

**Southern Arkansas University Tech**

**East Camden, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2022**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SOUTHERN ARKANSAS UNIVERSITY TECH  
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# Arkansas

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



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

**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 Audit of the Financial Statements**

##### ***Unmodified and Disclaimer of Opinions***

We have audited 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, 2022, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the College's basic financial statements as listed in the table of contents.

##### ***Disclaimer of Opinion on the Discretely Presented Component Unit***

We do not express an opinion on the accompanying financial statements of the discretely presented component unit of the College. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, 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.

##### ***Unmodified Opinion on the Business-Type Activities***

In our opinion, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***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.

##### ***Basis for Unmodified Opinion***

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

##### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2022 the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-15, 45-46, and 47-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 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  
November 27, 2023  
EDHE11522

# Arkansas

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



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## **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, 2022, and the related notes to the financial statements and have issued our report thereon dated November 27, 2023. We were not engaged to audit the financial statements of the Southern Arkansas University Tech Foundation, Inc., a discretely presented component unit of the College. These financial statements collectively comprise the College's basic financial statements. 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 accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Southern Arkansas University Tech Foundation, Inc.

#### **Report on Internal Control Over Financial Reporting**

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

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

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

#### **Report on Compliance and Other Matters**

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

## AUDIT FINDINGS

### Material Weakness

Financial Statements are the responsibility of the College's management and should be presented fairly in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College's internal control system did not detect or prevent material misstatements in the financial statements. The financial statements were subsequently corrected by College personnel during audit fieldwork. Key errors included:

### Statement of Net Position

1. Accounts payable and accrued liabilities was understated by \$52,312 due to an error in accruals.
2. Capital assets were understated by \$44,777 due to an error in calculating construction in progress.
3. Misclassifications resulted in the following misstatements in the College's net position balances:
  - Net investment in capital assets was overstated by a net amount of \$451,215
  - Restricted for capital projects was overstated by \$15,838
  - Restricted for debt service was overstated by \$122,133
  - Restricted for other was understated by \$204,292
  - Unrestricted was understated by \$384,894

### Statement of Cash Flow

Misstatements totaling \$735,772 related to various accounts due to errors and misclassifications resulted in the following:

1. Cash Flows from Operating Activities was overstated by \$410,361
2. Cash Flows from Capital and Related Financing Activities was understated by \$410,361
3. Noncash Transactions was understated by \$325,411

We recommend the College implement stronger internal controls to prevent and detect material misstatements in the financial statements.

Management Response: SAU Tech acknowledges this finding from Arkansas Legislative Audit related to the 21/22 Audit. The controller's year-end close checklist has been updated to require a more detailed analysis of construction in process payments and payment dates. All payments will be listed with amounts and payment dates. Reconciliations to CIP asset accounts and payable accounts will be done. The year-end close checklist has also been updated to require analysis of all payables related to the purchase of capital assets. Any payables found to be related to the purchase of capital assets will reduce the 'invested in capital assets, net' line item and increase the net asset line item in which the payable was original done out of. Additionally, a printout of all payables related to capital purchases will be reviewed to verify that the payables account for capital purchases has been used. The checklist was also updated to verify that noncash transactions related to Leases and SBITAs are listed on the Statement of Cash flows.

### **College's Response to Findings**

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

### **Purpose of This Report**

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 27, 2023

# Arkansas

**Sen. David Wallace**  
Senate Chair  
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Legislative Auditor

## 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, 2022, 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>2021</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>
Student Headcount	139	932	982	189
Student Semester Credit Hours	652	9,553	9,631	1,411

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

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 27, 2023



# **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, 2022. No comparative from fiscal year ended June 30, 2021 is presented due to the implementation of Governmental Accounting Standards Board (GASB) Statement 87. 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, 2022.

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.

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.

# Southern Arkansas University Tech

## Management's Discussion and Analysis (Unaudited)

### *Statement of Net Position (Continued)*

#### Statement of Net Position

	2022	2021
Assets and Deferred Outflows of Resources		
Current assets	\$ 10,050,354	\$ 8,412,712
Capital assets, net	29,145,726	28,572,887
Other assets	1,219,631	1,367,627
Deferred Outflows of Resources	983,938	1,280,850
Total Assets and Deferred Outflows of Resources	41,399,649	39,634,076
Liabilities and Deferred Inflows of Resources		
Current Liabilities	2,037,471	1,205,148
Noncurrent Liabilities	7,541,259	10,558,267
Deferred Inflow of Resources	2,714,812	868,722
Total Liabilities and Deferred Inflows of Resources	12,293,542	12,632,137
Net Position		
Invested in capital assets, net		
of debt	23,820,222	23,817,887
Restricted - expendable	1,237,580	932,498
Unrestricted	4,048,305	2,251,554
Total Net Position	\$ 29,106,107	\$ 27,001,939

