

Southern Arkansas University Tech

East Camden, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTHERN ARKANSAS UNIVERSITY TECH
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Arkansas



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Southern Arkansas University Tech
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern Arkansas University Tech (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of Southern Arkansas University Tech Foundation, Inc. have not been audited, and we were not engaged to audit the Southern Arkansas University Tech Foundation, Inc. financial statements as part of our audit of the College's basic financial statements. Southern Arkansas University Tech Foundation, Inc.'s financial activities are included in the College's basic financial statements as a discretely presented component unit and represent 100% of the assets and revenues of the College's discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of Southern Arkansas University Tech. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the College's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities in our report dated September 9, 2021. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-16, 47-49, and 50-53 be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Selected Information for the Last Five Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022 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



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
August 8, 2022
EDHE11521

Arkansas



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
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House Vice Chair

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

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

INDEPENDENT AUDITOR'S REPORT

Southern Arkansas University Tech
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Southern Arkansas University Tech (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 8, 2022. Our report disclaims an opinion on the financial statements of Southern Arkansas University Tech Foundation, Inc., a discretely presented component unit, because those financial statements were not audited and we were not engaged to audit those financial statements. However, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

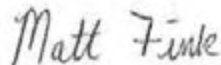
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which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

We noted a certain matter that we reported to management of the College in a separate letter dated August 8, 2022.

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 College'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
August 8, 2022

Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Southern Arkansas University Tech
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, 2021, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u>	<u>Fall Term</u>	<u>Spring Term</u>	<u>Summer I Term</u>
	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
Student Headcount	150	769	896	206
Student Semester				
Credit Hours	701	8,853	8,974	1,391

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
August 8, 2022

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

Southern Arkansas University Tech presents its financial statements for fiscal year ended June 30, 2021, with comparative data presented for fiscal year ended June 30, 2020. The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and, the Statement of Cash Flows are the three financial statements that are presented. This discussion and analysis of Southern Arkansas University Tech's financial statements provides an overview of its financial activities for the current year.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. This financial statement reflects the College's financial position at a moment in time, the last day of its fiscal year which is June 30, 2021.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to meet existing obligations and continue the operations of the institution. They are also able to determine how much the institution owes to vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

Net position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Southern Arkansas University Tech does not have nonexpendable restricted net position. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted position is available to the institution for any lawful purpose of the institution.

Statement of Net Position

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets	\$ 8,412,712	\$ 8,398,516
Capital assets, net	28,572,887	21,414,321
Other assets	1,367,627	4,103,751
Deferred Outflows of Resources	1,280,850	965,923
Total Assets and Deferred Outflows of Resources	39,634,076	34,882,511
Liabilities and Deferred Inflows of Resources		
Current Liabilities	1,205,148	1,993,642
Noncurrent Liabilities	10,558,267	9,821,250
Deferred Inflow of Resources	868,722	1,232,705
Total Liabilities and Deferred Inflows of Resources	12,632,137	13,047,597
Net Position		
Invested in capital assets, net		
of debt	23,817,887	16,514,321
Restricted - expendable	932,498	3,704,025
Unrestricted	2,251,554	1,616,568
Total Net Position	\$ 27,001,939	\$ 21,834,914

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)

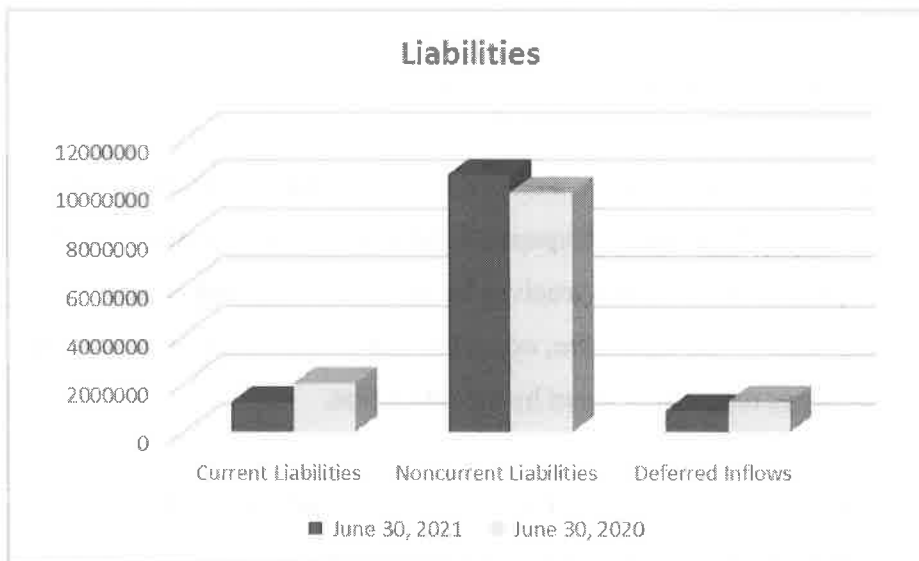
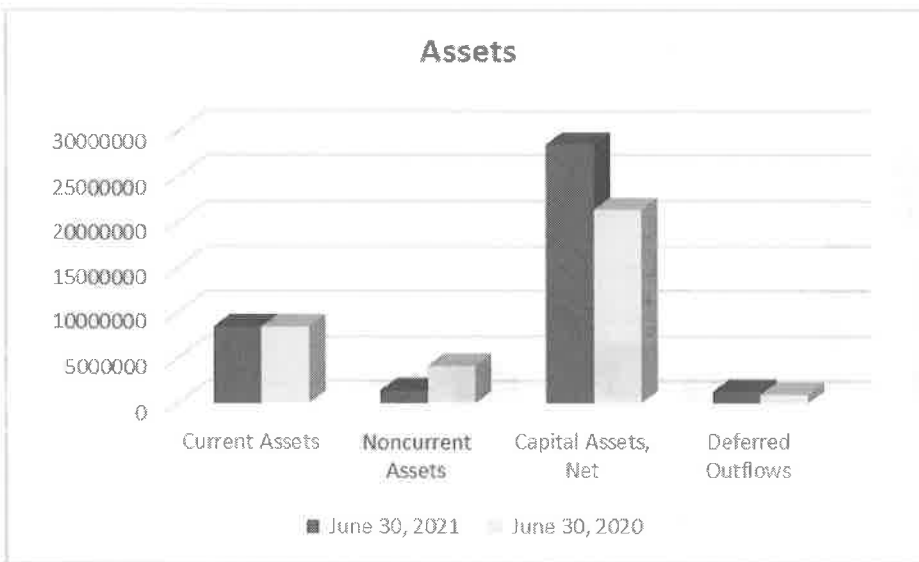
The summary above shows that in 2021 total net position increased by \$5,167,025, the result of total assets and deferred outflows of resources increasing by \$4,751,565 while the total liabilities and deferred inflows of resources decreased by \$415,460. Although deferred outflows of resources increased by \$314,927, most of the increase in assets and deferred outflows of resources occurred in capital assets net of depreciation. The increase in capital assets of \$7,158,566 can be analyzed by looking at the schedule in note 4 of the Statement of Net Assets. The construction in process line of this schedule is reflecting that SAU Tech added \$8,263,820 in construction costs in 20/21 to complete construction of the new Fire Training Academy Dormitory, and to complete renovation projects to the Administration Building and the Mechanical Maintenance Building. Capital Assets net of depreciation were further increased by \$449,092 in purchases of equipment and library holdings, and decreased by \$73,039 in disposals of equipment and library holdings and also by \$1,481,307 in depreciation of capital assets. Unspent Cash of \$2,619,088, received from the state's Rainy Day Fund for construction of the Fire Training Academy Dormitory in the last fiscal year of 19/20, was spent in 20/21 to finish the Dormitory, and thereby reduced total assets by \$2,619,088.

