

Southeast Arkansas College

Pine Bluff, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2024



SOUTHEAST ARKANSAS COLLEGE
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Arkansas



Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair

Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Southeast Arkansas College
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southeast Arkansas College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2024, 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, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2024, and the 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Comparative Information

The financial statements include partial prior-year comparative information, which has been derived from a complete set of financial statements. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2023, from which such partial information was derived. We have previously audited the College's 2023 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated January 2, 2025. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2023, 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, and certain information pertaining to pensions on pages 7-11 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

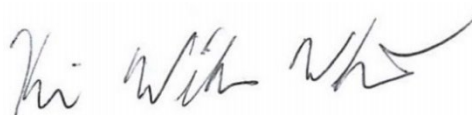
Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
December 1, 2025
EDHE69124

Arkansas



Sen. Jim Petty
Senate Chair
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Senate Vice Chair

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House Chair
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Southeast Arkansas College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Southeast Arkansas College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 1, 2025.

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 opinion 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 Findings section of this report, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

We noted a certain matter that we reported to management of the College in a separate letter dated December 1, 2025.

AUDIT FINDINGS

Material Weakness

Financial Statements should be presented fairly in conformity with general 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 primarily due to new accounting transactions for the College's addition of student housing including a service concession arrangement and student scholarships. The financial statements were subsequently corrected by College personnel during audit fieldwork. Financial reporting errors in the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows included:

Statement of Net Position

- Deferred outflows and Deferred inflows related to OPEB journal entries were understated by \$202,995 and \$157,383, respectively. This resulted in an understatement of Net Position totaling \$45,612.

Statement of Revenues, Expenses, and Changes in Net Position

- Operating revenues- student tuition and fees and operating expenses- scholarships and fellowships were both overstated by \$336,397. The impact to Net Position was \$0.

Statement of Cash Flows

- Cash inflows from operating activities and cash outflows from capital and related financing activities included an entry totaling \$312,848 for a noncash transaction related to the amortization of a service concession arrangement. The net impact to the Statement of Cash Flows was \$0.

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

Management Response: The difference in presentation requirements have been noted and will be done appropriately in the future.

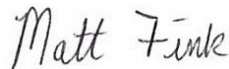
College's Response to Findings

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, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 1, 2025

Arkansas



Sen. Jim Petty
Senate Chair
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Southeast Arkansas College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2024, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2023</u>	<u>Fall Term</u> <u>2023</u>	<u>Spring Term</u> <u>2024</u>	<u>Summer I Term</u> <u>2024</u>
Student Headcount	4	979	870	455
Student Semester Credit Hours	13	9,495	8,676	2,597

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, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 1, 2025

Southeast Arkansas College Management's Discussion and Analysis (Unaudited)

The June 30, 2024, financial statements, along with the fiscal year 2023 prior year data, presented for comparative purposes, of Southeast Arkansas College ("College") are provided as management's discussion and analysis of the College's financial activity. Because the intent of this section is to focus on the current year's activities, results of operations, the operating environment, and other currently known facts, it should be read in conjunction with the basic financial statements including the notes. The College is responsible for the completeness and fairness of these statements.

Overview of the Financial Statements and Financial Analysis

These financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for College and Universities*.

Pension plan expenses and liabilities are subject to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Short-term investments are subject to GASB Statement No. 72, *Fair Value Measurement and Application*.

Other postemployment benefits ("OPEB") are subject to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Lease accounting and reporting are subject to GASB Statement No. 87, *Leases*.

Public-private partnerships ("PPP") and service concession arrangements ("SCA") are subject to GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

Subscription-based software arrangements are subject to GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

These financial statements report the current year's results in a business-type activity ("BTA") format. This closely resembles financial statements issued by corporate entities.

There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.

Following this management's discussion and analysis are the basic financial statements and the notes. This discussion and analysis of the financial statements of Southeast Arkansas College provides an overview of its financial activities for the year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point-of-time financial statement. The purpose of the Statement of Net Position is to present the readers of the financial statements with a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current, deferred and noncurrent), liabilities (current, deferred and noncurrent), and net position (assets minus liabilities).

Net Position is divided into three major categories. The first category, Investment in Capital Assets, net of related debt, provided the College's equity in property, plant, equipment, and intangible assets owned by the College. The next category is Restricted Net Position. Expendable Restricted Net Position is available for expenditures by the College but must be spent for purposes as determined by external entities that have placed time or purpose restrictions on the use of the assets. Nonexpendable Net Position is subject to externally imposed stipulations that it be held for a specified time before it can be spent. The final category is Unrestricted Net Position which is available for the College to use for any lawful purpose of the College.

Southeast Arkansas College Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

Statement of Net Position (Summarized)

	June 30, 2024	June 30, 2023
Assets		
Current assets	\$ 6,365,951	\$ 6,877,852
Endowment assets	630,479	603,898
Funds on deposit with bond trustee	173,591	3,579,179
Other noncurrent assets	136,912	153,966
Capital assets, net	26,457,209	21,509,641
Total assets	33,764,142	32,724,536
Deferred outflows (OPEB/pensions)	2,510,131	3,394,329
Total assets and deferred outflows	\$ 36,274,273	\$ 36,118,865
Liabilities		
Current liabilities	\$ 1,379,327	\$ 1,770,794
Noncurrent liabilities	15,549,292	15,986,776
Total liabilities	16,928,619	17,757,570
Deferred inflows (leases/OPEB/pensions/SCA)	5,547,652	3,159,542
Total liabilities and deferred inflows	22,476,271	20,917,112
Net Position		
Invested in capital assets, net of related debt	18,485,487	19,676,955
Restricted - non-expendable	556,757	543,358
Unrestricted	(5,244,242)	(5,018,560)
Total net position	\$ 13,798,002	\$ 15,201,753

Total assets and deferred outflows increased by \$155,408. Total current assets decreased by \$511,901, comprised of an increase in cash and cash equivalents of \$1,088,669, a decrease in short-term investments of \$1,645,120, an increase in net accounts receivable of \$100,227, an increase in the current portion of leases receivable of \$790, a decrease in other receivables of \$56,518, and an increase in prepaid expenses of \$51. Total noncurrent assets increased by \$1,551,507, comprised of an increase in restricted cash and cash equivalents of \$30,973, a decrease in restricted investments for endowments of \$4,392, a decrease in deposits with the bond trustee of \$3,405,588, a decrease in the noncurrent portion of leases receivable of \$17,054, and an increase in net capital assets of \$4,947,568. Deferred outflows decreased by \$884,198, comprised of a decrease in deferred outflows related to OPEB of \$313,460, and a decrease in deferred outflows related to pensions of \$570,738.

Southeast Arkansas College Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

Total liabilities and deferred inflows increased by \$1,559,159. Current liabilities decreased by \$391,467, comprised of a decrease in accounts payable of \$482,964, and increase in the current portion of leases payable of \$1,096, a decrease in the current portion of bond discount of \$283, an increase in the current portion of bonds payable of \$75,000, an increase in the current portion of compensated absences of \$19,728, an increase in the current portion of the OPEB liability of \$521, and a decrease in unearned revenue of \$4,565. Noncurrent liabilities decreased by \$437,484, comprised of a decrease in the noncurrent portion of compensated absences of \$22,147, a decrease in the noncurrent portion of leases payable of \$27,995, and increase in the noncurrent portion of bond discount of \$5,000, a decrease in the noncurrent portion of bonds payable of \$135,000, an increase in net pension liability of \$8,533, and a decrease in the noncurrent OPEB liability of \$265,875. Deferred inflows increased by \$2,388,110, comprised of a decrease in deferred inflows related to leases of \$16,265, a decrease in deferred inflows related to OPEB of \$323,225, a decrease in deferred inflows related to pension in the amount of \$88,030, and the addition of deferred inflows related to service concession arrangements of \$2,815,630. The liability category of deferred inflows related to pension, OPEB, leases and service concession arrangements will be further detailed in the Notes to the Financial Statements.