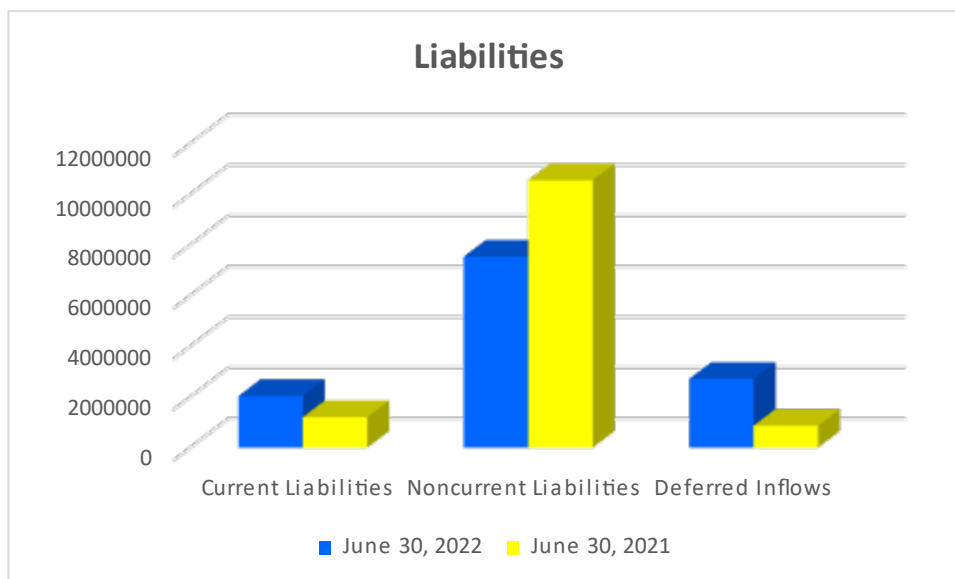
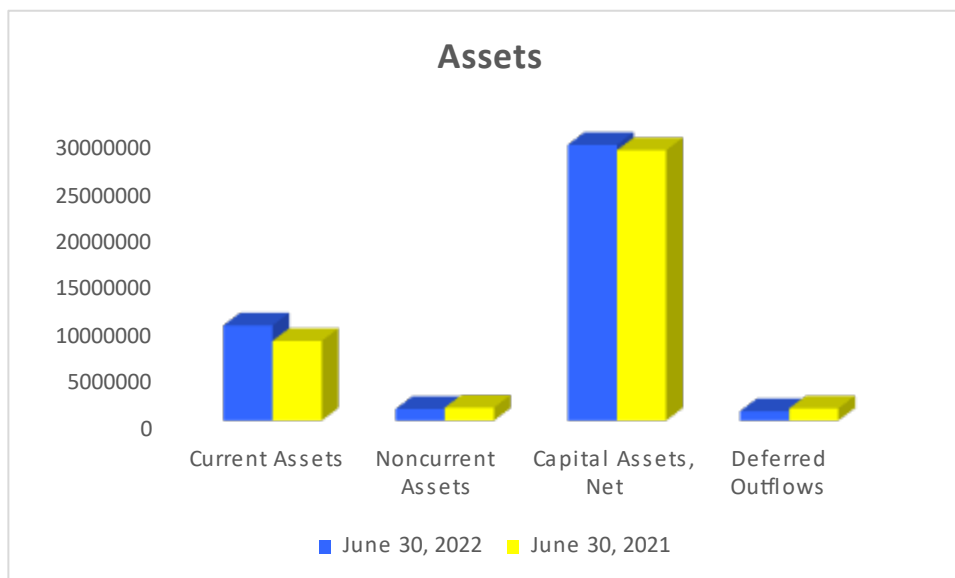
The summary above shows that in 2022 total assets and deferred outflows of resources increased by \$1,765,573 and total liabilities and deferred inflows of resources decreased by \$338,595, resulting in an increase in total net position of \$2,104,168. A lot of this increase in total net position was related to construction projects that were going on in the 21/22 year, which included building renovations and HVAC upgrades to buildings. Several grants that were being used to fund these projects on a reimbursement basis, had receivables due at June 30, which contributed to a \$954,471 increase in other receivables. The \$1,561,117 cost of these construction projects in process along with equipment purchases of \$466,789 and right-to-use equipment lease assets of \$318,446 exceeded depreciation on capital assets of \$1,760,729 to cause most of a \$572,839 increase in capital assets net of depreciation.

# Southern Arkansas University Tech

## Management's Discussion and Analysis (Unaudited)

### *Statement of Net Position (Continued)*

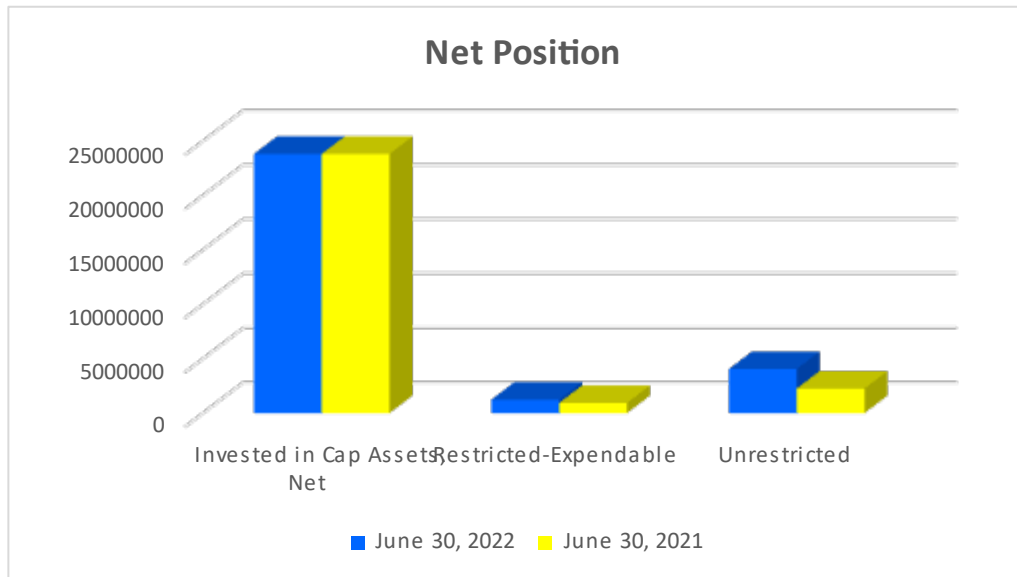
On the liability side, \$649,457 was payable on construction contracts. These construction payables and an increase in deferred inflows of resources related to pensions of \$1,562,738 were offset by a \$2,754,060 decrease in net pension liability, all of which combined to decrease liabilities and deferred inflows of resources by \$338,595.



