payments | (5,181) |
| Net changes | 21,274 |
| **Balance at 06/30/23** | $ 802,729 |

Changes of assumptions and other inputs reflect a change in the discount rate. The assumed single discount rate was changed from 4.09% to 4.13% at June 30, 2023. The single discount rate is based on the S&P Municipal Bond 20-year Rate Index.

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate the is 1-percentage –point lower (3.13 percent) or 1-percentage - point higher (5.13 percent) than the current discount rate:

| | 1% Decrease (3.13%) | Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| Total OPEB liability | $ 879,995 | $ 802,729 | $ 733,460 |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate**

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage–point lower or 1-percentag-point higher than the current healthcare cost trend rate:

| | 1% Decrease in HCCTR | Assumed HCCTR | 1% Increase in HCCTR |
|---|---|---|---|
| Total OPEB liability | $ 705,370 | $ 802,729 | $ 919,939 |

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

For the year ended June 30, 2023, the College recognized an OPEB expense of $53,317. At June 30, 2023, the College reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $20,025 | $ 59,970 |
| Changes of assumptions | $63,288 | $185,274 |
| Total | $83,313 | $245,244 |

NOTE 10: Other Postemployment Benefits (Continued)

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

| Year ended June 30: | Net deferred Outflow of Resources |
|---|---|
| 2024 | 17,194 |
| 2025 | 17,194 |
| 2026 | 17,194 |
| 2027 | 17,194 |
| 2028 | 17,194 |
| Thereafter | 75,961 |
| Total | $161,931 |

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact:

Tina Wheelis, Vice President for Finance
Ozarka College
PO Box 10
Melbourne, AR 72556
Phone (870) 368-2014
twheelis@ozarka.edu

NOTE 11: Lease Obligations

The College has recorded two leased assets. One of the leases is for equipment and the other is for a building. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Leased asset activity for Ozarka College for the year ended June 30, 2023, was as follows:

| Right to use asset | Beginning Balance | Increases | Ending Balance |
|---|---|---|---|
| Leased building | $ 23,633 | | $ 23,633 |
| Leased equipment | 44,342 | | 44,342 |
| Total right to use assets | 67,975 | | 67,975 |
| | | | |
| Less accumulated amortization for: | | | |
| Leased building | 7,878 | $ 11,816 | 19,694 |
| Leased equipment | 11,085 | 14,781 | 25,866 |
| Total accumulated amortization | 18,963 | 26,597 | 45,560 |
| Right to use asset, net | $ 49,012 | $ (26,597) | $ 22,415 |

The College has entered into an agreement to lease copiers. The lease agreement was recorded at the present value of the future minimum lease payments as of October 1, 2021. The agreement requires 36 monthly payments of $1,246. As a result of the lease, the College has a right to use asset with an ending liability of $18,589 at June 30, 2023.

NOTE 11: Lease Obligations (Continued)

The future minimum lease obligation and the net present value of the minimum lease payments for the copiers are as follows:

| Year ending June 30 | Principal Payments | Interest | Total | Ending Liability |
|---|---|---|---|---|
| 2024 | $ 14,857 | $ 91 | $ 14,948 | $ 3,732 |
| 2025 | 3,732 | 5 | 3,737 | 0 |

The College has entered into an agreement to lease a building. The lease agreement has been recorded at the present value of the future minimum lease payments as of November 1, 2021. The agreement requires 24 monthly payments of $1,000. As a result of the lease, the College has a right to use asset with an ending liability of $3,987 at June 30, 2023.

The future minimum lease obligation and the net present value of the minimum lease payments for the building are as follows:

| Year ending June 30 | Principal Payments | Interest | Total | Ending Liability |
|---|---|---|---|---|
| 2024 | $ 3,987 | $ 13 | $ 4,000 | $ 0 |

NOTE 12: Contractual Obligations

In February 2023 a contract in the amount of $168,390 was issued to Batesville Electric, Heating, & Air, Inc for the replacement of HVAC units in the John E. Miller Building. Due to supply chain issues, the project is not expected to be completed until March 2024.

NOTE 13: Pledged Revenues

The College has pledged future tuition and fee revenue to repay $5,065,000 in tuition and fee revenue bonds issued January 19, 2021. The proceeds of the 2021 bonds provided financing refund 2015 bonds series and the 2013 bond series. The bonds are payable solely from tuition and fee revenues and are payable through December 2042. Total principal and interest remaining to be paid on the bonds is $5,671,768. Principal and interest paid for the current year and total tuition and fee revenues were $355,487 and $3,829,554 respectively. The percentage of revenues pledged for the year ended June 30, 2023, was 9.28%.