The decrease in net position of \$1,403,751 is a result of the aggregated changes discussed above.

Statement of Revenues, Expenses and Changes in Net Position

The decrease in net position of \$1,403,751 is based on the activity in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenue received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, gains and losses received, spent, or incurred by the College.

Operating revenues are received for providing goods and services to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating revenues because they are provided by the Arkansas Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Southeast Arkansas College Management's Discussion and Analysis (Unaudited)

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

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

	June 30, 2024	June 30, 2023
Operating revenues		
Tuition and fees, net	\$ 2,714,873	\$ 1,665,122
Federal grants and contracts	1,149,467	\$ 1,381,530
State and local grants and contracts	760,177	1,455,586
Other operating revenues	414,149	116,168
Total operating revenues	5,038,666	4,618,406
Operating expenses		
Compensation and benefits	9,090,799	8,912,773
Scholarships and fellowships	2,566,634	2,704,902
Supplies and other services	4,599,990	4,390,517
Depreciation	1,202,456	1,149,833
Total operating expenses	17,459,879	17,158,025
Operating income (loss)	(12,421,213)	(12,539,619)
Nonoperating revenues	10,989,858	14,792,393
Income before other revenues, expenses, gains for losses	(1,431,355)	2,252,774
Prior year and other revenue items	27,604	(28,079)
Change in net position	(1,403,751)	2,224,695
Net position - beginning of year	15,201,753	12,977,058
Net position - end of year	\$ 13,798,002	\$ 15,201,753

Operating revenue increased by \$420,260, comprised of an increase in net student tuition and fees of \$1,049,751, a decrease in federal grants and contracts of \$232,063, a decrease in state and local grants and contracts of \$695,409, and an increase in other operating revenue of \$297,981. Operating expenses increased by \$301,854, comprised of an increase in compensation and benefits of \$178,026, a decrease in scholarships and fellowships of \$138,268, an increase in supplies and other services of \$209,473, and an increase in depreciation expense of \$52,623. Nonoperating revenues and expenses decreased by \$3,802,535, comprised of a decrease in federal grants and contracts of \$3,739,836, a decrease in state and local grants and contracts of \$10,750, a decrease in loss on disposal of fixed assets of \$9,344, an increase in interest expense on capital debt of \$133,697, a decrease in interest expense on leases of \$1,515, a decrease in bond issuance costs of \$69,265, an increase in the amortization of bond discount of \$5,403, an increase in investment income of \$7,027 and a change in prior year adjustments of \$55,683.

Southeast Arkansas College Management's Discussion and Analysis (Unaudited)

Statement of Cash Flows

The final financial statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year by reporting the major sources and uses of cash. The Statement of Cash Flows illustrates the results of operations on a cash basis. It also contains a reconciliation of the difference between the operation income/(loss) shown on the Statement of Revenues, Expenses and Changes in Net Position and net cash provided/(used) by operating activities shown on the Statement of Cash Flows. The consistently largest reconciling items are depreciation expense and recorded noncash transactions related to pension and OPEB liabilities. Depreciation expense recognizes the consumption of a capital asset but there is no actual cash outflow in the year it is recognized. Pension and OPEB liabilities are expenses, assets, liabilities and deferrals related to the future of these particular benefit plans that are based on actuarial projections and do not have any cash inflows or outflows during the reporting period beyond the payroll matching amount expensed on a per-payroll basis. The reconciliation items are the result of timing differences between the recognition of the revenue or expense for accrual purposes and the time when cash is received or disbursed.

The Statement of Cash Flows classifies cash into four categories: cash flows from operating activities; cash flows from noncapital financial activities; cash flows from capital and related financing activities; and cash flows from investing activities.

Capital Assets

In October 2021 the Board of Directors voted to adopt a measure to plan, finance and build a new Student Center and a Student Residence Hall. This project will be funded by a combination of private donations, capital reserves, and a partnership with a third-party partner to secure either public or private financing of approximately \$20 million, secured by revenues generated by the properties after completion. To this end, funds of approximately \$2 million have been expended relative to the Student Center project which is currently on hold. For the Student Residence Hall project, now referred to as Student Housing, the property located at 6811 South Hazel Street was identified as a starting point, since it is located directly across the street from the Relyance Center that will be the center of athletic programs. P3 SEARK Student Housing, LLC, a non-SEARK corporate entity, purchased the property at 6811 South Hazel Street with funds received from the College in the amount of \$993,054 as earnest money for the property once it has been purchased, renovated, and updated for use as Student Housing. The College also paid an additional \$2 million to P3 SEARK Student Housing, LLC for the rights to purchase the completed facility at a point in the future for the consideration of \$10. The property at 6811 South Hazel Street was put into service in FY2024 ("The Reef"). At that point, it was classified as a service concession arrangement and an appropriate asset and deferred inflow was recorded. The funds that were expended in FY2023 on the original Student Center and Student Resident Hall project are still recorded in Construction in Progress and its status will be reviewed to determine if any impairment needs to be applied in FY2025.

Economic Outlook

The administration of the College is cautiously optimistic about enrollment growth in the next two to three years based on the addition of intercollegiate athletics and student housing. The projected impact of a declining local population base, as well as a nationally projected "cliff" in college enrollment across the country in the near future, will need to factor into all decisions regarding marketing and enrollment strategies. The long-standing environment of relatively flat state appropriations funding is also a challenge in an economy that is experiencing inflation. Continued monitoring of operating and capital expenditures will be important to maintaining adequate cash reserves. The continuing fluctuations in OPEB and net pension liabilities, both of which are noncash long-term liabilities, will continue to have significant effects on net position that do not truly reflect the current financial standing of the College.

Southeast Arkansas College
Comparative Statement of Net Position
June 30, 2024

Exhibit A

			<u>June 30, 2024</u>	<u>June 30, 2023</u>
Assets				
Current assets				
Cash and cash equivalents			\$ 4,192,535	\$ 3,103,866
Short-term investments			1,130,862	2,775,982
Accounts receivable (less allowance of	2024	138,224	215,747	
	2023	48,745		115,520
Lease receivable - current			17,055	16,265
Other receivables			809,626	866,144
Prepaid expenses			126	75
Total current assets			<u>6,365,951</u>	<u>6,877,852</u>
Noncurrent assets				
Restricted cash and cash equivalents			31,409	436
Restricted investments, endowments			599,070	603,462
Deposits with trustee, bonds			173,591	3,579,179
Lease Receivable - Noncurrent			136,912	153,966
Capital assets (net of accumulated depreciation of	2024	23,125,681	26,457,209	
	2023	22,037,972		21,509,641
Total noncurrent assets			<u>27,398,191</u>	<u>25,846,684</u>
Deferred outflows				
Deferred outflows - OPEB			357,932	671,392
Deferred outflows - Pensions			2,152,199	2,722,937
Total deferred outflows			<u>2,510,131</u>	<u>3,394,329</u>
Total assets and deferred outflows			<u>36,274,273</u>	<u>36,118,865</u>
Liabilities				
Current liabilities (amounts due within one year)				
Accounts payable and accrued liabilities			989,134	1,472,098
Leases payable			27,995	26,899
Current portion of bond discount			(10,523)	(10,240)
Bonds payable			135,000	60,000
Compensated absences			74,629	54,901
Other post-employment benefits (OPEB)			158,831	158,310
Unearned revenue			2,436	7,001
Funds held in trust for others			1,825	1,825
Total current liabilities			<u>1,379,327</u>	<u>1,770,794</u>
Noncurrent liabilities				
Compensated absences			268,391	290,538
Leases payable			56,884	84,879
Noncurrent portion of bond discount			(194,673)	(199,673)
Bonds payable			5,315,000	5,450,000
Net pension liability			6,607,159	6,598,626
Other post-employment benefits (OPEB)			3,496,531	3,762,406
Total noncurrent liabilities			<u>15,549,292</u>	<u>15,986,776</u>