Several things caused the decrease in total liabilities and deferred inflows of resources, which was \$415,460. The deferred inflows of resources related to pensions decreased by \$344,835. Accounts payable decreased by \$1,030,119 most of which was related to the construction projects referred to above. Net pension liability increased by \$622,037, and advances increased by \$324,915 due mainly to advances received from new operating grants and Cares Act funding.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

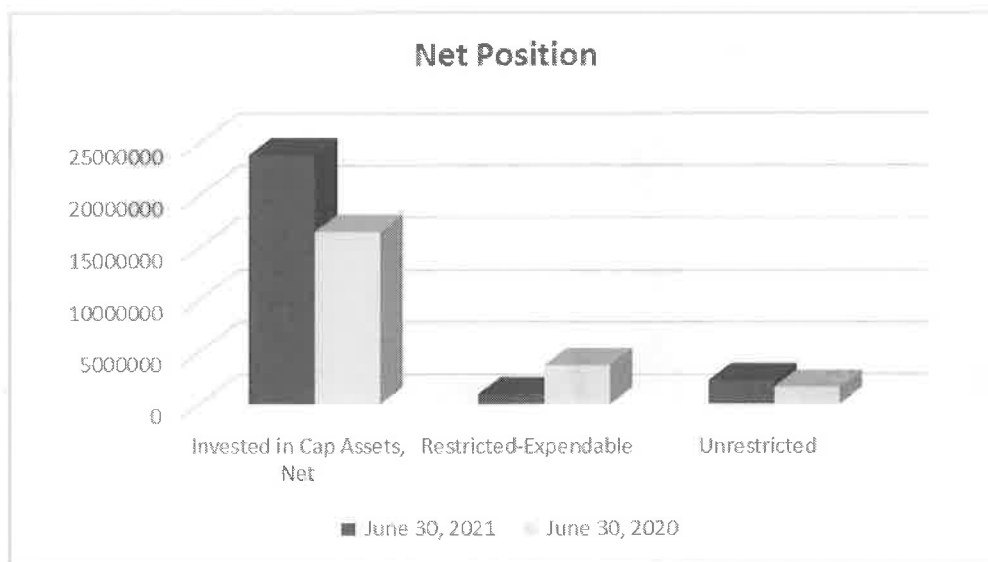
Statement of Net Position (Continued)



Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)



Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. Nonoperating revenues are revenues received for which goods and services are not provided.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

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

For example state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 5,307,529	\$ 5,696,301
Operating expenses	<u>17,247,878</u>	<u>15,547,025</u>
Operating loss	(11,940,349)	(9,850,724)
Nonoperating revenues and expenses	<u>11,491,896</u>	<u>10,739,253</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(448,453)	888,529
Other revenues, expenses, gains or losses	<u>5,615,478</u>	<u>5,340,431</u>
Increase (Decrease) in Net Position	5,167,025	6,228,960
Net Position at Beginning of Year	<u>21,834,914</u>	<u>15,605,954</u>
Net Position at End of Year	<u>\$ 27,001,939</u>	<u>\$ 21,834,914</u>

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

**Tuition and Fees Net of Scholarship Allowance totaled \$1,826,350 or 34.41% of Total Operating Revenues. There was an increase of \$84,340 in Tuition and Fees Net of Scholarship Allowance from June 30, 2020 to June 30, 2021.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

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

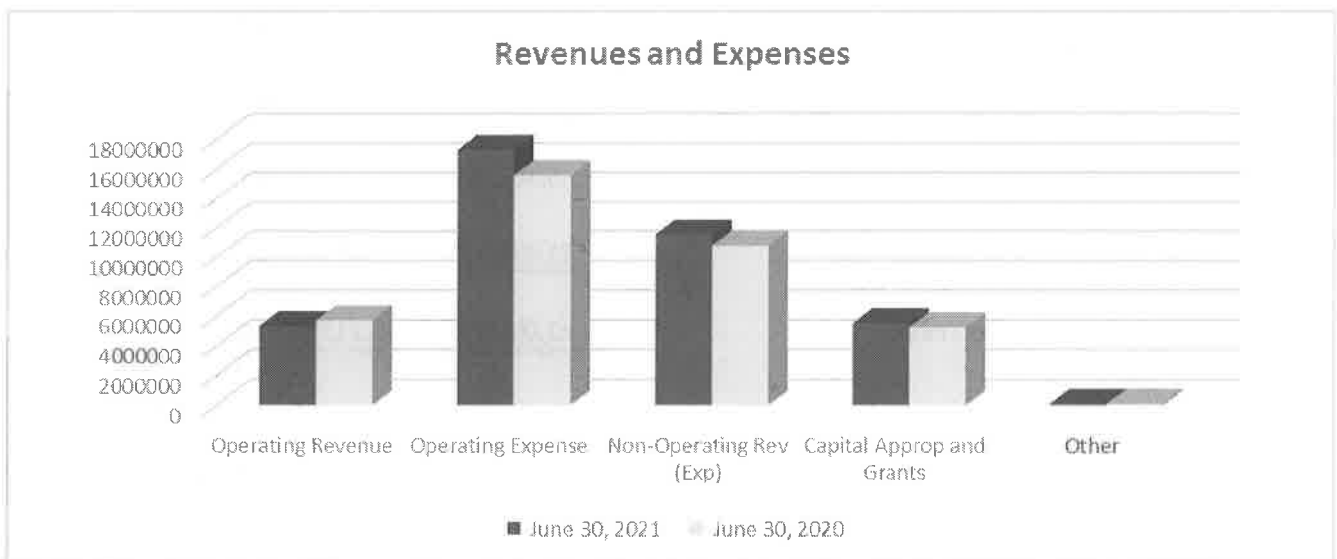
**Federal, State and Private Grants and Contracts totaled \$2,595,089 or 48.89% of Total Operating Revenues. There was a decrease of \$663,202 in Federal, State and Private Grants and Contracts from June 30, 2020 to June 30, 2021.

**Personal Services expense totaled \$9,729,102 or 56.41% of Total Operating Expenses and increased by \$141,765 from the year ended June 30, 2020.

**Scholarships and Fellowships expenses totaled \$1,501,126 or 8.70% of Total Operating Expenses and increased \$253,952 from the year ended June 30, 2020.

**Supplies and Services totaled \$4,536,343 or 26.30% of Total Operating Expenses and increased \$1,052,870 from the year ended June 30, 2020.

**State appropriations of \$8,069,953 and Federal Grants of \$3,403,908 accounted for the largest portion of Non-Operating Revenues and almost made up for the operating loss of (\$11,940.349).



Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Statement of Cash Flows

The final statement presented by Southern Arkansas University Tech is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts.