# 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 non-operating, and the expenses paid by the institution, operating and non-operating, 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. 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.

# Southern Arkansas University Tech

## Management's Discussion and Analysis (Unaudited)

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

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

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 5,816,972	\$ 5,307,529
Operating expenses	<u>19,099,948</u>	<u>17,247,878</u>
Operating loss	(13,282,976)	(11,940,349)
Nonoperating revenues and expenses	<u>14,502,463</u>	<u>11,491,896</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,219,487	(448,453)
Other revenues, expenses, gains or losses	<u>884,681</u>	<u>5,615,478</u>
Increase (Decrease) in Net Position	2,104,168	5,167,025
Net Position at Beginning of Year	<u>27,001,939</u>	<u>21,834,914</u>
Net Position at End of Year	<u>\$ 29,106,107</u>	<u>\$ 27,001,939</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 \$1,886,054 or 32.42% of Total Operating Revenues. There was an increase of \$59,704 in Tuition and Fees Net of Scholarship Allowance from June 30, 2021 to June 30, 2022.

\*\*Federal, State and Private Grants and Contracts totaled \$2,927,560 or 50.33% of Total Operating Revenues. There was a increase of \$332,471 in Federal, State and Private Grants and Contracts from June 30, 2021 to June 30, 2022.

\*\*Personal Services expense totaled \$9,492,599 or 49.70% of Total Operating Expenses and decreased by \$236,503 from the year ended June 30, 2021.

\*\*Scholarships and Fellowships expenses totaled \$2,316,180 or 12.13% of Total Operating Expenses and increased \$815,054 from the year ended June 30, 2021.

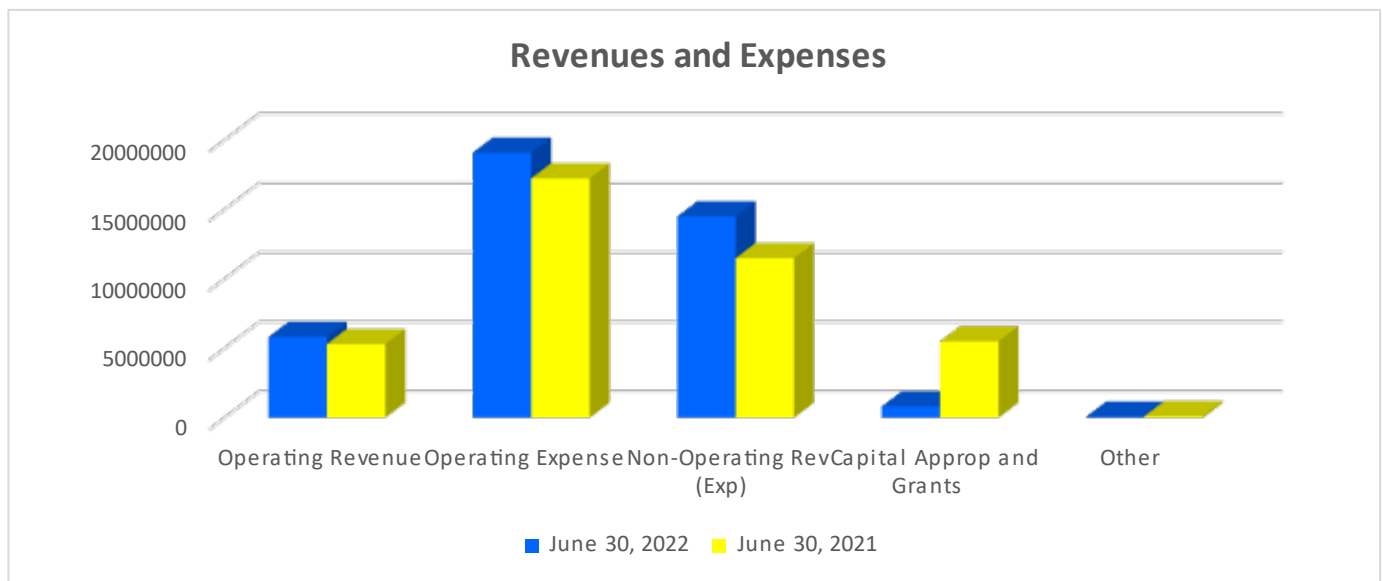
# Southern Arkansas University Tech

## Management's Discussion and Analysis (Unaudited)

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

\*\*Supplies and Services totaled \$5,530,440 or 28.96% of Total Operating Expenses and increased \$994,097 from the year ended June 30, 2021.

\*\*State appropriations of \$8,280,321 and Federal Grants of \$5,863,608 accounted for the largest portion of Non-Operating Revenues and made up for the operating loss of (\$13,282,974).