Southeast Arkansas College
Comparative Statement of Net Position
June 30, 2024

Exhibit A

	June 30, 2024	June 30, 2023
<i>Deferred inflows</i>		
Deferred inflows - Leases	\$ 153,966	\$ 170,231
Deferred inflows - OPEB	2,017,242	2,340,467
Deferred inflows - pensions	560,814	648,844
Deferred inflows - service concessions (SCA)	2,815,630	
Total deferred inflows	5,547,652	3,159,542
Total liabilities and deferred inflows	22,476,271	20,917,112
Net position		
Invested in capital assets, net of related debt (restated- Note 17)	18,485,487	19,676,955
Restricted for endowment fund	556,757	543,358
Unrestricted (restated- Note 17)	(5,244,242)	(5,018,560)
Total net position	\$ 13,798,002	\$ 15,201,753

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

Southeast Arkansas College
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

Exhibit B

			<u>June 30, 2024</u>	<u>June 30, 2023</u>
Revenues				
Operating revenues				
Student tuition and fees (net of scholarship allowance and waivers of	2024	1,599,507	\$ 2,714,873	
	2023	1,473,720		\$ 1,665,122
Federal grants and contracts			1,149,467	1,381,530
State and local grants and contracts			760,177	1,455,586
Other operating revenues			414,149	116,168
Total operating revenues			<u>5,038,666</u>	<u>4,618,406</u>
Expenses				
Operating expenses				
Compensation and benefits			9,090,799	8,912,773
Scholarships and fellowships			2,566,634	2,704,902
Supplies and other services			4,599,990	4,390,517
Depreciation			1,202,456	1,149,833
Total operating expenses			<u>17,459,879</u>	<u>17,158,025</u>
Operating income (loss)			<u>(12,421,213)</u>	<u>(12,539,619)</u>
Nonoperating revenues (expenses)				
State appropriations			7,330,157	7,330,157
Federal grants and contracts (non-exchange)			3,611,843	7,351,679
State and local grants and contracts (non-exchange)			130,703	141,453
Gain (Loss) on disposal of capital assets			(7,330)	(16,674)
Interest on capital asset-related debt			(268,825)	(135,128)
Interest expense on leases			(3,892)	(5,407)
Bond issue costs			(4,700)	(73,965)
Amortization of bond discount			(10,523)	(5,120)
Investment income			212,425	205,398
Net nonoperating revenues			<u>10,989,858</u>	<u>14,792,393</u>
Income before other revenues, expenses, gains or losses			<u>(1,431,355)</u>	<u>2,252,774</u>
Other revenues and changes in net position				
Adjustments to prior year revenues and expenses			27,604	(28,079)
Total other revenues and changes in net position			27,604	(28,079)
Change in net position			<u>(1,403,751)</u>	<u>2,224,695</u>
Net position				
Net position - beginning of year			15,201,753	12,977,058
Net position - end of year			<u>\$ 13,798,002</u>	<u>\$ 15,201,753</u>

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

Southeast Arkansas College
Comparative Statement of Cash Flows
For the Year Ended June 30, 2024

Exhibit C

	June 30, 2024	June 30, 2023
Cash flows from operating activities		
Tuition and fees	\$ 2,452,981	\$ 1,770,122
Grants and contracts	2,045,589	2,902,466
Other receipts (payments)	356,511	5,581
Payments to suppliers	(4,111,125)	(4,325,244)
Payments to employees	(6,932,333)	(7,188,438)
Payments for employee benefits	(2,052,711)	(2,261,261)
Scholarships and fellowships	(2,566,634)	(2,704,902)
Net cash provided (used) by operating activities	(10,807,722)	(11,801,676)
Cash flows from non-capital financing activities		
State appropriations	7,330,157	7,330,157
Grants and contracts (non-exchange)	3,392,546	7,119,219
Loans to students - direct and private loans (inflows)	3,045,450	1,380,329
Loans to students - direct and private loans (outflows)	(3,037,950)	(1,376,639)
Prior year adjustments	27,604	(28,079)
Net cash provided (used) by non-capital financing activities	10,757,807	14,424,987
Cash flows from capital and related financing activities		
Purchases of capital assets	(399,272)	(6,870,507)
Leases	(43,164)	(25,845)
Bond-related items	(195,366)	-
Interest expense	(3,892)	(5,407)
Gain/(Loss) of disposal of capital assets	(7,330)	(16,674)
Net cash provided (used) by capital and related financing activities	(649,024)	(6,918,433)
Cash flows from investing activities		
Proceeds from the sales and maturities of investments	3,383,000	7,113,556
Interest on investments	169,069	165,494
Purchases of investments	(1,733,488)	(5,206,758)
Net cash provided (used) by investing activities	1,818,581	2,072,292
Net increase (decrease) in cash	1,119,642	(2,222,830)
Cash and cash equivalents - beginning of year	3,104,302	5,327,132
Cash and cash equivalents - end of year	\$ 4,223,944	\$ 3,104,302

Southeast Arkansas College
Comparative Statement of Cash Flows
For the Year Ended June 30, 2024

Exhibit C

	June 30, 2024	June 30, 2023
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (12,421,213)	\$ (12,539,619)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	1,202,456	1,149,833
Change in assets and liabilities		
Accounts receivable	(100,227)	63,551
Lease receivable	16,265	16,772
Other receivables	374,890	(62,009)
Prepaid expenses	(51)	846
Accounts payable and accrued liabilities	223,869	146,059
GASB 75 OPEB items	(275,119)	(382,608)
GASB 68 pension items	491,240	(118,248)
Unearned revenue	(4,565)	(14,954)
Compensated absences	(2,419)	(61,299)
Service concession arrangement	(312,848)	
Net cash provided (used) by operating activities	\$ (10,807,722)	\$ (11,801,676)
Noncash Transactions		
Starting balance of funds on deposit with bond trustee	3,579,179	
Interest earned on deposits with bond trustee	74,984	89,628
Construction payments from bond proceeds	(3,342,413)	(1,608,468)
Proceeds and net discount from improvement bonds on deposit with trustee		5,294,967
Issuance costs on improvement bonds paid from funds on deposit with trustee	(4,700)	(72,664)
Interest payments on improvement bonds paid from funds on deposit with trustee	(133,459)	(124,284)
Ending balance of funds on deposit with bond trustee	\$ 173,591	\$ 3,579,179
Capital assets acquired through a service concession arrangement	\$ 2,815,630	

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

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 1: REPORTING ENTITY

Southeast Arkansas College (“College”) operates under the policies and supervision of a local Board of Trustees (“Board”) composed of seven members appointed by the Governor of the State of Arkansas. The Board is responsible for the provision of services to meet the two-year postsecondary educational needs of those citizens located within its region and beyond.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Under the provisions of the Governmental Accounting Standards Board (“GASB”) standards, the College is permitted to report as a special-purpose government engaged in business-type activities (“BTA”). BTA reporting requires the College to present only the basic financial statements and required supplementary information (“RSI”) for a proprietary fund. This includes a Management’s Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; Notes to the Financial Statements; and applicable RSI. Fund financial statements are not required for BTA reporting.

Basis of Accounting

The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. The College follows the Arkansas Department of Finance and Administration guidelines for the capitalization of equipment and intangible assets. The College’s current policy for equipment includes all items with a unit cost of \$5,000 or more. Intangible assets’ threshold for capitalization is \$5,000 for each piece of software and/or user license.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 15-30 years for buildings, 5-30 years for infrastructure and land improvements, 9 years for library holdings, 3-5 years for computer equipment, 5-6 years for vehicles, 5-11 years for other equipment and 6-9 years for intangible assets.