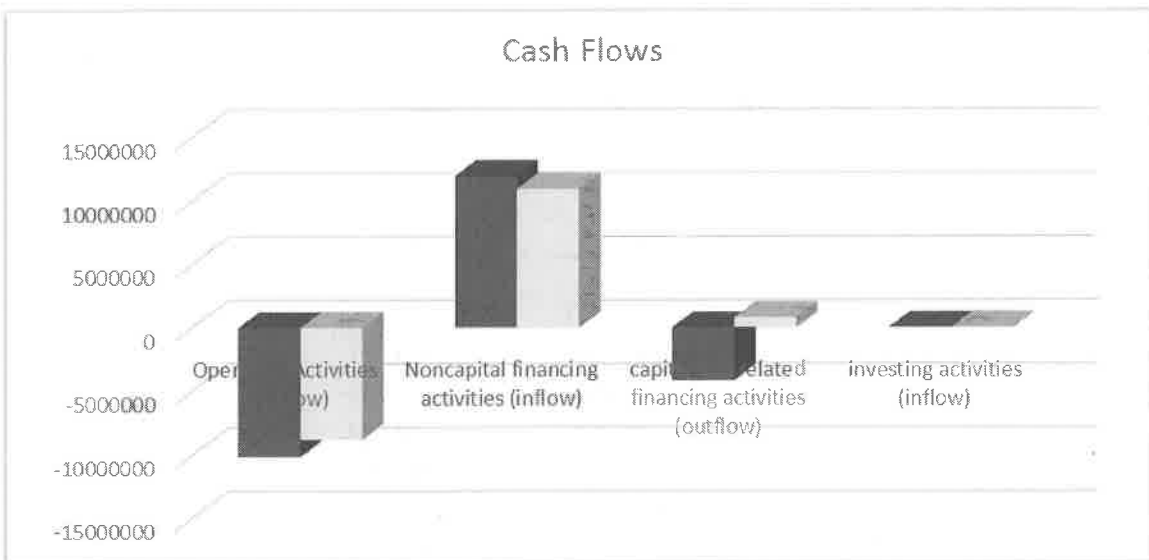
Cash Flows for the Years ended June 30			
		2021	2020
Cash provided (used) by:			
Operating activities		\$(10,108,921)	\$ (8,758,146)
Noncapital financing activities		11,917,408	10,939,261
Capital and related financing activities		(4,159,298)	812,214
Investing activities		18,251	32,062
Net Change in Cash		(2,332,560)	3,025,391
Cash, beginning of year		11,070,884	8,045,493
Cash, end of year		\$ 8,738,324	\$ 11,070,884

The first section deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Statement of Cash Flows (Continued)



Capital Asset and Debt Administration

Southern Arkansas University Tech had \$28,572,887 in capital assets net of \$27,893,044 accumulated depreciation as of June 30, 2021. Construction that began in 19/20 on a dormitory building at the Fire Training Academy, was completed in 20/21. The final cost of the dormitory was \$11,334,062. Construction was also completed for the renovation of the Administration Building, and the renovation of the Mechanical Maintenance building. Final costs related to those two projects were \$534,537 and \$164,900, respectively. Bonds payable at June 30, 2021 were \$4,755,000. Principal payments on capital debt during the year were \$145,000 and interest payments were \$171,224.

For additional information concerning Capital Assets and Debt Administration, see Notes 4, 5, and 6 in the notes to the financial statements.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Economic Outlook

Over the past several fiscal years, the College has taken a very conservative approach to spending due to flat level in general revenue funding, the reduction in cash flows due to enrollment declines, and the most recent pandemic. Even though the College's overall fund balance is sound and the financial ratios continue to improve, close oversight of all spending as well as revenue generation is still critical. Special emphasis will continue to be placed on student enrollment trends and retention. Necessary budget adjustments will be made to keep spending in alignment with cash flow. College leadership will continue to review academic programs and administrative services and identify opportunities to consolidate and reduce administrative operational costs.

During the past four years the college administration has initiated many strategies to address the enrollment downturn and the impact it has had on cash flow. Some of the strategies include salary and benefit modifications, outsourcing the bookstore, change in food service management, increasing recruitment efforts, implementing an early alert system to address retention, additional student housing, weekend and Friday classes and other academic program opportunities.

The College continues to be very mindful of the uncertainty in the level of state funding, the impact of productivity funding, enrollment trends, and the continued impact of Covid-19. The college will closely monitor all spending through the federal Cares Act to insure compliance. The College's leadership team is committed to principles of sound fiscal management and providing responsible stewardship of available resources. The College seeks to implement processes and policies to more effectively allocate state appropriations, tuition and fees, and to look for other external sources of funding.

Southern Arkansas University Tech

Management's Discussion and Analysis (Unaudited)

Economic Outlook (Continued)

Overall, the College's internal controls and fiscal management continue to be very sound. The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Gaye Manning

Vice Chancellor for Finance/Administration

SOUTHERN ARKANSAS UNIVERSITY TECH
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit A

	June 30, 2021	June 30, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,370,697	\$ 6,967,247
Accounts receivable (less allowances of \$206,461 and \$214,807)	219,530	202,911
Other receivables (less allowances of \$17,566 and \$131)	289,431	724,166
Inventories	7,256	8,732
Prepaid expenses	525,798	495,460
Total Current Assets	<u>8,412,712</u>	<u>8,398,516</u>
Noncurrent Assets:		
Unrestricted cash and cash equivalents	882,873	992,173
Restricted cash and cash equivalents	484,754	3,111,464
Deposits with trustee		114
Capital assets (net of accumulated depreciation of \$27,893,044 and \$26,992,651)	28,572,887	21,414,321
Total Noncurrent Assets	<u>29,940,514</u>	<u>25,518,072</u>
 TOTAL ASSETS	 <u>38,353,226</u>	 <u>33,916,588</u>
 DEFERRED OUTFLOW OF RESOURCES		
Pensions	1,080,991	796,399
Other Post-Employment Benefits (OPEB)	87,000	51,416
Deferral on debt defeasance	112,859	118,108
Total deferred outflow of resources	<u>1,280,850</u>	<u>965,923</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>39,634,076</u>	 <u>34,882,511</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	308,756	1,338,875
Bonds payable	148,131	143,131
Compensated absences	39,480	25,037
Total OPEB Obligation	116,865	111,398
Advances	470,333	264,872
Funds held in trust for others	116,176	103,009
Other liabilities	5,407	7,320
Total Current Liabilities	<u>1,205,148</u>	<u>1,993,642</u>
Noncurrent Liabilities:		
Bonds payable	4,566,681	4,714,812
Compensated absences	437,594	427,804
Advances	119,454	
Total OPEB Obligation	1,449,885	1,316,018
Net Pension Liability	3,984,653	3,362,616
Total Noncurrent Liabilities	<u>10,558,267</u>	<u>9,821,250</u>
 TOTAL LIABILITIES	 <u>11,763,415</u>	 <u>11,814,892</u>
 DEFERRED INFLOW OF RESOURCES		
Pensions	696,392	1,041,227
Other Post-Employment Benefits (OPEB)	172,330	191,478
Total deferred inflow of resources	<u>868,722</u>	<u>1,232,705</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>12,632,137</u>	 <u>13,047,597</u>

**SOUTHERN ARKANSAS UNIVERSITY TECH
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2021**

Exhibit A

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
NET POSITION		
Net investment in capital assets	\$ 23,817,887	\$ 16,514,321
Restricted for:		
Expendable:		
Capital projects	585,888	3,215,388
Debt service	128,090	134,161
Other	218,520	354,476
Unrestricted	<u>2,251,554</u>	<u>1,616,568</u>
TOTAL NET POSITION	<u>\$ 27,001,939</u>	<u>\$ 21,834,914</u>

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

SOUTHERN ARKANSAS UNIVERSITY TECH FOUNDATION
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
JUNE 30, 2021 and 2020