# 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.

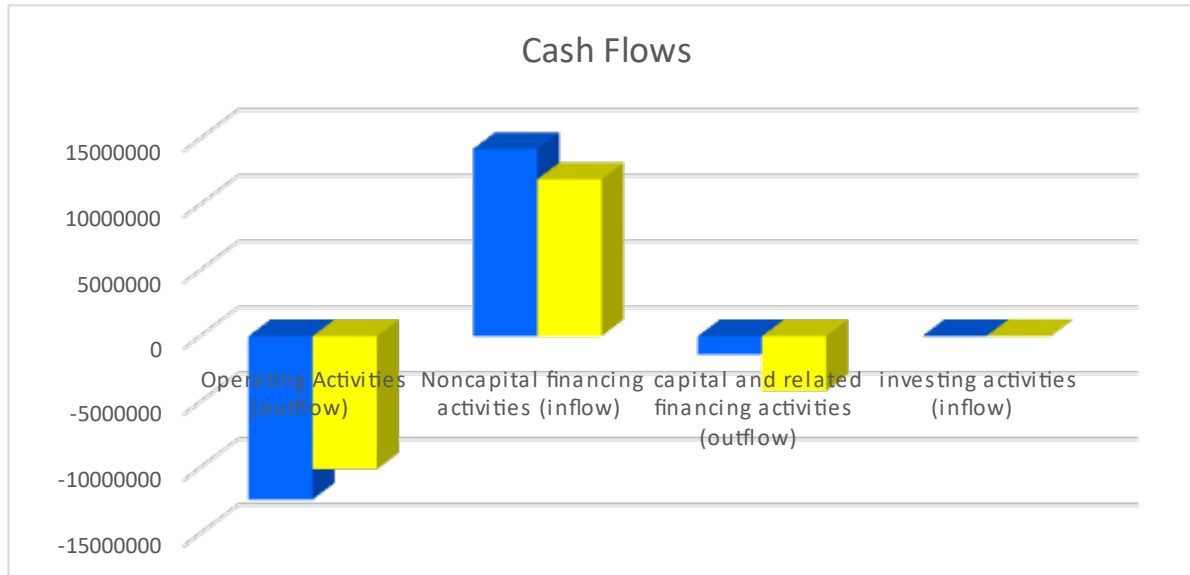
Cash Flows for the Years ended June 30			
		2022	2021
Cash provided (used) by:			
Operating activities		\$(12,412,920)	\$ (10,108,921)
Noncapital financing activities		14,219,318	11,917,408
Capital and related financing activities		(1,388,205)	(4,159,298)
Investing activities		13,493	18,251
Net Change in Cash		431,686	(2,332,560)
Cash, beginning of year		8,738,324	11,070,884
Cash, end of year		\$ 9,170,010	\$ 8,738,324

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 non-operating, non-investing, 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 \$29,145,726 in capital assets net of \$29,169,813 accumulated depreciation as of June 30, 2022. Construction began on several projects during the 21/22 year and were still in process as of June 30, 2022. These projects included the renovation of the Shumaker Barracks, HVAC upgrades to the Tech Engineering Building and Shumaker Hall and Gym, and construction of a baseball field. Bonds payable at June 30, 2022 were \$4,605,000. Principal payments on capital debt during the year were \$150,000 and interest payments were \$166,436.

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. Moreover, operational efficiencies and cost containment will continue to drive the conversation among campus leaders.

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, CRRSSA Act, and the ARP Act to ensure 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.

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**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

Exhibit A

	June 30, 2022
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 7,950,379
Accounts receivable (less allowances of \$117,702)	152,693
Other receivables (less allowances of \$146)	1,243,902
Inventories	6,982
Prepaid expenses	696,398
Total Current Assets	<u>10,050,354</u>
Noncurrent Assets:	
Unrestricted cash and cash equivalents	812,589
Restricted cash and cash equivalents	407,042
Capital assets (net of accumulated depreciation of \$29,169,813)	29,145,726
Total Noncurrent Assets	<u>30,365,357</u>
 TOTAL ASSETS	 <u>40,415,711</u>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pensions	580,775
Other postemployment benefits (OPEB)	295,553
Deferral on debt defeasance	107,610
Total deferred outflow of resources	<u>983,938</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>41,399,649</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	1,080,540
Bonds and leases payable	253,147
Compensated absences	66,326
Other postemployment benefits (OPEB)	190,055
Advances	303,875
Funds held in trust for others	137,432
Other liabilities	6,096
Total Current Liabilities	<u>2,037,471</u>
Noncurrent Liabilities:	
Bonds and leases payable	4,530,512
Compensated absences	365,792
Other postemployment benefits (OPEB)	1,414,362
Net Pension Liability	1,230,593
Total Noncurrent Liabilities	<u>7,541,259</u>
 TOTAL LIABILITIES	 <u>9,578,730</u>
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Pensions	2,259,130
Other postemployment benefits (OPEB)	416,689
Leases	38,993
Total deferred inflow of resources	<u>2,714,812</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>12,293,542</u>

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

**SOUTHERN ARKANSAS UNIVERSITY TECH**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

Exhibit A

	<u>June 30,</u> <u>2022</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 23,820,222
Restricted for:	
Expendable:	
Capital projects	582,746
Other	654,834
Unrestricted	<u>4,048,305</u>
 TOTAL NET POSITION	 <u><u>\$ 29,106,107</u></u>

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

**SOUTHERN ARKANSAS UNIVERSITY TECH FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**JUNE 30, 2022**

Exhibit A-1

	<u>June 30,</u> <u>2022</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Unrestricted	
Cash and Cash Equivalents	\$ 34,548
Restricted	
Cash and Cash Equivalents	165,804
Total Current Assets	<u>200,352</u>
<b>Investments</b>	
Unrestricted	
Investments, at fair value	159,005
Restricted	
Investments, at fair value	992,658
Total Investments	<u>1,151,663</u>
<b>Property and Equipment</b>	
Buildings	2,719,387
Equipment	11,278
Accumulated Depreciation	(639,834)
Net Property and Equipment	<u>2,090,831</u>
<b>Total Assets</b>	<u><u>\$ 3,442,846</u></u>
<b>LIABILITIES &amp; NET POSITION</b>	
<b>Liabilities</b>	
Current Liabilities	
Current Portion of Long-term Debt	113,459
Long-term Liabilities	
Long-term Debt	1,774,133
Total Liabilities	<u>1,887,592</u>
<b>Net Position</b>	
Without Donor Restrictions	396,792
With Donor Restrictions	1,158,462
Total Net Position	<u>1,555,254</u>
<b>Total Liabilities &amp; Net Position</b>	<u><u>\$ 3,442,846</u></u>