Cash Equivalents

For the purpose of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity date of three months or less as cash equivalent.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students. 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.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit (“CD”) classified as nonparticipating contracts. The CD investments that were purchased directly from the issuing bank are reported at cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The CD investments that were purchased through a brokerage are reported at the lower of cost or market in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Classification of Revenues

The College reports its revenues as either operating or nonoperating revenues in compliance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis, - for State and Local Governments*.

Major categories of operating revenues are student tuition and fees, net of scholarship discounts and tuition waivers; and federal, state, and local grants and contracts from exchange transactions.

Major categories on nonoperating revenues are state appropriations; federal, state, and local grants and contracts from nonexchange transactions; and investment income.

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.

Leases

The College reports leases in compliance with GASB Statement No. 87, *Leases*.

Compensated Absences Payable

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full-time non-faculty employees accrue annual leave at variable rates (from 8 to 15 hours per month) dependent upon the number of years of full-time employment in state government. Under the College’s policy, an employee may carry accrued annual leave forward from one calendar year to the next up to a maximum of 240 hours. Employees who terminate their employment are entitled to payment for all accumulated annual and compensatory leave up to the maximum allowed. The College accrues the monetary value of accrued leave benefits in the financial statements. All full-time faculty and staff also accrue sick leave at the rate of 8 hours per month. Under the College’s policy, an employee may carry accrued sick leave forward from one calendar year to the next up to a maximum of 960 hours. Employees who terminate their employment are not entitled to a payout of any of their accumulated sick leave unless they are over the age of 55 and are retiring. This payment is subject to a sliding-scale calculation and is capped by policy at \$7,500. The College also accrues sick leave on employees eligible for retirement who have accrued more than 400 hours of sick leave on an established pro rata basis. The total liability for accumulated annual, compensatory, and eligible sick leave has been projected to be \$343,020 on June 30, 2024.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences, bonds payable, leases payable, OPEB liability, and net pension liability.

Restricted and Unrestricted Resources

The College's policy for applying expenses that can be paid from either restricted or unrestricted resources is delegated to the grant coordinators. General practice is to first apply the expense to restricted resources as allowed then to unrestricted resources.

NOTE 3: PUBLIC FUND DEPOSITS AND INVESTMENTS

Arkansas Code Annotated ("ACA") § 19-4-805 authorizes institutions of higher learning the right to determine the depositories and nature of investments of any of their cash funds which are not currently needed for operating purposes. In making such determinations, the College seeks to obtain the highest possible rate of return with the lowest associated risk of loss for such investments.

Cash deposits are carried at cost. The College's cash deposits and short-term investments on June 30, 2024, are shown below:

	Carrying Value	Bank Balance
Insured (FDIC)	\$ 2,520,523	\$ 2,520,523
Collateralized		
Collateral held by the pledging bank's trust department or agent in the college's name	3,605,994	3,618,348
Totals	\$ 6,126,517	\$ 6,138,871

The above deposits do not include cash on hand maintained by the College in the amount of a \$300 petty cash fund and \$650 in business office change funds. The above deposits include \$1,729,932 in directly purchased certificates of deposit and \$173,591 on deposit with the bond trustee.

NOTE 4: TITLE III GRANT PROGRAM ENDOWMENT FUND CAMPAIGN

The Title III Grant Program included \$240,000 designated for the College to establish an endowment scholarship. The College matched this amount dollar-for-dollar with non-federal contributions thereby abiding by all U.S. Department of Education rules and regulations pertinent to endowment funds.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 4: TITLE III GRANT PROGRAM ENDOWMENT FUND CAMPAIGN (CONTINUED)

Title III endowment funds will be used for student scholarships and equipment purchases. For the year ended June 30, 2024, endowment funds were deposited in an interest-bearing account and certificates of deposit. Contributions, matching, and investment income are as follows:

Year Ending Date	Interest	Contribution	Matching	Total	Expendable Interest (50%)
06/30/08	\$ 317	\$ 166,393	\$ 166,393	\$333,103	\$ 159
06/30/09	13,838	74,205	73,607	161,650	6,919
06/30/10	19,479	52		19,531	9,740
06/30/11	13,185			13,185	6,593
06/30/12	10,292			10,292	5,146
06/30/13	6,635			6,635	3,318
06/30/14	5,162			5,162	2,581
06/30/15	3,604			3,604	1,802
06/30/16	2,902			2,902	1,451
06/30/17	3,682			3,682	1,841
06/30/18	6,584			6,584	3,292
06/30/19	9,610			9,610	4,805
06/30/20	10,823			10,823	5,412
06/30/21	5,488			5,488	2,744
06/30/22	908			908	454
06/30/23	10,738			10,738	5,369
06/30/24	26,798			26,798	13,399
	<u>\$150,045</u>	<u>\$ 240,650</u>	<u>\$ 240,000</u>	<u>\$630,695</u>	<u>\$ 75,025</u>

The College's spending policy aligns with the dictates set forth in the Department of Education's Endowment Grant Program. The College must invest and may not spend the endowment corpus for the 20-year grant period. At the conclusion of the grant period, the College may use the endowment fund corpus and all endowment fund income for any educational purposes of the College. During the 20-year grant period, the College may spend up to 50% of the endowment fund income prior to the date of maturity. Allowable expenditures include costs necessary to operate the College, costs to administer and manage the endowment fund and costs associated with buying and selling securities.

For purposes of calculating the amount that may be expended, endowment fund income is determined by subtracting the total value of the endowment from the endowment corpus and the aggregate amount of previously withdrawn endowment income.

State law allows a governing board to expend a portion of the net appreciation on the fair value of assets over the historical dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

NOTE 5: INCOME TAXES

The College is exempt from federal income taxes under the 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.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS

A. Alternative Retirement Plan

Plan Description: The College contributes to the Alternative Retirement Plan, a defined contribution plan. The plan is a 403(b) Program as defined by the Internal Revenue Service Code of 1986, as amended, and is administered by Corebridge Financial Services (formerly Variable Annuity Life Insurance Company (“VALIC”). The administrator provides insurance policies and annuity contracts, which become the property of the participant when issued. Arkansas Act 480 of 1983 provides alternative retirement plans, as approved by the Arkansas State Board of Career Education (and its successors), for the staff members of the vocation-technical schools. The vocation-technical schools that became technical colleges on July 1, 1991, were permitted to continue in the Alternative Retirement Plans.

Funding Policy: The participants’ contributions are tax-sheltered and amount to a minimum of 6% of compensation for full-time staff selecting the Alternative Retirement Plan as their primary retirement plan. The College’s contribution rate is 10% of compensation for these plan participants. Participants become vested in the College’s contributions to the plan after one year of full-time employment.

The participants’ and College’s contributions for the year ended June 30, 2024, were \$60,373 and \$84,192, respectively.

B. Teachers Insurance and Annuity Association (“TIAA”)

Plan Description: The College participates in TIAA, a defined contribution plan under Section 403(b) of the Internal Revenue Service Code of 1986, as amended. The plan is administered by TIAA. TIAA is a financial services organization offering participants a traditional annuity with a lifetime income. TIAA guarantees principal and a specified interest rate plus the opportunity for additional growth through dividends. TIAA also offers a variable annuity. As with all variable annuities, returns from TIAA will fluctuate since they are based on the market performance of the investment funding that annuity. The plan is authorized by Arkansas state law.

Funding Policy: The participant’s contributions of a minimum of 6% of earnings are mandatory and tax-sheltered for full-time employees selecting TIAA as their primary retirement plan. The College contributes 10% of earnings for these employees. Participants become vested in the College’s contributions after one year of full-time employment. The participants’ and College’s contributions for the year ended June 30, 2024, were \$85,819 and \$86,430, respectively.