Exhibit A-1

	June 30, 2021	June 30, 2020
ASSETS		
Current Assets:		
Unrestricted		
Cash and Cash Equivalents	\$ 41,124	\$ 25,547
Restricted		
Cash and Cash Equivalents	88,181	82,554
Total Current Assets	<u>129,305</u>	<u>108,101</u>
Investments		
Unrestricted		
Investments, at fair value	174,351	146,221
Restricted		
Investments, at fair value	1,065,232	852,488
Total Investments	<u>1,239,583</u>	<u>998,709</u>
Property and Equipment		
Buildings	2,719,387	2,719,387
Equipment	11,278	11,277
Accumulated Depreciation	(539,990)	(440,147)
Net Property and Equipment	<u>2,190,675</u>	<u>2,290,517</u>
Total Assets	<u>\$ 3,559,563</u>	<u>\$ 3,397,327</u>
LIABILITIES & NET POSITION		
Liabilities		
Current Liabilities		
Current Portion of Long-term Debt	\$ 120,598	\$ 105,804
Long-term Liabilities		
Long-term Debt	1,883,993	2,004,589
Total Liabilities	<u>2,004,591</u>	<u>2,110,393</u>
Net Position		
Without Donor Restrictions	401,559	351,895
With Donor Restrictions	1,153,413	935,039
Total Net Position	<u>1,554,972</u>	<u>1,286,934</u>
Total Liabilities & Net Position	<u>\$ 3,559,563</u>	<u>\$ 3,397,327</u>

SOUTHERN ARKANSAS UNIVERSITY TECH
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	June 30, 2021	June 30, 2020
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$2,800,359 and \$2,633,859)	\$ 1,826,350	\$ 1,742,010
Federal grants and contracts	645,294	780,670
State and local grants and contracts	1,949,795	2,477,621
Sales and services of educational departments	89,941	79,362
Auxiliary enterprises:		
Athletics (net of scholarship allowances of \$79,469 and \$86,126)	61,148	64,149
Residence life (net of scholarship allowances of \$210,421 and \$218,584)	199,715	181,855
Other operating revenues	535,286	370,634
TOTAL OPERATING REVENUES	5,307,529	5,696,301
OPERATING EXPENSES		
Personal services	9,729,102	9,587,337
Scholarships and fellowships	1,501,126	1,247,174
Supplies and services	4,536,343	3,483,473
Depreciation	1,481,307	1,229,041
TOTAL OPERATING EXPENSES	17,247,878	15,547,025
OPERATING INCOME (LOSS)	(11,940,349)	(9,850,724)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	8,069,953	8,133,160
Federal grants	3,403,908	2,612,162
State grants	225,192	171,225
Investment income	19,330	32,398
Interest on capital asset - related debt	(170,049)	(173,476)
Gain or loss on disposal of capital assets	(73,038)	(29,097)
Amortization of bond discount & deferral on debt defeasement	(7,119)	(7,119)
Other revenue	23,719	
NET NON-OPERATING REVENUES (EXPENSES)	11,491,896	10,739,253
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(448,453)	888,529
Capital appropriations	5,500,000	5,149,377
Capital grants and gifts		165,811
Adjustments to prior year revenues and expenses	115,478	25,243
INCREASE (DECREASE) IN NET POSITION	5,167,025	6,228,960
NET POSITION - BEGINNING OF YEAR	21,834,914	15,605,954
NET POSITION - END OF YEAR	\$ 27,001,939	\$ 21,834,914

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

SOUTHERN ARKANSAS UNIVERSITY TECH FOUNDATION
STATEMENTS OF ACTIVITY (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Exhibit B-1

For the year ended June 30, 2021

	Unrestricted	Permanently Restricted	Total
Public Support and Revenues			
Contributions	\$ 6,200	\$ 87,634	\$ 93,834
Special events and fundraising	10,430	-	10,430
Investment Income	1,437	34,509	35,946
Rental Income, net	15,083		15,083
Net Assets Released from Restrictions	89,175	(89,175)	-
Total Public Support and Revenues	122,325	32,968	155,293
Operating Expenses			
Program services			
Grants and allocations	56,546		56,546
Total program expenses	56,546	-	56,546
Supporting Services			
Management and general	7,160		7,160
Special events and fundraising	8,955		8,955
Total supporting services expenses	16,115	-	16,115
Total Expenses	72,661	-	72,661
Operating Income (Loss)	49,664	32,968	82,632
Non-operating Activities			
Net realized gains (losses) on investments	-	1,018	1,018
Net unrealized gains (losses) on investments	-	184,388	184,388
Non operating income (expense), net	-	185,406	185,406
Increase (Decrease) in Net Assets	49,664	218,374	268,038
Net Assets at the Beginning of the Year	351,895	935,039	1,286,934
Net Assets at the End of the Year	\$ 401,559	\$ 1,153,413	\$ 1,554,972

For the year ended June 30, 2020

	Unrestricted	Permanently Restricted	Total
Public Support and Revenues			
Contributions	\$ 17,461	\$ 63,625	\$ 81,086
Special events and fundraising	4,410	-	4,410
Investment Income	1,994	39,802	41,796
Rental Income, net	523	8,254	8,777
Net Assets Released from Restrictions	-	-	-
Total Public Support and Revenues	24,388	111,681	136,069
Operating Expenses			
Program services			
Grants and allocations	500	64,393	64,893
Total program expenses	500	64,393	64,893
Supporting Services			
Management and general	17,151		17,151
Special events and fundraising	2,070		2,070
Total supporting services expenses	19,221	-	19,221
Total Expenses	19,721	64,393	84,114
Operating Income (Loss)	4,667	47,288	51,955
Non-operating Activities			
Net realized gains (losses) on investments	-	-	-
Net unrealized gains (losses) on investments	-	(30,478)	(30,478)
Non operating income (expense), net	-	(30,478)	(30,478)
Increase (Decrease) in Net Assets	4,667	16,810	21,477
Net Assets at the Beginning of the Year	347,228	918,229	1,265,457
Net Assets at the End of the Year	\$ 351,895	\$ 935,039	\$ 1,286,934

**SOUTHERN ARKANSAS UNIVERSITY TECH
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit C

	June 30 2021	June 30 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 1,816,989	\$ 1,758,936
Grants and contracts	2,766,922	3,216,888
Sales and services of educational departments	88,953	80,918
Auxiliary enterprises revenues:		
Athletics	58,739	63,842
Residence life	169,777	230,974
Bookstore	-	2,642
Other receipts	708,139	346,388
Payments to employees	(7,364,780)	(7,301,726)
Payments for employee benefits	(2,269,811)	(2,331,576)
Payments to suppliers	(4,586,578)	(3,551,473)
Scholarships and fellowships	(1,497,271)	(1,273,959)
Net cash provided (used) by operating activities	<u>(10,108,921)</u>	<u>(8,758,146)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,069,953	8,133,160
Private gifts and grants	3,819,414	2,787,178
Direct loan and plus loan receipts	623,279	716,426
Direct loan and plus loan payments	(625,193)	(714,512)
Other agency funds - net	6,236	17,009
Other	23,719	-
Net cash provided (used) by noncapital financing activities	<u>11,917,408</u>	<u>10,939,261</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	5,500,000	5,149,377
Capital gift and grants	418,178	(365,179)
Purchases of capital assets	(9,761,370)	(3,657,947)
Payment to trustee for principal	(145,000)	(139,803)
Payment to trustee for interest and fees	(171,106)	(174,234)
Net cash provided (used) by capital and related financing activities	<u>(4,159,298)</u>	<u>812,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments (net of fees)	<u>18,251</u>	<u>32,062</u>
Net increase (decrease) in cash and cash equivalents	(2,332,560)	3,025,391
Cash and cash equivalents - beginning of year	<u>11,070,884</u>	<u>8,045,493</u>
Cash and cash equivalents - end of year	<u><u>\$ 8,738,324</u></u>	<u><u>\$ 11,070,884</u></u>