**SOUTHERN ARKANSAS UNIVERSITY TECH**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Exhibit B

	June 30, 2022
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$2,754,648)	\$ 1,886,054
Federal grants and contracts	1,299,387
State and local grants and contracts	1,628,173
Sales and services of educational departments	83,402
Auxiliary enterprises:	
Athletics (net of scholarship allowances of \$105,154)	82,172
Residence life (net of scholarship allowances of \$159,225)	253,095
Other operating revenues	584,689
<b>TOTAL OPERATING REVENUES</b>	<b>5,816,972</b>
<b>OPERATING EXPENSES</b>	
Personal services	9,492,599
Scholarships and fellowships	2,316,180
Supplies and services	5,530,440
Depreciation	1,760,729
<b>TOTAL OPERATING EXPENSES</b>	<b>19,099,948</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(13,282,976)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State appropriations	8,280,321
Federal grants	5,863,608
State grants	478,449
Investment income	13,530
Interest on capital asset - related debt	(175,388)
Gain or loss on disposal of capital assets	(28,710)
Amortization of bond discount & deferral on debt defeasance	(7,118)
Rental income	54,623
Other revenue	23,148
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>14,502,463</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>1,219,487</b>
Capital appropriations	419,710
Capital grants and gifts	394,836
Adjustments to prior year revenues and expenses	70,135
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>2,104,168</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>27,001,939</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 29,106,107</b>

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

**SOUTHERN ARKANSAS UNIVERSITY TECH FOUNDATION**  
**STATEMENT of ACTIVITIES (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Contributions	\$ 15,845	\$ 138,831	\$ 154,676
Special events and fundraising	1,200	-	1,200
Investment income	834	25,827	26,661
Rental Income, net	(3,035)		(3,035)
Net assets released from restrictions	48,025	(48,025)	-
			-
Total public support and revenues	62,869	116,633	179,502
<b>Operating Expenses</b>			
Program services			
Grants and allocations	60,460		60,460
Total program expenses	60,460	-	60,460
Supporting services			
Management and general	7,176		7,176
Special events and fundraising	-		-
Total supporting services expenses	7,176	-	7,176
Total Expenses	67,636	-	67,636
<b>Operating Income (Loss)</b>	(4,767)	116,633	111,866
<b>Non-operating Activities</b>			
Net realized gains (losses) on investments	-	26,819	26,819
Net unrealized gains (losses) on investments	-	(138,403)	(138,403)
Non operating income (expense), net	-	(111,584)	(111,584)
<b>Change in net assets</b>	(4,767)	5,049	282
Net assets, beginning of year	401,559	1,153,413	1,554,972
<b>Net assets, end of year</b>	<b>\$ 396,792</b>	<b>\$ 1,158,462</b>	<b>\$ 1,555,254</b>

**SOUTHERN ARKANSAS UNIVERSITY TECH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Exhibit C

	June 30 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 1,873,793
Grants and contracts	2,199,905
Sales and services of educational departments	84,077
Auxiliary enterprises revenues:	
Athletics	79,289
Residence life	263,625
Other receipts	694,740
Payments to employees	(7,658,401)
Payments for employee benefits	(2,452,793)
Payments to suppliers	(5,212,351)
Scholarships and fellowships	(2,284,804)
Net cash provided (used) by operating activities	<u>(12,412,920)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	8,280,321
Grants	5,919,539
Direct loan and plus loan receipts	624,787
Direct loan and plus loan payments	(624,787)
Other agency funds - net	19,458
Net cash provided (used) by noncapital financing activities	<u>14,219,318</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital appropriations	419,710
Capital gift and grants	387,871
Proceeds from lessees	54,000
Sale of Timber	23,149
Purchases of capital assets	(1,443,482)
Payment to trustee for principal	(150,000)
Payment to trustee for interest and fees	(167,646)
Payment to lessors for principal	(503,818)
Payment to lessors for interest and fees	(7,989)
Net cash provided (used) by capital and related financing activities	<u>(1,388,205)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments (net of fees)	<u>13,493</u>
Net increase (decrease) in cash and cash equivalents	431,686
Cash and cash equivalents - beginning of year	<u>8,738,324</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 9,170,010</u></u>

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

**SOUTHERN ARKANSAS UNIVERSITY TECH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Exhibit C

Reconciliation of net operating revenues (expenses)  
to net cash provided (used) by operating activities:

Operating income (loss)	\$ (13,282,976)
-------------------------	-----------------

Adjustments to reconcile net income (loss) to net  
cash provided (used) by operating activities:

Depreciation expense	1,760,729
Miscellaneous items	70,823
Change in assets and liabilities:	
Receivables, net	(444,126)
Inventories	274
Prepaid expenses	231,769
Accounts payable	121,757
Compensated absences	(44,957)
Other postemployment benefits (OPEB)	37,667
Advances received	(210,378)
Funds held in trust for others	1,798
Net Pension Liability	(2,754,060)
Deferred inflows	1,807,097
Deferred outflows	291,663

Net cash provided (used) by operating activities	\$ (12,412,920)
--	-----------------

NONCASH TRANSACTIONS

Donated Capital Asset	\$ 6,965
Right-to-use assets acquired by leases	318,446

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



SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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, 2022, the Foundation distributed \$60,460 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, PO 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, 2022

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.