C. Arkansas Teachers Retirement System (“ATRS”)

Summary of Significant Accounting Policies: For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of 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, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following disclosures are in the same general format and are derived from ATRS Annual Comprehensive Financial Reports (ACFR) for FY 2023, ATRS Annual Actuarial Valuation for FY2023, and Schedules of Employer Allocations and Pension Amounts by Employer (GASB Statement Number 68) for FY 2023. These sources can be found on the ATRS website at <https://www.artrs.gov/publications>.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6: EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

C. Arkansas Teachers Retirement System (“ATRS”) (Continued)

Plan Description: ATRS is a cost-sharing, multiple-employer, defined benefit pension plan that covers employees of schools and education-related agencies in the state of Arkansas.

Members are eligible for full retirement benefits at age 60 with five or more years of actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and 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.

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

A cost-of-living adjustment (“COLA”) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is calculated by multiplying 100% of the member’s base retirement annuity time 3%. Act 780 of 2017 allows the Board of Trustees to evaluate any future COLA adjustments on an annual basis to determine if a simple or compound COLA increase will be given based on the financial condition of the system.

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

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

C. Arkansas Teachers Retirement System (“ATRS”) (Continued)

Plan Description (Continued)

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. ATRS also provides a lump sum death benefit for active and retirement members with 10 or more years of actual service. The minimum benefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and years of contributory service up to a \$10,000 maximum.

Contributions: The College's funding policy provides for periodic employer contribution at statutorily established rates based on annual actuarial valuations. The employer contribution rate is 15%. Contributory members are required to contribute 7% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits which are included in the refund.

ATRS Fiduciary Net Position: Detailed information about ATRS's fiduciary net position is available on the ATRS website at <https://www.artrs.gov/publications>.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources to Pensions: The collective net pension liability of \$5,189,155,847 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportionate share of contributions to the pension plan relative to the total contributions of all participating employers determines each employer's proportionate share of the net pension liability. As reported by ATRS, the College's percentage was approximately 0.043481%. By this calculation, the College's proportionate share of the net pension liability is \$2,256,281 ($\$5,189,155,847 \times \sim 0.043481\%$). When compared to the College's portion of net pension liability reported June 30, 2022, (\$2,377,904), this resulted in a decrease in net pension liability of \$121,623 (+5.1%).

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

C. Arkansas Teachers Retirement System (“ATRS”) (Continued)

For the year ended June 30, 2024, the College recognized pension expense of \$185,524 relative to ATRS. Deferred outflows of resources and deferred inflows of resources related to ATRS pension for the College are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	164,275	
Difference between expected and actual experience	82,052	2,640
Net difference between projected and actual investment earning on pension plan investments	148,589	
Changes in proportion and differences between employer contributions and share of contributions		423,411
Contributions made subsequent to the measurement date	206,216	
Total	601,132	426,051

College contributions after the measurement date of \$206,216 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows

2025	2026	2027	2028
\$ (60,075)	\$ (160,111)	\$ 212,342	\$ (23,291)

Actuarial Assumptions: The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2023.

- Wage inflation rate of 2.75%
 - Salary increases of 2.75% - 5.75%
 - Investment rate of return of 7.25%
 - Mortality table – Pub-2010 General Healthy Retired, General Disabled Retiree, and General Employee Mortality amount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale.
- The actuarial assumptions used in the June 30, 2023, valuation for ATRS were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

C. Arkansas Teachers Retirement System (“ATRS”) (Continued)

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

For each major asset class that is included in the pension plan’s target asset allocation as of June 30, 2023, these best estimates are summarized below:

Asset Class	Target	Long-Term Expected Real Rate of Return
Total equity	53%	5.0%
Fixed income	15%	1.8%
Alternatives	5%	4.8%
Real assets	15%	4.5%
Private equity	12%	7.3%
Cash equivalents	0%	1.0%
	100%	

Single Discount Rate: A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The fiscal year 2023 member and employer contribution rates of 7% and 15% were active member payroll, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. This includes payroll for current T-DROP participants and Return to Work retirees. 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.

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

	Sensitivity of the Net Pension Liability to the Single Rate		
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net pension liability	3,664,577	2,256,281	1,088,695

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6: EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

D. Arkansas Public Employees Retirement Systems (“APERS”)

Summary of Significant Accounting Policies: For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, information about the fiduciary net position of APERS and additions to and deductions from APERS fiduciary net position have been determined on the same basis as 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. The following disclosures are in the same general format and derived from the APERS Annual Report for FY2023 located on the APERS website at <https://apers.org/apers/publications>.

Plan Description: APERS is a cost-sharing, multiple-employer, defined benefit pension plan established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. Its purpose is to provide retirement benefits for eligible employees and elected officials of state and governmental entities in Arkansas. The laws governing the operations of APERS are set forth in Arkansas Code Annotated, Title 24, Chapter 4, with related laws in Chapter 2 and Chapter 7.

The general administration and responsibility for the proper operation of the system is vested in the thirteen-member Board of Trustees of the Arkansas Public Employees’ Retirement System (“the Board”). Membership includes five state and five non-state employees, and three ex-officio trustees, including the Auditor of State, Treasurer of State, and the Director of the Department of Finance and Administration.

Six members are appointed by the Governor, two are appointed by the Present Pro Tempore, and two are appointed by the Speaker of the House of Representatives.

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits under the following conditions:

- At age 65 with five years of actual service,
- At any age with 28 years of actual service,
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- At age 55 with 35 years of credited service for local elected officials.

The normal retirement benefit amount, paid on a monthly basis, is determined by the member’s final average compensation and years of service. A member may retire with a reduced benefit at age 55 with at least five years of actual service or at any age with 25 years of actual service. APERS also provides for disability and survivor benefits.

Employee Contributions: The system was established as a contributory plan in which member-employees also contributed a portion of their salaries to the system. However, with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone who joined the system subsequent to January 1, 1978, and had previously been a member was automatically enrolled as a non-contributory member.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

D. Arkansas Public Employees Retirement Systems (“APERS”) (Continued)

Employee Contributions (Continued)

Act 2084 of 2005 directed APERS to establish a new contributory plan effective July 1, 2005. It required that all covered employees first hired on or after July 1, 2005, contribute 5% of their salary into the system. Employees hired before June 30, 2005, who were in the non-contributory plan were given the option to join the new contributory plan by December 31, 2005. Non-contributory members who did not join the new contributory plan by that deadline remain non-contributory members.

Act 365 of 2021, which took effect July 1, 2022, raised the contribution rate from 5.25% to 5.50% for contributory members for fiscal year 2023. This rate will continue to increase by 0.25% each July 1 until it reaches 7%.

A member’s employee contributions are refundable if the member terminates APERS-covered employment before a monthly benefit is payable. Employee contributions remaining on deposit with APERS earn interest (at the annual rate of 2%), which is included in any refund of contributions.

Employer Contributions: All participating employers are required to contribute a portion of their eligible employee’s salaries into the system. The Board establishes the provisions for these employer contributions based on the rates the independent actuary determines are necessary to fund the system. Because of the cost of providing enhances service credit to certain members classified as public safety employees, and pursuant to the provisions of Act 625 of 1983 and act 1097 of 1993, certain agencies employing individuals in public safety positions are required to remit additional contributions in amounts determined by the actuary. The current contribution rate for State Divisions is 15.32%.

APERS Fiduciary Net Position: Detailed information about APERS’s fiduciary net position is available in the separately issued APERS Financial Report on the APERS website at <https://apers.org/apers/publications>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The collective net pension liability of \$2,914,186,564 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proprot of the net pension liability was based on the employer’s share of contributions to the pension plan relative to the total contributions of all participating employers. As reported by APERS, the College’s percentage of contributions was approximately 0.1492999%. By this calculation, the College’s portion of net pension liability reported June 30, 2023, was \$4,350,878 (\$2,914,186,564 x ~0.1492999%). When compared to the College’s portion of net pension liability reported June 30, 2022, (\$4,220,722), this resulted in an increase in net pension liability of \$130,156 (+~3.08%).