**SOUTHERN ARKANSAS UNIVERSITY TECH
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit C

	<u>June 30</u> <u>2021</u>	<u>June 30</u> <u>2020</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (11,940,349)	\$ (9,850,724)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,481,307	1,229,041
Miscellaneous items	118,894	26,611
Change in assets and liabilities:		
Receivables, net	(5,266)	(94,365)
Inventories	1,476	(1,950)
Prepaid expenses	(50,058)	(60,230)
Accounts payable	52,102	(71,662)
Compensated absences	24,232	(12,437)
Net OPEB Obligation	139,334	(64,500)
Advances received	129,927	65,492
Funds held in trust for others	1,602	(950)
Net Pension Liability	622,037	103,047
Deferred inflows	(363,983)	(228,836)
Deferred outflows	(320,176)	203,317
Net cash provided (used) by operating activities	<u>\$ (10,108,921)</u>	<u>\$ (8,758,146)</u>
NONCASH TRANSACTIONS		
Donated Capital Asset		\$ 112,812

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Southern Arkansas University Tech is one of two campuses of the Southern Arkansas University System. The East Camden Campus operates under the policies and supervision of the Board of Trustees of the Southern Arkansas University System, a five member group. The Board is the level of government that has governing responsibility over all activities related to higher education that come under Southern Arkansas University and its East Camden Campus. The College receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Trustees is not included in any other governmental "reporting entity" since board members are appointed by the Governor of the State and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Component Unit – Southern Arkansas University Tech Foundation

The Southern Arkansas University Tech Foundation, Inc. (the Foundation) is an Arkansas not for profit corporation, qualified as 501(c)(3) organization under the Internal Revenue Service Code, supporting Southern Arkansas University Tech (the College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of Directors of the Foundation is made up of 14 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College under the guidelines established by Governmental Accounting Standards Board Statement no. 39, *Determining Whether Certain Organizations Are Component Units*. Accordingly, the financial statements of the Foundation are discretely presented in the College's financial statements in accordance with the provisions of GASB Statement no. 39.

During the year ended June 30, 2021, the Foundation distributed \$56,546 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Finance Office, Southern Arkansas University Tech, P O Box 3499, Camden, AR 71711.

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

Financial Statement Presentation

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, library holdings, and construction in progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at acquisition value when received. The College follows the State guidelines for equipment capitalization. The capitalization threshold for intangible assets is \$1,000,000.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 30 years for buildings, 20 years for infrastructure and land improvements, 15 years for library holdings, and 5 to 15 years for equipment. A half year of depreciation is taken in the year the asset is placed in service and a half year of depreciation is taken in the year of disposition.

Operating and Nonoperating Revenues

Southern Arkansas University Tech has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state, and local grants and contracts.

Non-operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, Pell Grants, and investment income.

Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Additionally, funds maintained by the State of Arkansas on behalf of the University are considered to be cash equivalents.

Accounts Receivable

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Inventories

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

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences Payable

Employees accrue and accumulate annual leave in accordance with policies established by the Board of Trustees. Full-time employees accrue annual leave at a variable rate (from 8 to 15 hours per month) depending upon the number of years employed in state government and whether the employee is classified or non-classified. An employee may carry accrued leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed. Classified employees with at least 50 days of accumulated sick leave are entitled to payment of accumulated sick leave. The College accrues the dollar value of sick leave benefits which are payable upon retirement or death of its classified employees.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs that will not be paid within the next fiscal year, (3) the total OPEB obligation, and (4) the net pension liability.

Pensions

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

Restricted/Unrestricted Resources

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments

Cash deposits are carried at cost. Southern Arkansas University Tech's cash deposits at year-end are shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	<u>\$ 8,049,502</u>	<u>\$ 8,565,136</u>

The above deposits do not include cash on deposit in the state treasury, cash on hand, or interagency cash in transit in the amounts of \$430,094, \$650, \$258,078, respectively.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The College does not have a formal deposit policy for custodial credit risk. At June 30, 2021, the College was entered in an insured cash sweep program that provides FDIC coverage of all of SAU Tech's deposits. Cash deposits are moved into various banks in amounts not to exceed the FDIC coverage for each bank. There was no custodial credit risk to the College.

NOTE 3: Income Taxes

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Capital assets not being depreciated					
Land and improvements	\$ 1,213,038		\$ 277,855		\$ 1,490,893
Construction in Process	4,047,535	\$ 8,263,820	(12,311,355)		
Total capital assets not being depreciated	\$ 5,260,573	\$ 8,263,820	\$ (12,033,500)		\$ 1,490,893
Other capital assets					
Improvements and infrastructure	\$ 1,366,848				\$ 1,366,848
Buildings	33,974,002		\$ 12,033,500		46,007,502
Equipment	7,325,949	\$ 434,914		\$ (623,419)	7,137,444
Library holdings	479,600	14,178		(30,534)	463,244
Total other capital assets	43,146,399	449,092	12,033,500	(653,953)	54,975,038
Less accumulated depreciation for					
Improvements and infrastructure	(780,933)	(57,939)			(838,872)
Buildings	(20,741,469)	(989,035)			(21,730,504)
Equipment	(5,181,829)	(406,968)		550,381	(5,038,416)
Library holdings	(288,420)	(27,365)		30,533	(285,252)
Total accumulated depreciation	(26,992,651)	(1,481,307)		580,914	(27,893,044)
Other capital assets, net	\$ 16,153,748	\$ (1,032,215)	\$ 12,033,500	\$ (73,039)	\$ 27,081,994
Capital Asset Summary:					
Capital assets not being depreciated	\$ 5,260,573	\$ 8,263,820	\$ (12,033,500)		\$ 1,490,893
Other capital assets, at cost	43,146,399	449,092	12,033,500	\$ (653,953)	54,975,038
Total cost of capital assets	48,406,972	8,712,912		(653,953)	56,465,931
Less accumulated depreciation	(26,992,651)	(1,481,307)		580,914	(27,893,044)
Capital Assets, net	\$ 21,414,321	\$ 7,231,605		\$ (73,039)	\$ 28,572,887

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities

Debt payments on bonds amounted to \$316,224 for the fiscal year ended June 30, 2021.

A summary of long-term liabilities is as follows:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities To June 30, 2021</u>
2/6/2018	9/1/2042	4.5%	\$ 865,000	\$ 805,000	\$ 60,000
2/6/2018	9/1/2042	1.7% - 3.85%	4,310,000	3,950,000	360,000
		Unamortized discount	(46,575)	(40,188)	(6,387)
Totals			<u>\$5,128,425</u>	<u>\$ 4,714,812</u>	<u>\$ 413,613</u>

The changes in long-term liabilities are as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Amounts due within one year</u>
Revenue bonds payable	\$ 4,900,000		\$ 145,000	\$ 4,755,000	\$ 150,000
Bond discount	(42,057)		(1,869)	(40,188)	(1,869)
Compensated absences	452,841	\$ 401,133	376,900	477,074	39,480
Totals	<u>\$ 5,310,784</u>	<u>\$ 401,133</u>	<u>\$ 520,031</u>	<u>\$ 5,191,886</u>	<u>\$ 187,611</u>

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

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

Year ended June 30,	Principal	Interest	Total
2022	\$ 150,000	\$ 167,646	\$ 317,646
2023	150,000	164,016	314,016
2024	160,000	159,884	319,884
2025	165,000	155,184	320,184
2026	170,000	150,354	320,354
2027-2031	925,000	663,709	1,588,709
2032-2036	1,110,000	483,956	1,593,956
2037-2041	1,325,000	252,495	1,577,495
2042-2043	600,000	24,008	624,008
Totals	<u>\$ 4,755,000</u>	<u>\$ 2,221,252</u>	<u>\$ 6,976,252</u>