Leases

GASB 87 became effective July 1, 2021, and required recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The leases were recognized based on the facts and circumstances that existed as of the implementation date of July 1, 2021.

As the lessee, Southern Arkansas University Tech had several lease contracts for computers and copy machines. Lease contracts for computers are generally for 36 months with payments due every 3 months. Copy machine contracts range from 1 to 4 years with payments due monthly. There is also a postage machine lease that was for 60 months with payments due every 3 months.

As the lessor, the College leased radio tower space to 2 companies, with terms that last from 1 to 2 years and require monthly payments. Southern Arkansas University Tech is also leasing building space at the Ross Center for a 2 year term with payment due monthly. The College received \$52,527 in lease revenue and \$2,096 in interest, for a total of \$54,623 from the 3 leases as of June 30, 2022.

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.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Revenues (Continued)

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.

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 and leases 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 net OPEB obligation, and (4) the net pension liability.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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>\$ 8,882,467</u>	<u>\$ 9,202,049</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 \$133, \$650, \$286,760, 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, 2022, the College was enrolled 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, 2022

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Capital assets not being depreciated					
Land and improvements	\$ 1,490,893				\$ 1,490,893
Construction in Process		\$ 1,561,117			1,561,117
Total capital assets not being depreciated	\$ 1,490,893	\$ 1,561,117			\$ 3,052,010
Other capital assets					
Improvements and infrastructure	\$ 1,366,848				\$ 1,366,848
Buildings	46,007,502				46,007,502
Equipment	7,137,444	\$ 466,789		\$ (487,833)	7,116,400
Library holdings	463,244	15,926		(24,837)	454,333
Right-to-Use Assets-equipment leases	227,677	90,769			318,446
Total other capital assets	55,202,715	573,484		(512,670)	55,263,529
Less accumulated depreciation for					
Improvements and infrastructure	(838,872)	(57,667)			(896,539)
Buildings	(21,730,504)	(1,143,870)			(22,874,374)
Equipment	(5,038,416)	(432,921)		459,123	(5,012,214)
Library holdings	(285,252)	(26,524)		24,837	(286,939)
Right-to-Use Assets-equipment leases		(99,747)			(99,747)
Total accumulated depreciation	(27,893,044)	(1,760,729)		483,960	(29,169,813)
Other capital assets, net	\$ 27,309,671	\$ (1,187,245)		\$ (28,710)	\$ 26,093,716
Capital Asset Summary:					
Capital assets not being depreciated	\$ 1,490,893	\$ 1,561,117			\$ 3,052,010
Other capital assets, at cost	55,202,715	573,484		\$ (512,670)	55,263,529
Total cost of capital assets	56,693,608	2,134,601		(512,670)	58,315,539
Less accumulated depreciation	(27,893,044)	(1,760,729)		483,960	(29,169,813)
Capital Assets, net	\$ 28,800,564	\$ 373,872		\$ (28,710)	\$ 29,145,726

The Right-to-Use Assets- equipment leases June 30, 2021, balance was increased by \$227,667 due to the implementation of GASB Statement No. 87, *Leases*.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 5: Long-Term Liabilities

Debt payments on bonds amounted to \$316,436 for the fiscal year ended June 30, 2022.

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, 2022</u>	<u>Maturities To June 30, 2022</u>
2/6/2018	9/1/2042	4.5%	\$ 865,000	\$ 785,000	\$ 80,000
2/6/2018	9/1/2042	1.7% - 3.85%	4,310,000	3,820,000	490,000
		Unamortized discount	<u>(46,575)</u>	<u>(38,319)</u>	<u>(8,256)</u>
Totals			<u>\$ 5,128,425</u>	<u>\$ 4,566,681</u>	<u>\$ 561,744</u>

The changes in long-term liabilities are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Amounts due within one year</u>
Revenue bonds payable	\$ 4,755,000		\$ 150,000	\$ 4,605,000	\$ 150,000
Bond discount	(40,188)		(1,869)	(38,319)	(1,869)
Leases payable	227,677	\$ 90,769	101,468	216,978	105,016
Compensated absences	<u>477,074</u>	<u>413,776</u>	<u>458,732</u>	<u>432,118</u>	<u>66,326</u>
Totals	<u>\$ 5,419,563</u>	<u>\$ 504,545</u>	<u>\$ 708,331</u>	<u>\$ 5,215,777</u>	<u>\$ 319,473</u>

The Leases payable June 30, 2021, balance was increased by \$227,667 due to the implementation of GASB Statement No. 87, *Leases*.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

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

Year ended June 30,	Principal	Interest	Total
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	175,000	145,000	320,000
2028-2032	955,000	631,484	1,586,484
2033-2037	1,150,000	441,794	1,591,794
2038-2042	1,375,000	199,840	1,574,840
2043	305,000	6,050	311,050
Totals	<u>\$ 4,605,000</u>	<u>\$ 2,053,606</u>	<u>\$ 6,658,606</u>

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

Year ended June 30,	Principal	Interest	Total
2023	\$ 105,016	\$ 6,733	\$ 111,749
2024	61,636	3,356	64,992
2025	34,817	1,340	36,157
2026	15,509	207	15,716
Totals	<u>\$ 216,978</u>	<u>\$ 11,636</u>	<u>\$ 228,614</u>

NOTE 6: Bonds Payable and Pledged Revenues

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%

\$3,820,000

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%

785,000

\$4,605,000

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 6: Bonds Payable and Pledged Revenues (Continued)