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

D. Arkansas Public Employees Retirement Systems (“APERS”) (Continued)

For the year ended June 30, 2024, the College recognized pension expense of \$942,054 relative to APERS. Deferred outflows of resources and deferred inflows of resources related to APERS for the College are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	204,545	
Difference between expected and actual experience	245,598	23,902
Net difference between projected and actual investment earning on pension plan investments	541,528	
Changes in proportion and differences between employer contributions and share of contributions	152,150	110,861
Contributions made subsequent to the measurement date	407,246	
Total	1,551,067	134,763

College contributions after the measurement date of \$407,246 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	2026	2027	2028
318,560	97,025	630,022	(36,549)

Actuarial Assumptions: The investment return rate used in making the valuation was 7.00% per year, compounded annually (net after investment expenses). This rate of return is not the assumed real rate of return. The real rate of return is the portion of investment return which is more than the wage inflation rate. Considering the assumed wage inflation rate of 3.25%, the 7.00% investment return rate translates to an assumed net real rate of return of 3.75%.

The number of active members is assumed to continue at the present number.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

D. Arkansas Public Employees Retirement Systems (“APERS”) (Continued)

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114% and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables, for males and females, respectively. The disabled retiree mortality tables, for post-retirement disable mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above-described tables.

The individual entry-age normal actuarial cost method of the valuation was used in determining liabilities and normal cost.

Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities.

For APERS, unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent-of-payroll contributions. Beginning with the 2023 annual actuarial valuation, the amortization period will remain closed and the remaining UAAL will be amortized over a 17-year closed period. Changes in the UAAL due to the actuarial gains or losses for each annual actuarial valuation or from changes to the actuarial assumptions will be amortized over a new closed 20-year period on an annual basis. Changes in the UAAL due to changes in benefit provisions that would result in an increase in the employer contribution rate shall be amortized over a closed 15-year period for active members and closed 5-year period for non-active members. Changes in the UAAL due to changes in benefit provisions that would result in a decrease in the employer contribution rate shall be amortized over a closed 30-year period for active members and a closed 15-year period for non-active members. The maximum amortization period to finance the total UAAL shall not exceed 30 year.

All other actuarial assumptions used in the June 30, 2023, valuation for APERS were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

Discount Rate: A single discount rate of 7% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7%. 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 benefits 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.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 6:

EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

D. Arkansas Public Employees Retirement Systems (“APERS”) (Continued)

For each major asset class that is included in the pension plan’s target asset allocation as of June 30, 2023, these best estimates are summarized below:

Asset Class	Target	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	6.19%
International equity	24%	6.77%
Real assets	16%	3.34%
Absolute return	5%	3.36%
Domestic fixed	18%	1.79%
	100%	

Sensitivity of the Net Pension Liability: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability calculated using a single discount rate of 7%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	Sensitivity of the Net Pension Liability to the Single Rate		
	1% Decrease 6%	Current Rate 7%	1% Increase 8%
Net pension liability	6,934,907	4,350,878	2,221,882

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 7: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2024:

	06/30/23 Balance	Additions	Retirements	06/30/24 Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 1,930,009			\$ 1,930,009
Construction in progress	9,179,424	\$ 2,803,450	\$ 3,024,564	8,958,310
Total not being depreciated	11,109,433	2,803,450	3,024,564	10,888,319
<i>Capital assets being depreciated</i>				
Buildings	25,303,535	6,180,176	53,246	31,430,465
Equipment	4,594,661	163,311	29,830	4,728,142
Infrastructure and other improvements	979,693			979,693
Intangible assets - software	994,894	34,980	39,000	990,874
Leased Assets	139,731			139,731
Library holdings	425,666			425,666
Total being depreciated	32,438,180	6,378,467	122,076	38,694,571
<i>Less accumulated depreciation</i>				
Buildings	16,189,575	889,357	53,246	17,025,686
Equipment	3,657,003	213,498	22,502	3,847,999
Infrastructure and other improvements	844,310	29,199		873,509
Intangible assets - software	893,550	42,049	39,000	896,599
Leased Assets	30,275	27,946		58,221
Library holdings	423,259	408		423,667
Total accumulated depreciation	22,037,972	1,202,457	114,748	23,125,681
Total capital assets depreciated, net	10,400,208	5,176,010	7,328	15,568,890
Capital assets, net	\$ 21,509,641	\$ 7,979,460	\$ 3,031,892	\$ 26,457,209

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 8:

LEASES

GASB Statement No. 87, *Leases*, requires that most leases over 12 months in length be treated as financing for reporting purposes. For leases receivable, the College is required to report a lease receivable in assets, separated for both the current portion (due in less than one year) and noncurrent portion (due over one year). For leases payable, the College reports a leased asset that is amortized over the term of the lease and a lease payable in liabilities, separated for both the current portion (due in less than one year) and noncurrent portion (due over one year).

Lease Receivable: The College entered a 10-year lease arrangement with PeopleShores for the Workforce Development building beginning in 2022 and ending in 2032. The monthly lease payment is \$2,000. There is no stated interest rate in the agreement, so an inferred rate of 4.75% (the federal reserve rate at the inception of the lease) was used to calculate the net present value of the lease.

	Lease Receivable	Cash	Interest Income @ 4.75%	Lease Receivable Balance
06/01/22	\$ 187,003			\$ 187,003
06/30/22	187,003	\$ 2,000	\$ 740	185,743
06/30/23	185,743	24,000	8,488	170,231
06/30/24	170,231	24,000	7,736	153,967
06/30/25	153,967	24,000	6,945	136,912
06/30/26	136,912	24,000	6,117	119,029
06/30/27	119,029	24,000	5,249	100,278
06/30/28	100,278	24,000	4,339	80,617
06/30/29	80,617	24,000	3,384	60,001
06/30/30	60,001	24,000	2,383	38,384
06/30/31	38,384	24,000	1,334	15,718
02/01/32	15,718	16,000	282	0
		\$ 234,000	\$ 46,997	

Lease Payable: The College entered a 5-year lease with AAA for copiers for the campus beginning in 2022 and ending in 2027. The monthly lease payment is \$2,573. There is no stated interest rate so an inferred rate of 4% (the federal reserve rate at the inception of the lease) was used to calculate the net present value of the lease.

	Lease Payable	Cash	Interest Expense @ 4%	Lease Payable Balance
06/01/22	\$ 139,731			\$ 139,731
06/30/22	139,731	\$ 2,573	\$ 466	137,624
06/30/23	137,624	30,880	5,034	111,777
06/30/24	111,777	30,880	3,981	84,878
06/30/25	84,878	30,880	2,886	56,884
06/30/26	56,884	30,880	1,745	27,749
05/31/27	27,749	28,307	558	0
		\$ 154,401	\$ 14,670	

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 9: NATURAL CLASSIFICATION BY FUNCTION

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

	Personal Services	Scholarships and Fellowships	Supplies and Services	Depreciation	Total
Instruction	\$ 3,767,797		\$ 484,901		\$ 4,252,698
Academic support	918,593		181,809		1,100,402
Student services	1,546,958		948,791		2,495,749
Institutional support	2,272,590		2,078,336		4,350,926
Scholarships and fellowships		\$ 2,566,634			2,566,634
Operations and maintenance of plant	584,861		906,153		1,491,014
Depreciation				\$ 1,202,456	1,202,456
Total	\$ 9,090,799	\$ 2,566,634	\$ 4,599,990	\$ 1,202,456	\$ 17,459,879

NOTE 10: NONCURRENT LIABILITIES OTHER THAN PENSIONS OR LEASES

The changes in long-term liabilities other than pensions or leases are as follows:

Compensated Absences

	Balance June 30, 2023	Issued	Retired	Balance June 30, 2024	Amounts Due Within One Year
Compensated absences payable	<u>\$ 345,439</u>	<u>\$671,682</u>	<u>\$674,101</u>	<u>\$ 343,020</u>	<u>\$ 74,629</u>

OPEB Liability: The College participates in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employees Benefit Division), a single-employer defined benefit healthcare plan. As a participant in this plan the College's OPEB liability of \$3,655,362 represents a pro rata share approximately 0.3142678% of the statewide liability of \$1,163,135,892, which was actuarially determined in accordance with GASB Statement No. 75. The deferred inflows for OPEB of \$2,017,242 are comprised of deferred inflows related to OPEB difference between expected and actual of \$269,780, deferred inflows related to OPEB changes in assumptions of \$1,459,180, and deferred inflows related to OPEB changes in proportion of \$288,282. The deferred outflows for OPEB of \$357,932 are comprised of deferred outflows related to OPEB difference between expected and actual of \$220,498 and deferred outflows related to OPEB changes in proportion of \$137,434.