NOTE 6: Bonds Payable and Pledged Revenues

Bonds payable consisted of the following at June 30, 2021:

Student Fee Secured Refunding Bonds, Series 2018-A, issued in the original amount of \$4,310,000 and maturing in varying amounts to September 1, 2042, with variable interest rates from 1.7% to 3.85% \$3,950,000

Student Fee Secured Refunding Bonds, Series 2018-B, issued in the original amount of \$865,000 and maturing in varying amounts to September 1, 2042, with an interest rate of 4.5% 805,000

\$4,755,000

Pledged Revenues consisted of the following at June 30, 2021:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Principal & Interest	FY 21 Principal & Interest	Revenue Source	FY21 Revenue	% of Rev Pledged in FY21
2018-A Series	2042	Student Center Construction	\$5,705,614	\$ 259,549	Student Fees	\$4,626,709	5.61%
2018-B Series	2042	Student Center Construction	\$1,270,638	\$ 56,675	Student Fees	\$4,626,709	1.22%

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: Commitments

Operating Leases

Various leases for computers, copiers, residences and airport space with terms ranging from 12 to 60 months.

- (a) Future minimum rental payments (aggregate) at June 30, 2021 are \$312,920.
- (b) Future minimum rental payments for the five succeeding fiscal years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 135,714
2023	89,950
2024	44,596
2025	26,943
2026	15,717

Operating lease rental payments for the year ended June 30, 2021, were approximately \$392,194.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Defined Contribution Retirement Plans

Teachers Insurance and Annuity Association (TIAA)

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

Funding Policy. TIAA is a contributory plan. Members select a contribution rate that is at minimum 6% of earnings, but contributions can be up to the IRS dollar limit, which was \$19,500 in 2020 and \$19,500 in 2021. The College contributes 8% of earnings to the plan. The participants' and College's contributions for the year ended June 30, 2021 were \$275,594 and \$366,683, respectively.

Jackson National Retirement Plan

Plan Description. The College contributes to the Jackson National Retirement Plan, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by Jackson National. The administrator provides insurance policies and annuity contracts, which become the property of the participant, when issued.

Funding Policy. The participants' contributions are tax-sheltered and must be at least 6% of compensation, but contributions can be up to the IRS dollar limit, which was \$19,500 in 2020 and \$19,500 in 2021. The College's contribution rate is 8%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2021 were \$215 and \$215, respectively.

Lincoln Financial Group Retirement Plan

Plan Description. The College contributes to the Lincoln Financial Group Retirement Plan, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by Lincoln National. The administrator provides insurance policies and annuity contracts, which become the property of the participant, when issued.

Funding Policy. The participants' contributions are tax-sheltered and must be at least 6% of earnings, but contributions can be up to the IRS dollar limit, which was \$19,500 in 2020 and \$19,500 in 2021. The College's contribution rate is 8%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2021 were \$6,791 and \$5,433, respectively.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Defined Contribution Retirement Plans (Continued)

Southern Arkansas University Tech Defined Contribution Retirement Plan

Plan Description. The College contributes to the Southern Arkansas University Tech 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 VALIC. The administrator provides insurance policies and annuity contracts, which become the property of the participant, when issued.

Funding Policy. The participant's contributions are tax-sheltered and must be at least 6% of earnings, but contributions can be up to the IRS dollar limit, which was \$19,500 in 2020 and \$19,500 in 2021. The College's contribution rate is 8%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2021 were \$5,278 and \$4,222, respectively.

NOTE 9: Defined Benefit Retirement Plans

General Information. Eligible employees of Southern Arkansas University Tech are provided with pensions through the Arkansas Teacher Retirement System (ATRS), administered by the Arkansas Teacher Retirement System board of trustees, and Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System board of trustees. ATRS and APERS are cost-sharing multiple-employer defined benefit plans. Benefit provisions and contribution provisions are established and amended by Arkansas Code Title 24.

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

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

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

Arkansas Teacher Retirement System

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

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Benefits provided. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual or reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability 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 an annuity 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 retired members, with 10 years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is calculated by multiplying 100% of the member's base retirement annuity by 3%.

Contributions. The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2021 the employer contribution rate was 14.50% of covered payroll. Contributions to ATRS from Southern Arkansas University Tech were \$143,169 for the year ended June 30, 2021.

ATRS has contributory and non-contributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 6.50% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999 all new members, including any former active members, were automatically enrolled as noncontributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plans. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

Pension liability. At June 30, 2021, Southern Arkansas University Tech's proportionate share of the net pension liability was \$2,214,433. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the collective net pension liability was .0391% and was based on the colleges' proportionate share of contributions.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Pension expense. For the year ended June 30, 2021, Southern Arkansas University Tech recognized pension expense of \$131,203. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,356	\$ 17,860
Net difference between projected and actual investment earnings on pension plan investments	364,014	
Changes of Assumptions	144,089	
Changes in proportion and differences between employer contributions and proportionate share of contributions		505,259
Contributions subsequent to the measurement date	143,169	
	<u>\$ 680,628</u>	<u>\$ 523,119</u>

\$143,169 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$(90,015)
2023	9,746
2024	51,473
2025	56,329
2026	(13,193)

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the Jun 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Payroll Growth	2.75%
Projected salary increases	2.75 – 7.75%
Investment rate of return	7.5% compounded annually

Mortality table: RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality headcount weighted tables were used for males and females. Mortality rates were adjusted for future mortality using projection scale MP-2017 from 2006.

Table	<u>Scaling Factor</u>	
	Males	Females
Healthy Annuitant	101%	91%
Disabled Annuitant	99%	107%
Employee Mortality	94%	84%

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

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, 2020, these best estimates are summarized in the following table:

<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Total Equity	53.00%	5.2%
Fixed Income	15.00%	-0.1%
Alternatives	5.00%	3.5%
Real Assets	15.00%	5.1%
Private Equity	12.00%	7.2%
Cash Equivalents	0.00%	-1.0%
	100.00%	

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Single Discount Rate – A single discount rate of 7.5% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 6.50% and 14.50% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in Fiscal Year 2023. The ultimate member and employer rates will be 7% and 15% 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. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of College's proportionate share of the net pension liability to changes in the discount rate - The following presents the College's proportionate share of the plan's net pension liability, calculated using a single discount rate of 7.50%, 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.

	1% Decrease 6.5%	Current Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 3,294,971	\$ 2,214,433	\$ 1,318,302

Arkansas Public Employees Retirement System

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (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.

Benefits provided. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 month's earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The re-determined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

Contributions. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2021 the employer contribution rate was 15.32% of covered payroll. Contributions to APERS from Southern Arkansas University Tech were \$157,227 for the year ended June 30, 2021.