Pledged Revenues consisted of the following at June 30, 2022:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Principal & Interest	FY 22 Principal & Interest	Revenue Source	FY22 Revenue	% of Rev Pledged in FY22
2018-A Series	2042	Student Center Construction	\$5,443,743	\$ 260,961	Student Fees	\$4,640,702	5.62%
2018-B Series	2042	Student Center Construction	\$1,214,863	\$ 55,475	Student Fees	\$4,640,702	1.20%

NOTE 7: Commitments

The College was contractually obligated for the following at June 30, 2022:

Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Shumaker Barracks Restoration Diversified Construction & Design	June 2023	\$ 657,800
HVAC Upgrades-Shumaker Hall and Gym Glenn's Mechanical	December 2022	488,593
HVAC Upgrades-Tech Engineering Bldg Glenn's Mechanical	December 2022	194,391
CADM Architect-All projects	June 2023	118,776
Total		<u>\$ 1,459,560</u>



SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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 \$20,500 in 2022. The College contributes 10% of earnings to the plan. The participants' and College's contributions for the year ended June 30, 2022 were \$308,644 and \$511,556, 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 \$20,500 in 2022. The College's contribution rate is 10%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2022 were \$3,584 and \$3,584, respectively

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 \$20,500 in 2022. The College's contribution rate is 10%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2022, were \$5,383 and \$5,383, 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.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
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Note 9: Defined Benefit Retirement Plans (Continued)

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

Arkansas Teacher Retirement System	Arkansas Public Employees Retirement System
1400 West Third Street	124 W. Capitol, Suite 400
Little Rock, AR 72201	Little Rock, AR 72201-3704
(501) 682-1517	(501) 682-7800
<a href="https://www.artrs.gov/publications">https://www.artrs.gov/publications</a>	<a href="http://www.apers.org/annualreports/index.php">http://www.apers.org/annualreports/index.php</a>

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.

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, 2022 the employer contribution rate was 14.75% of covered payroll. Contributions to ATRS from Southern Arkansas University Tech were \$135,739 for the year ended June 30, 2022.

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.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Pension liability. At June 30, 2022, Southern Arkansas University Tech's proportionate share of the net pension liability was \$835,457. The net pension liability was measured as of June 30, 2021, 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 .0302% and was based on the colleges' proportionate share of contributions.

Pension expense. For the year ended June 30, 2022, Southern Arkansas University Tech recognized reduction of pension expense of \$193,124. At June 30, 2022, 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
<b>Differences between expected and actual experience</b>	\$ 42,507	\$ 7,222
<b>Net difference between projected and actual investment earnings on pension plan investments</b>		692,173
<b>Changes of Assumptions</b>	251,724	
<b>Changes in proportion and differences between employer contributions and proportionate share of contributions</b>		623,180
<b>Contributions subsequent to the measurement date</b>	135,739	
	<u>\$ 429,970</u>	<u>\$ 1,322,575</u>

\$135,739 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, 2023. 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:	
2023	\$(282,204)
2024	(241,885)
2025	(228,892)
2026	(271,636)
2027	(3,727)

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Wage inflation rate	2.75%
Salary increases	2.75 – 7.75%
Investment rate of return	7.25% compounded annually

Mortality table: Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality.

Table	<u>Scaling Factor</u>	
	Males	Females
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

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, 2015 through June 30, 2020.

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, 2021, these best estimates are summarized in the following table:

<b>Asset Allocation</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Total Equity	53.00%	4.80%
Fixed Income	15.00%	0.40%
Alternatives	5.00%	3.80%
Real Assets	15.00%	4.70%
Private Equity	12.00%	6.50%
Cash Equivalents	0.00%	-0.20%
	100.00%	

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Single Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 6.75% and 14.75% 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 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 1,747,940	\$ 835,457	\$ 78,336

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. 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.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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, 2022 the employer contribution rate was 15.32% of covered payroll. Contributions to APERS from Southern Arkansas University Tech were \$134,954 for the year ended June 30, 2022.

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 31, 2022, Southern Arkansas University Tech's proportionate share of the net pension liability was \$395,136. The net pension liability was measured as of June 30, 2021, 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 .05139% and was based on the colleges' proportionate share of contributions.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Pension expense. For the year ended June 30, 2022, Southern Arkansas University Tech recognized a reduction of pension expense of \$227,290. At June 30, 2022, 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	\$ 9,043	\$ 25,342
Net difference between projected and actual investment earnings on pension plan investments		693,598
Changes of Assumptions		2,768
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,808	214,847
Contributions subsequent to the measurement date	134,954	
	<u>\$ 150,805</u>	<u>\$ 936,555</u>

\$134,954 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, 2023. 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:	
2023	\$ (254,074)
2024	(219,190)
2025	(236,954)
2026	(210,486)

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
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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, 2021. 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, 2021, 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, 2021, these best estimates are summarized in the following table:

<b>Asset Allocation</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%	

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.



SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

Note 9: Defined Benefit Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Sensitivity 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	\$ 1,182,008	\$ 395,136	\$ (254,707)

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 \$496.86 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 \$476.86 to \$491.86 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 \$238.67, \$586.42, or \$874.36, 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.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	<u>143</u>
	156

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, 2022, the average contribution rate was 1.03% percent of covered-employee payroll.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 10: Other Post Retirement Benefits (Continued)

OPEB Liability. At June 30, 2022, Southern Arkansas University Tech's total OPEB liability was \$1,604,417. The net OPEB liability was measured as of June 30, 2022, and was determined using an actuarial valuation date of June 30, 2022.