NOTE 14: Risk Management

The College is exposed to various risks of loss related to torts, theft of, damage to and destructions of assets; errors and omissions; injuries to employees; and natural disasters.

The College carries commercial insurance for directors or officers covering legal judgments and settlements. The College also carries commercial insurance for students enrolled in health related programs covering student professional liabilities, and aircraft liability coverage. The College pays annual premiums for this coverage. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The College participates in the Arkansas Public Employees Claims Division – Workers' Compensation Program under the Arkansas Department of Insurance. The program is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Division is responsible for monitoring, negotiating, and settling claims that have been filed on behalf of and against the College. The College contributes quarterly to this program.

NOTE 14: Risk Management (Continued)

The College participates in the Arkansas Multi-Agency Insurance Trust (AMAIT) for insurance coverage for property and vehicles. In its administrative capacity, AMAIT is responsible for monitoring, negotiating, and settling claims that have been filed against its members. The College pays annual premiums for its buildings, contents, and vehicles coverage.

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to $300,000 with a $2,500 deductible. The Department of Finance and Administration withholds the premium from the College's State Treasury funds.

NOTE 15: Related-Party Transaction

The College maintained a bank balance of $4,153,484 and an outstanding loan balance of $280,645 with FNBC at June 30, 2023. A member of the College's Board of Trustees is the Community President for the Melbourne and Batesville branches.

NOTE 16: Subsequent Events

The College purchased a building for $376,249 (including closing costs of $1,249) located at 20669 N Hwy 5 in Mountain View, Arkansas on November 30, 2023. The building will be renovated and used as a Technical Training Center for the welding and construction trades programs.

On February 12, 2024, the College entered into a contract in the amount of $402,579 for the renovation of the Mountain View Technical Center with Noacon, Inc.

On February 16, 2024, there was a fire at the Ash Flat Technical Center. Although the fire was contained to the welding lab and there was no major structural damage, there were damages resulting from the smoke and soot. As a result, contracts for the clean-up and restoration of the facility were entered into with Metro Disaster Specialists. The cost for the clean-up was $335,304 and the anticipated cost of the restoration was $284,300. There is an open insurance claim for this and after the insurance reimbursements are received the total out of pocket costs are expected to be less than $50,000.

Other Postemployment Benefits

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

**Schedule of Changes in Total OPEB Liability**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **Total OPEB Liability Beginning Balance** | $ 781,455 | $ 864,043 | $ 812,235 | $ 742,312 | $ 691,146 | $ 638,561 |
| **Changes for the year:** | | | | | | |
| Service cost | 37,881 | 51,476 | 40,259 | 39,442 | 36,330 | 35,476 |
| Interest | 32,630 | 19,392 | 22,141 | 21,249 | 21,060 | 20,331 |
| Differences between actual and expected experience | 22,028 | | (59,792) | | (30,221) | |
| Changes in assumptions | (66,084) | (153,020) | 49,200 | 10,103 | 29,223 | 10,280 |
| Benefit payments | (5,181) | (436) | | (871) | (5,226) | (13,502) |
| Net changes | 21,274 | (82,588) | 51,808 | 69,923 | 51,166 | 52,585 |
| **Total OPEB Liability Ending Balance** | $ 802,729 | $ 781,455 | $ 864,043 | $ 812,235 | $ 742,312 | $ 691,146 |
| Covered-employee payroll | 4,570,361 | 4,385,311 | 4,477,283 | 4,225,104 | 4,143,938 | 3,854,149 |
| Total OPEB Liability as a percentage of covered-employee payroll | 17.56% | 17.82% | 19.30% | 19.22% | 17.91% | 17.93% |

Notes: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of assumptions and other inputs reflect a change in the discount rate. The assumed single discount rate was changed from 4.09% to 4.13% at June 30, 2023.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no 75.

OZARKA COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

Retirement Plan – Arkansas Teacher Retirement System

**Ozarka College**
**Schedule of College's Proportionate Share of the 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 | $ 3,256,909,830 | $ 2,625,006,279 |
| Ozarka's portion of net pension liability | 0.0154% | 0.0151% | 0.0172% | 0.0149% | 0.0167% | 0.0200% | 0.0264% | 0.0323% | 0.0317% |
| Ozarka's proportionate share of net pension liability | $ 814,396 | $ 418,455 | $ 973,828 | $ 619,827 | $ 608,556 | $ 841,486 | $ 1,162,730 | $ 1,052,781 | $ 833,032 |
| Ozarka's covered payroll | $ 524,601 | $ 492,544 | $ 537,134 | $ 457,306 | $ 507,062 | $ 593,293 | $ 772,223 | $ 941,951 | $ 917,644 |
| Ozarka's proportionate share of the net pension liability as a percentage of its covered payroll | 155.24% | 84.96% | 181.30% | 135.54% | 120.02% | 141.83% | 150.57% | 111.77% | 90.78% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.85% | 88.58% | 74.91% | 80.96% | 82.78% | 79.48% | 76.75% | 82.20% | 84.98% |