APERS consists of both a contributory and a non-contributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978, to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. Other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

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

Pension liability. At June 30, 2021, Southern Arkansas University Tech's proportionate share of the net pension liability was \$1,770,220. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the collective net pension liability was .06182% and was based on the colleges' proportionate share of contributions.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Pension expense. For the year ended June 30, 2021, Southern Arkansas University Tech recognized pension expense of \$161,803. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,500	\$ 1,172
Net difference between projected and actual investment earnings on pension plan investments	187,312	
Changes of Assumptions	22,179	30,330
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,145	141,771
Contributions subsequent to the measurement date	157,227	
	<u>\$ 400,363</u>	<u>\$ 173,273</u>

\$157,227 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (105,804)
2023	40,687
2024	79,356
2025	55,624

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Actuarial Assumptions. The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2020. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return	7.15%

Mortality rates were based on the RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

All other actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017 and were applied to all prior periods included in the measurement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
Total	100.00%	

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Single Discount Rate – A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of State's proportionate share of the net pension liability to changes in the discount rate - The following presents the plan's net pension liability, calculated using a single discount rate of 7.15%, 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

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 2,696,176	\$ 1,770,220	\$ 1,006,097

NOTE 10: Other Post Retirement Benefits

Plan description. The College contributes to the Blue Choice Point of Service Plan, a single-employer defined benefit plan administered by Health Advantage. The administrator provides health insurance benefits to retired employees who have had ten years of continuous service and who are at least 55 years of age. A retiree from age 55-61 may remain a member of the health insurance group until age 65 at the cost to the retiree. The college will pay the health insurance premium for retirees aged 62 to 65 and will also pay the premium for retirees whose age (55 to 65) plus years of service total 75 or more.

Benefit terms. The plan is financed on a pay-as-you-go basis. Participating retirees from age 55-61 are required to contribute \$471.40 per month to remain a member of the health insurance group until the age of 65. Depending on the retirees' last annual salary, the College contributes from a range of \$451.40 to 466.40 per month to the health plan of participating new retirees that are age 62-64 and to the health plan of participating new retirees whose age (55-64) plus years of service (minimum 15) total 75 or more. To continue dependent, spousal, or family coverage for any of the options, the participating retiree is required to contribute an additional \$226.45, \$556.38, or \$829.57, respectively. The College Chancellor is the authority under which the plan's benefit provisions are established or amended. Recommendations for modifications and amendments to the plan are brought to the Chancellor by the Vice Chancellor of Finance and Administration, discussed by the Vice Chancellor's Council, and approved by the Chancellor.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Other Post Retirement Benefits (Continued)

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>143</u>
	152

Contributions. The College Chancellor is the authority under which the plan's contribution requirements of the College and employees are established or amended. The Chancellor approves rates determined through contractual negotiations with Health Advantage. For the year ended June 30, 2021 the average contribution rate was .92 percent of covered-employee payroll.

OPEB Liability. At June 30, 2021, Southern Arkansas University Tech's total OPEB liability was \$1,566,750. The total OPEB liability was measured as of June 30, 2021 and was determined based on a "roll forward" of the June 30, 2020 actuarial valuation.

OPEB expense and deferred outflows. For the year ended June 30, 2021, Southern Arkansas University Tech recognized OPEB expense of \$141,536. The College also reported deferred outflows of resources that resulted from changes of assumptions, in the amount of \$87,000 and deferred inflows of resources that resulted from the difference between expected and actual experience, in the amount of \$172,330. These deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30:	Net deferred Outflow of Resources
2022	(9,638)
2023	(9,638)
2024	(9,638)
2025	(9,638)
2026	(9,638)
Thereafter	(37,140)
Total	(85,330)

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75. (Per GASB 75 Paragraph 165 (d)).

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Other Post Retirement Benefits (Continued)

Actuarial assumptions. The OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date:

Actuarial cost method	Entry Age Normal Method
Discount rate	3.13% at 6/30/2017
	2.98% at 6/30/2018
	2.79% at 6/30/2019
	2.66% at 6/20/2020
	2.18% at 6/30/2021
Inflation rate	3.00%
Healthcare cost trend rates	9% next year, 8% the second year, 7.5% the third year, 7% the fourth year with the rate decreasing by .5% each year, to an ultimate rate of 5%.

Mortality rates were based on the Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2019. The life expectancy according to this table is as follows:

	Males	Males	Females	Females
<u>Age</u>	<u>2030</u>	<u>2040</u>	<u>2030</u>	<u>2040</u>
55	33.39	34.21	35.91	36.67
65	23.38	24.15	25.69	26.42
75	14.55	15.20	16.41	17.05

Single Discount Rate. The discount rate used to measure the total OPEB liability was 2.18 percent. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be projected and compared to the obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required. The single discount rate is equivalent to applying these two rates to the benefits that are projected to be paid during the different periods

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Other Post Retirement Benefits (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at 06/30/2020	\$1,427,416
Changes for the year:	
Service cost	112,466
Interest	38,708
differences between expected and actual experience	0
Employer contributions	0
Employee contributions	0
Net investment income	0
Benefits and refunds	(56,934)
Admin expenses	0
Assumption change	45,094
Net changes	139,334
Balances at 06/30/21	\$1,566,750

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the Total OPEB liability of Southern Arkansas University Tech, calculated using a single discount rate of 2.18%, as well as what the Total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease 1.18%	Discount Rate 2.18%	1% Increase 3.18%
Total OPEB liability (asset)	\$ 1,666,692	\$ 1,566,750	\$ 1,472,355

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates. The following presents the Total OPEB liability of the College, as well as what the Total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease in HCCTR	Assumed HCCTR	1% Increase in HCCTR
Total OPEB liability (asset)	\$ 1,394,227	\$ 1,566,750	\$ 1,776,641

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11: Natural Classifications By Function

The College's operating expenses by functional classifications were as follows:

	Personal services	Scholarships and fellowships	Supplies and services	Depreciation	Total
Instruction	\$ 5,282,959		\$ 1,018,349		\$ 6,301,308
Academic support	626,633		455,544		1,082,177
Student services	1,008,437		229,856		1,238,293
Institutional support	1,877,195		794,002		2,671,197
Scholarships and fellowships		\$ 1,501,126			1,501,126
Operations and maintenance of plant	727,753		1,619,831		2,347,584
Auxiliary enterprises	206,125		418,761		624,886
Depreciation				\$ 1,481,307	1,481,307
Total	<u>\$ 9,729,102</u>	<u>\$ 1,501,126</u>	<u>\$ 4,536,343</u>	<u>\$ 1,481,307</u>	<u>\$ 17,247,878</u>

NOTE 12: Disaggregation of Receivable and Payable Balances

Accounts receivable from students were \$425,991 at June 30, 2021. This amount was reduced by an allowance for doubtful accounts of \$206,461.

Other receivables of \$306,997 at June 30, 2021 consisted of \$97,210 from the federal government, \$85,124 from other state agencies, and \$124,663 from miscellaneous sources. The other receivables amount was reduced by an allowance for doubtful accounts of \$17,566.

The June 30, 2021 accounts payable and accrued liabilities of \$308,756 consisted of \$59,794 due to vendors, \$112,206 for salaries and fringe benefits, \$56,487 accrued for interest payable on long term debt, \$16,913 payable to other state agencies and \$63,356 due to others.

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 carries a professional liability insurance policy for Fire Training Academy Emergency Medical Training Students. The liability limits are \$1,000,000 each claim and \$5,000,000 aggregate. The College pays an annual premium for this coverage.

The College carries a professional liability insurance policy for nursing students. The liability limits are \$1,000,000 each claim and \$3,000,000 aggregate. The College pays an annual premium for this coverage.

SOUTHERN ARKANSAS UNIVERSITY TECH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13: Risk Management (Continued)

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

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

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

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

NOTE 14: Related Party Transaction

Mr. Monty Harrington is a member of the Board of Trustees of the Southern Arkansas University System through January 13, 2023. Mr. Harrington is the Magnolia market president of Farmers Bank & Trust. In July 2013, the College deposited substantially all of its operational deposits into the Farmers Bank & Trust.