Required reporting information, including actuarial data of the statewide liability and actuarial assumptions is disclosed in the Arkansas Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 10: NONCURRENT LIABILITIES OTHER THAN PENSIONS OR LEASES (CONTINUED)

Bonds Payable: In FY2023, the College issued bonds payable to finance the Energy Performance contract. This project includes updating heating and air systems, alarm systems, security systems, camera systems and various other energy-related repair and maintenance projects.

The following is a summary of the issued bonds:

	Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2024	Maturities to June 30, 2024
Student Tuition and Fee Revenue Improvement Bonds - Energy Performance Contract - Series 2022 (2022 Bonds Payable)	12/29/22	12/15/30	4.250%	\$ 1,145,000	\$ 1,085,000	\$ 60,000
Student Tuition and Fee Revenue Improvement Bonds - Energy Performance Contract - Series 2022 (2022 Bonds Payable)	12/29/22	12/15/38	5.000%	2,270,000	2,270,000	-
Student Tuition and Fee Revenue Improvement Bonds - Energy Performance Contract - Series 2022 (2022 Bonds Payable)	12/29/22	12/15/43	5.125%	2,095,000	2,095,000	-
Totals				\$ 5,510,000	\$ 5,450,000	\$ 60,000

The changes in long-term debt is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due within One Year
2022 Bonds Payable	\$ 5,510,000	\$ -	\$ (60,000)	\$ 5,450,000	\$ 135,000

Future principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 135,000	\$ 265,600	\$ 400,600
2026	145,000	259,756	404,756
2027	155,000	253,488	408,488
2028	170,000	246,688	416,688
2029	185,000	239,356	424,356
2030-2034	1,130,000	1,057,613	2,187,613
2035-2039	1,620,000	724,844	2,344,844
2040-2044	1,910,000	253,688	2,163,688
Total	\$ 5,450,000	\$ 3,301,033	\$ 8,751,033

Pledged Revenue: The College has pledged future revenues from student tuition and fees payable by all students enrolled for courses at the College to help retire the bond debt issued in FY2023 in the amount of \$9,080,564, comprised of \$5,510,000 in principal and \$3,570,564 in interest through FY2044. The purpose of this debt was to finance the Performance Energy Projected described under Bonds Payable above. The pledging of these revenue streams is not encumbered each year past the debt service required amount for that fiscal year. Total principal and interest remaining to be paid on the bonds is \$8,751,033. Principal and interest paid for the current year and total tuition and fee revenues were \$328,825 and \$4,314,380 respectively. The percentage of revenues pledged for the year ended June 30, 2024, was 7.62%.

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 11: SOUTHEAST ARKANSAS COLLEGE FOUNDATION, INC.

The financial statements do not include assets, liabilities, net assets, and changes in net assets relating to the Southeast Arkansas College Foundation, Inc. ("Foundation").

The Foundation operates as a non-profit benevolent corporation for charitable purposes. A summary of the Foundation's financial condition as of June 30, 2024, follows:

Southeast Arkansas College Foundation

Cash Flows & Fund Balances

July 2023 through June 2024

	Total 07/01/23- 06/30/24	Restricted			Unrestricted	
		Food Pantry	Scholarships	Student Loans	Security Vehicle	Other
Ordinary Income/Expense						
Income						
Donations - Restricted						
Food Pantry	80	80				
Scholarships	11,550					
Total Donations - Restricted	11,630					
Donations - Unrestricted						
Employee Donations	1,635					1,635
Grant	3,000	3,000				
Donations - Charities Aid	1,650					1,650
Loan Payments	20			20		
Total Donations - Unrestricted	6,305					
Total Income	17,935	3,080	11,550	20	-	3,285
Expenses						
Scholarships	19,875		13,825			6,050
Loans Made	200			200		
Accounting Fees	1,000					1,000
Bank & Investment Fees	3,363			43		3,320
Dues	75	75				
Operation Elf	296					296
Food Bank	1,000	1,000				
Office & Postal	225					225
Country Club Dues	10,820					10,820
Total Expense	36,854	1,075	13,825	243	-	21,711
Sub-Total	(18,919)	2,005	(2,275)	(223)	-	(18,426)
Other Income						
Checking Interest Income	5					5
Investment income	10,675					10,676
Investment Market Change	21,428					21,428
Total Other Income	32,108	-	-	-	-	32,109
Net Increase/(Decrease)	13,189	2,005	(2,275)	(223)	-	13,683
Fund Balances - 06/30/23	335,706	7,750	88,843	4,367	1,146	233,600
Net Increase/(Decrease)	13,189	2,005	(2,275)	(223)	-	13,683
Fund Balances - 06/30/24	348,895	9,755	86,568	4,144	1,146	247,283
Cash and Investments	348,895					

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 12: DISAGGREGATION OF RECEIVABLES AND PAYABLES

Other receivables in the amount of \$809,626 were comprised of \$352,801 due from third-parties, \$286,520 due from grants, \$157,459 due from various financial aid sources, \$11,646 in interest receivable, and \$1,200 due from employees.

Accounts payable in the amount of \$989,134 were comprised of \$497,027 due to vendors, \$268,355 due to employees, \$196,818 due to grants, \$15,210 due to various financial aid sources, \$11,524 in interest payable, and \$200 due to third parties.

NOTE 13: RISK MANAGEMENT

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

The College obtains building and contents and vehicle insurance coverage through the Arkansas Insurance Department's Risk Management Division.

The policy for buildings and contents has a \$10,000 deductible and the vehicle policy's deductible is \$500 for comprehensive and \$1,000 for collision. The coverage for buildings and contents is reviewed annually with the insurance company in conjunction with our annual inventory to ensure that coverage is accurate and sufficient.

The College does not purchase general liability insurance for claims arising from third-party losses on college property as the College has sovereign immunity against such claims. Claims against the College for such losses are heard before the State Claims Commission. In such cases where the College enters into lease agreements to hold school functions at locations not owned or under long-term lease by the College, general public liability coverage is purchased for such functions.

The College maintains workers' compensation coverage through the State of Arkansas program. Premiums are paid based on a formula calculated by the Arkansas Department of Finance and Administration. The types of benefits and expenditures that are paid include medical expenses, hospital expenses, death benefits and claimant's attorney fees.

The College participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of \$300,000 recovery per occurrence with a \$2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Arkansas Department of Finance and Administration.