**Ozarka College**
**Schedule of Contributions - ATRS**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 84,135 | $ 77,379 | $ 71,419 | $ 76,542 | $ 64,023 | $ 70,989 | $ 83,061 | $ 108,112 | $ 131,873 |
| Contributions in relation to the contractually required contribution | 84,135 | 77,379 | 71,419 | 76,542 | 64,023 | 70,989 | 83,061 | 108,112 | 131,873 |
| Contribution deficiency (excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Ozarka's covered payroll | $ 560,900 | $ 524,601 | $ 492,544 | 537,134 | 457,306 | 507,062 | 593,293 | 772,223 | 941,951 |
| Contribution as a percentage of covered payroll | 15.00% | 14.75% | 14.50% | 14.25% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

*** The amounts presented were determined as of June 30th of the previous year**

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

Retirement Plan – Arkansas Public Employee Retirement System

**Ozarka College**
**Schedule of College's Proportionate Share of the Net Pension Liability - APERS**

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* |
|---|---|---|---|---|---|---|---|---|---|
| Plan Net Pension Liability - End of Year | $ 2,696,383,467 | $ 768,832,302 | $ 2,863,584,487 | $ 2,412,528,795 | $ 2,205,935,041 | $ 2,584,140,475 | $ 2,391,348,072 | $ 1,841,733,376 | $ 1,418,912,236 |
| Ozarka's portion of net pension liability | 0.0241% | 0.0288% | 0.0267% | 0.0219% | 0.0236% | 0.0253% | 0.0318% | 0.0338% | 0.0339% |
| Ozarka's proportionate share of net pension liability | $ 650,398 | $ 221,365 | $ 765,763 | $ 528,044 | $ 521,279 | $ 653,746 | $ 760,601 | $ 622,344 | $ 481,144 |
| Ozarka's covered payroll | $ 511,257 | $ 575,313 | $ 521,771 | $ 418,849 | $ 442,629 | $ 455,955 | $ 576,278 | $ 599,539 | $ 599,529 |
| Ozarka's proportionate share of the net pension liability as a percentage of its covered payroll | 127.22% | 38.48% | 146.76% | 126.07% | 117.77% | 143.38% | 131.99% | 103.80% | 80.25% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.31% | 93.57% | 75.38% | 78.55% | 79.59% | 75.65% | 75.50% | 80.39% | 84.15% |

**Ozarka College**
**Schedule of Contributions - APERS**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 78,096 | $ 78,324 | $ 88,082 | $ 79,935 | $ 64,168 | $ 65,288 | $ 66,113 | $ 83,560 | $ 88,492 |
| Contributions in relation to the contractually required contribution | 78,096 | 78,324 | 88,082 | 79,935 | 64,168 | 65,288 | 66,113 | 83,560 | 88,492 |
| Contribution deficiency (excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Ozarka's covered payroll | $ 509,767 | $ 511,257 | $ 575,313 | 521,771 | 418,849 | 442,629 | 455,955 | 576,278 | 599,539 |
| Contribution as a percentage of covered payroll | 15.32% | 15.32% | 15.31% | 15.32% | 15.32% | 14.75% | 14.50% | 14.50% | 14.76% |

*** The amounts presented were determined as of June 30th of the previous year**

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

Schedule 1

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

| | Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total Assets and Deferred Outflows | $ 18,333,709 | $ 18,083,523 | $ 17,268,915 | $ 16,422,770 | $ 15,986,976 |
| Total Liabilities and Deferred Inflows | 8,142,507 | 8,101,188 | 8,657,394 | 8,273,233 | 8,204,770 |
| Total Net Position | 10,191,202 | 9,982,335 | 8,611,521 | 8,149,537 | 7,782,206 |
| Total Operating Revenues | 3,397,589 | 3,903,214 | 3,447,715 | 2,618,351 | 2,250,951 |
| Total Operating Expenses | 12,110,203 | 15,733,341 | 11,809,484 | 11,300,081 | 10,316,636 |
| Total Net Non-Operating Revenues | 8,992,980 | 13,188,271 | 8,755,570 | 8,873,785 | 8,153,666 |
| Total Other Revenues, Expenses, Gains or Losses | (71,499) | 12,670 | 68,183 | 175,276 | 32,504 |