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

Other Postemployment Benefits (OPEB)

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

Fiscal year ending June 30,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 112,466	\$ 110,666	\$ 107,712	\$ 105,426	
Interest	38,708	42,650	41,723	40,083	
Difference between actual & expected experience		(210,626)			
Assumption changes	45,094	29,976	17,542	13,085	
Benefit payments	(56,934)	(37,166)	(42,600)	(37,871)	
Net change in Total OPEB liability	139,334	(64,500)	124,377	120,723	
Total OPEB liability-beginning	1,427,416	1,491,916	1,367,539	1,246,816	
Total OPEB liability-ending	<u>\$ 1,566,750</u>	<u>\$ 1,427,416</u>	<u>\$ 1,491,916</u>	<u>\$ 1,367,539</u>	<u>\$ 1,246,815</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 56,934	\$ 37,166	\$ 42,600	\$ 37,871	\$ 25,998
Benefit payments	(56,934)	(37,166)	(42,600)	(37,871)	(25,998)
Net changes in plan net position	0	0	0	0	0
Plan fiduciary net position-beginning	0	0	0	0	0
Plan fiduciary net position-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total OPEB Liability-Ending	<u>\$ 1,566,750</u>	<u>\$ 1,427,416</u>	<u>\$ 1,491,916</u>	<u>\$ 1,367,539</u>	<u>\$ 1,246,815</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 6,203,459	\$ 6,064,336	\$ 5,922,817	\$ 6,070,897	\$ 6,194,441
Total OPEB liability as a percentage of covered employee payroll	25.26%	23.54%	25.19%	22.53%	20.13%

Notes to schedule:

Changes of assumptions. The assumed single discount rate was changed from 3.13% to 2.98% at 6/30/2018, 2.79% at 6/30/2019, 2.66% at 6/30/2020 (and PubG-T mortality added), 2.18% at 6/30/2021.

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

Other Postemployment Benefits (OPEB)

Schedule of Sponsor Contributions

Plan year ending June 30	2021	2020	2019	2018
Actuarially determined contribution	\$ 186,274	\$ 187,096	\$ 177,774	\$ 169,130
Contributions in relation to the actuarially determined contribution	56,934	37,166	42,600	37,871
Contribution deficiency (excess)	129,340	149,930	135,174	131,259
Covered employee payroll	\$ 6,203,459	\$ 6,064,336	\$ 5,922,817	\$ 6,070,897
Contributions as a percentage of covered employee payroll	0.92%	0.61%	0.72%	0.62%

Notes to schedule:

Valuation date:	Actuarially determined contributions are calculated as of June 30 after the valuation date.
Mortality:	PUB-T with MP 2019 (RP 2014 before 2020).
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar over 30 years from July 1, 2017
Remaining amortization period:	28 years
Asset valuation method:	Market Value
Assumed inflation:	3.00% per year
Assumed single discount rate:	3.13% at 6/30/2017; 2.98% at 6/30/2018; 2.79% at 6/30/2019; 2.66% at 6/30/2020; 2.18% at 6/30/2021.
Assumed retirement age:	Retirements were assumed at the following rates:

Age	Retirement rate per 100 members
55 to 59	5
60	15
61	14
62	25
63	15
64	15
65	35
66	30
67	30
68	30
69	100

Note to Schedule: information is presented for those years for which it is available until a full 10-year trend is compiled.

The amounts presented for each fiscal year were determined as of June 30, 2021.

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

Other Postemployment Benefits (OPEB)

Schedule of Investment Returns

<u>For year ended June 30,</u>	<u>Annual money-weighted rate of return</u>
2012	0.00%
2013	0.00%
2014	0.00%
2015	0.00%
2016	0.00%
2017	0.00%
2018	0.00%
2019	0.00%
2020	0.00%
2021	0.00%

Note to Schedule: information is presented for those years for which it is available until a full 10-year trend is compiled.

The amounts presented for each fiscal year were determined as of June 30, 2021.

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

**Schedule of Southern Arkansas University Tech's Proportionate Share of the
Net Pension Liability**

Arkansas Teacher Retirement System Pension Plan

FY Ending June 30,	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a % of covered payroll	Plan fiduciary net position as a % of the total pension liability
2021*	0.0391%	\$ 2,214,433	\$ 1,224,955	180.78%	74.91%
2020*	0.0452%	1,885,082	1,380,574	136.54%	80.96%
2019*	0.0521%	1,897,433	1,580,717	120.04%	82.78%
2018*	0.0569%	2,392,158	1,686,602	141.83%	79.48%
2017*	0.0628%	2,771,130	1,851,766	149.65%	76.75%
2016*	0.0727%	2,366,954	2,133,934	110.92%	82.20%
2015*	0.0811%	2,129,237	2,344,862	90.80%	84.98%

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

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

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

**Schedule of Southern Arkansas University Tech's Proportionate Share of the
Net Pension Liability**

Arkansas Public Employees Retirement System Pension Plan

FY Ending June 30,	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a % of covered payroll	Plan fiduciary net position as a % of the total pension liability
2021*	0.0618%	\$ 1,770,220	\$ 1,116,521	158.55%	75.38%
2020*	0.0612%	1,477,534	1,171,182	126.16%	78.55%
2019*	0.0618%	1,362,136	1,254,546	108.58%	79.59%
2018*	0.0845%	2,183,637	1,526,710	143.03%	75.65%
2017*	0.0897%	2,145,904	1,601,894	133.96%	75.50%
2016*	0.0904%	1,665,220	1,615,030	103.11%	80.39%
2015*	0.0981%	1,391,338	1,734,233	80.23%	84.15%

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

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

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

Schedule of Southern Arkansas University Tech Contributions

Arkansas Teacher Retirement System Pension Plan

FY Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered employee payroll
2021	\$ 143,169	\$ 143,169	\$ 0	\$ 987,374	14.50%
2020	174,556	174,556	0	1,224,955	14.25%
2019	194,712	194,712	0	1,380,574	14.10%
2018	221,337	221,337	0	1,580,717	14.00%
2017	236,125	236,125	0	1,686,602	14.00%
2016	259,248	259,248	0	1,851,766	14.00%
2015	297,939	297,939	0	2,133,934	13.96%

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

SOUTHERN ARKANSAS UNIVERSITY TECH
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021

Schedule of Southern Arkansas University Tech Contributions

Arkansas Public Employees Retirement System Pension Plan

FY Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered employee payroll
2021	\$ 157,227	\$ 157,227	\$ 0	\$ 1,032,587	15.23%
2020	170,542	170,542	0	1,116,521	15.27%
2019	179,393	179,393	0	1,171,182	15.32%
2018	185,004	185,004	0	1,254,546	14.75%
2017	220,832	220,832	0	1,526,710	14.46%
2016	232,275	232,275	0	1,601,894	14.50%
2015	236,396	236,396	0	1,615,030	14.64%

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

SOUTHERN ARKANSAS UNIVERSITY TECH
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets and Deferred Outflows	\$ 39,634,076	\$ 34,882,511	\$ 27,905,365	\$ 27,194,230	\$ 26,996,509
Total Liabilities and Deferred Inflows	12,632,137	13,047,597	12,299,411	13,124,685	12,710,271
Total Net Position	27,001,939	21,834,914	15,605,954	14,069,545	14,286,238
Total Operating Revenues	5,307,529	5,696,301	6,101,557	5,281,543	5,565,042
Total Operating Expenses	17,247,878	15,547,025	16,054,982	15,541,962	15,637,308
Total Net Non-Operating Revenues	11,491,896	10,739,253	10,400,112	10,321,665	9,888,779
Total Other Revenues, Expenses, Gains or Losses	5,615,478	5,340,431	1,089,722	202,702	68,299