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

Southeast Arkansas College

Notes to the Financial Statements

June 30, 2024

NOTE 14: SERVICE CONCESSION ARRANGEMENTS

In FY2023, the College entered into an agreement that is considered a service concession arrangement under GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, with P3 SEARK Student Housing, LLC (“the LLC”) for the purchase, renovation, and operation of the facility located at 6811 South Hazel Street in Pine Bluff. This facility is used for student housing for up to 118 students. The College paid the LLC \$2,993,054 in FY2023 for the right to purchase the completed facility in ten years for \$10. The LLC purchased the property, paid for the renovations and upgrades to the facility, and put it into service in FY2024. The LLC used the funds remitted by the College (\$2,993,054), and supplemental debt instruments with Partners Bank in the amount of \$3,128,478 to fund the purchase and renovations necessary. The College spent an additional amount of \$31,510 on other items during the renovation. Per GASB Statement No. 94, the College booked the asset (“The Reef”) in the amount of \$6,153,042, comprised of the original \$2,993,054 from FY2024, the LLC debt amount of \$3,128,478, and the \$31,510 expended in FY2024. The College booked a deferred inflow from service concession arrangements in the amount of \$3,128,478. The term of the agreement with the LLC is ten years, so the deferred inflow will be amortized over a ten-year period beginning in FY2024 and ending in FY2033 to be recognized as service concession revenue. The Reef will be depreciated on a straight-line basis for 30 years. Housing revenue from students will not be recognized as revenue of the College but will be collected on behalf of and forwarded to the LLC. Operations of The Reef are paid for by the College. The LLC will take the collected housing revenues, subtract operating costs, debt service costs on the property, and a third-party management fee to determine net proceeds. These net proceeds will then be shared with the College in a 50/50 split, which the College will recognize as additional housing revenue. At the end of the ten-year period, the College will purchase the property from the LLC for the amount of \$10.

NOTE 15: COMMITMENTS

As of June 30, 2024, the College had an outstanding balance of \$1,464,013 related to the Performance Energy Contract which was completed on June 30, 2025. The Performance Energy Contract is financed from general revenue bonds issued in fiscal year 2023 as described in Note 10. There are no other commitments outside of the service concession arrangement described in Note 14.

Southeast Arkansas College
Notes to the Financial Statements
June 30, 2024

NOTE 16: DEFICIT NET POSITION

The deficit unrestricted net position of \$5,244,242 is primarily the result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following schedule is provided to illustrate the effects.

	2024
Unrestricted net position - beginning of year (restated)	\$ (5,018,560)
Change in unrestricted net position	(225,682)
Unrestricted net position - end of year	(5,244,242)
Deferred outflows - Pensions	(2,152,199)
Deferred inflows - Pensions	560,814
Deferred outflows - OPEB	(357,932)
Deferred inflows - OPEB	2,017,242
Deferred inflows - Service concessions	2,815,630
Net pension liability	6,607,159
Net OPEB liability	3,655,362
Adjusted unrestricted after large non-cash items	\$ 7,901,834

NOTE 17: RESTATEMENT OF NET POSITION COMPONENTS

For the year ended June 30, 2023, the College revised the components within net position to properly recognize the debt and unspent debt proceeds attributable to capital assets for the Net position- Invested in capital assets, net of related debt component in accordance with Governmental Accounting Standards Board (GASB). The revisions reclassified debt attributable to capital assets (\$5,411,865) and unspent debt proceeds attributable to the construction and improvement of capital assets (\$3,579,179) for a net amount of \$1,832,686 increasing Net position- Unrestricted and decreasing Net position- Invested in capital assets, net of related debt. The revisions did not impact total net position.

Southeast Arkansas College Required Supplementary Information (Unaudited) June 30, 2024

**Southeast Arkansas College
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Arkansas Teachers Retirement System
For the Year Ended June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan net pension liability	\$ 5,189,155,847	\$ 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
SEARK's proportion of the net pension liability	0.0435%	0.0451%	0.0493%	0.0616%	0.0649%	0.0705%	0.0782%	0.0804%	0.0788%	0.0702%
SEARK's proportionate share of the net pension liability	2,256,281	2,377,904	1,365,731	3,488,130	2,705,070	2,566,484	3,285,885	3,545,040	2,567,599	1,841,880
SEARK's covered-employee payroll	1,555,505	1,531,747	1,607,543	1,929,529	1,983,693	2,138,446	2,312,022	2,354,373	2,289,919	2,032,547
SEARK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.05%	155.24%	84.96%	180.78%	136.37%	120.02%	142.12%	150.57%	112.13%	90.62%
Plan fiduciary net position as a percentage of the total pension liability	79.94%	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

**Schedule is intended to show information for the last 10 years. SEARK is only required to present those years for which information is available until the full 10-year trend is completed.*

**Southeast Arkansas College
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Arkansas Teachers Retirement System
For the Year Ended June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 206,216	\$ 233,320	\$ 225,933	\$ 233,088	\$ 274,957	\$ 278,140	\$ 299,383	\$ 324,355	\$ 329,612	\$ 320,589
Contributions in relation to the contractually required contribution	206,216	233,320	225,933	233,088	274,957	278,140	299,383	324,355	329,612	320,589
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
SEARK's covered-employee payroll	1,374,774	1,555,505	1,531,747	1,607,543	1,929,529	1,983,693	2,138,446	2,312,022	2,354,373	2,289,919
Contributions as a percentage of covered-employee payroll	15.00%	15.00%	14.75%	14.50%	14.25%	14.02%	14.00%	14.03%	14.00%	14.00%

**Schedule is intended to show information for the last 10 years. SEARK is only required to present those years for which information is available until the full 10-year trend is completed.*

Southeast Arkansas College Required Supplementary Information (Unaudited) June 30, 2024

**Southeast Arkansas College
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System
For the Year Ended June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan net pension liability	\$ 2,914,186,564	\$ 2,696,383,462	\$ 768,832,293	\$ 2,863,584,499	\$ 2,412,528,797	\$ 2,205,935,052	\$ 2,584,140,475	\$ 2,391,348,072	\$ 1,841,733,371	\$ 1,418,912,236
SEARK's proportion of the net pension liability	0.1493%	0.1565%	0.1513%	0.1360%	0.1219%	0.1052%	0.0891%	0.0774%	0.0596%	0.0480%
SEARK's proportionate share of the net pension liability	4,350,878	4,220,722	1,163,337	3,893,736	2,940,406	2,321,628	2,302,493	1,850,324	1,097,753	680,605
SEARK's covered-employee payroll	3,160,004	3,421,505	2,904,772	2,666,778	2,324,195	2,096,118	1,589,189	1,410,793	1,054,455	848,061
SEARK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.69%	123.36%	40.05%	146.01%	126.51%	110.76%	144.88%	131.15%	104.11%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

**Schedule is intended to show information for the last 10 years. SEARK is only required to present those years for which information is available until the full 10-year trend is completed.*

**Southeast Arkansas College
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System
For the Year Ended June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 407,246	\$ 484,056	\$ 524,175	\$ 445,011	\$ 408,551	\$ 355,313	\$ 309,181	\$ 232,666	\$ 204,565	\$ 155,638
Contributions in relation to the contractually required contribution	407,246	484,056	524,175	445,011	408,551	355,313	309,181	232,666	204,565	155,638
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
SEARK's covered-employee payroll	2,656,165	3,160,004	3,421,505	2,904,772	2,666,778	2,324,195	2,096,118	1,589,189	1,410,793	1,054,455
Contributions as a percentage of covered-employee payroll	15.33%	15.32%	15.32%	15.32%	15.32%	15.29%	14.75%	14.64%	14.50%	14.76%

**Schedule is intended to show information for the last 10 years. SEARK is only required to present those years for which information is available until the full 10-year trend is completed.*

SOUTHEAST ARKANSAS COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2024
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2024	2023	2022	2021	2020
Total Assets and Deferred Outflows	\$ 36,274,273	\$ 36,118,865	\$ 28,007,389	\$ 26,323,092	\$ 26,578,906
Total Liabilities and Deferred Inflows	22,476,271	20,917,112	15,030,331	18,239,623	16,153,106
Total Net Position	13,798,002	15,201,753	12,977,058	8,083,469	10,425,800
Total Operating Revenues	5,038,666	4,618,406	4,631,891	3,919,934	3,920,585
Total Operating Expenses	17,459,879	17,158,025	16,734,263	18,657,719	18,103,437
Total Net Non-Operating Revenues	10,989,858	14,792,393	16,972,067	12,422,321	12,371,005
Total Other Revenues, Expenses, Gains or Losses	27,604	(28,079)	23,894	(26,867)	(10,155)