OPEB expense and deferred outflows. For the year ended June 30, 2022, Southern Arkansas University Tech recognized OPEB expense of \$140,877. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Differences between expected and actual experience</b>	\$ 218,063	\$ 153,182
<b>Changes of Assumptions</b>	77,490	263,507
	<u>\$ 295,553</u>	<u>\$ 416,689</u>

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

Year ending June 30:	Net deferred Inflow of Resources
2023	(14,183)
2024	(14,183)
2025	(14,183)
2026	(14,183)
2027	(14,183)
Thereafter	(50,221)
Total	(121,136)

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, 2022

NOTE 10: Other Post Retirement Benefits (Continued)

Actuarial assumptions. The OPEB liability in the June 30, 2022, 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 4.09% at 6/30/2022
Inflation rate	3.00%
Healthcare cost trend rates	8% next year, 7.5% the second year, 7% the third year, 6.5% the fourth year with the rate decreasing by .5% each year, to an ultimate rate of 5%, then 4.75% thereafter.

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:

<u>Age</u>	<u>Males</u> <u>2030</u>	<u>Males</u> <u>2040</u>	<u>Females</u> <u>2030</u>	<u>Females</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 4.09 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. For the purpose of this valuation, the expected rate of return on OPEB program investments is 4.09%; the municipal bond rate is 4.09%; the resulting single discount rate is 4.09%.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 10: Other Post Retirement Benefits (Continued)

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balances at 06/30/2021	\$1,566,750
Changes for the year:	
Service cost	120,328
Interest	34,732
differences between expected and actual experience	239,869
Employer contributions	0
Employee contributions	0
Net investment income	0
Benefits and refunds	(67,404)
Admin expenses	0
Assumption change	(289,858)
Net changes	37,667
Balances at 06/30/22	<u>\$1,604,417</u>

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 4.09%, 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:

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 3.09%	Discount Rate 4.09%	1% Increase 5.09%
Total OPEB liability (asset)	\$ 1,706,769	\$ 1,604,417	\$ 1,508,785

	1% Decrease in HCCTR	Assumed HCCTR	1% Increase in HCCTR
Total OPEB liability (asset)	\$ 1,441,825	\$ 1,604,417	\$ 1,799,765

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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	\$ 5,056,975		\$ 2,154,659		\$ 7,211,634
Public service	1,094		963		2,057
Academic support	751,240		422,126		1,173,366
Student services	943,657		336,031		1,279,688
Institutional support	1,863,207		756,087		2,619,294
Scholarships and fellowships		\$ 2,316,180			2,316,180
Operations and maintenance of plant	641,931		1,406,953		2,048,884
Auxiliary enterprises	234,495		453,621		688,116
Depreciation				\$ 1,760,729	1,760,729
Total	<u>\$ 9,492,599</u>	<u>\$ 2,316,180</u>	<u>\$ 5,530,440</u>	<u>\$ 1,760,729</u>	<u>\$ 19,099,948</u>

NOTE 12: Disaggregation of Receivable and Payable Balances

Accounts receivable from students were \$270,395 at June 30, 2022. This amount was reduced by an allowance for doubtful accounts of \$117,702.

Other receivables of \$1,244,048 at June 30, 2022 consisted of \$148,369 from state sources, \$798,779 from the federal government, and \$296,900 from miscellaneous sources. The other receivables amount was reduced by an allowance for doubtful accounts of \$146.

The June 30, 2022 accounts payable and accrued liabilities of \$1,080,540 consisted of \$823,409 due to vendors, \$145,932 for salaries and fringe benefits, \$56,240 accrued for interest payable on long term debt, \$30,077 payable to other state agencies and \$24,882 due to others.

SOUTHERN ARKANSAS UNIVERSITY TECH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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.

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, 2022

Other Postemployment Benefits (OPEB)

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

Fiscal year ending June 30,	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 120,328	\$ 112,466	\$ 110,666	\$ 107,712	\$ 105,426	
Interest	34,732	38,708	42,650	41,723	40,083	
Difference between actual & expected experience	239,869		(210,626)			
Assumption changes	(289,858)	45,094	29,976	17,542	13,085	
Benefit payments	(67,404)	(56,934)	(37,166)	(42,600)	(37,871)	
Net change in Total OPEB liability	37,667	139,334	(64,500)	124,377	120,723	
Total OPEB liability-beginning	1,566,750	1,427,416	1,491,916	1,367,539	1,246,816	
Total OPEB liability-ending	<u>\$ 1,604,417</u>	<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>
<b>Plan Fiduciary Net Position</b>						
Contributions-employer	\$ 67,404	\$ 56,934	\$ 37,166	\$ 42,600	\$ 37,871	\$ 25,998
Benefit payments	(67,404)	(56,934)	(37,166)	(42,600)	(37,871)	(25,998)
Net changes in plan net position	0	0	0	0	0	0
Plan fiduciary net position-beginning	0	0	0	0	0	0
Plan fiduciary net position-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total OPEB Liability-Ending</b>	<u>\$ 1,604,417</u>	<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>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 6,562,337	\$ 6,203,459	\$ 6,064,336	\$ 5,922,817	\$ 6,070,897	\$ 6,194,441
<b>Total OPEB liability as a percentage of covered employee payroll</b>	24.45%	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, 4.09% at 6/30/2022.

Information is presented for those years for which it is available until a full 10-year trend is compiled.

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

SOUTHERN ARKANSAS UNIVERSITY TECH  
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)  
June 30, 2022

Other Postemployment Benefits (OPEB)

**Schedule of Sponsor Contributions - OPEB**

Plan year ending June 30	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 199,058	\$ 186,274	\$ 187,096	\$ 177,774	\$ 169,130
Contributions in relation to the actuarially determined contribution	67,404	56,934	37,166	42,600	37,871
Contribution deficiency (excess)	131,654	129,340	149,930	135,174	131,259
Covered employee payroll	\$ 6,562,337	\$ 6,203,459	\$ 6,064,336	\$ 5,922,817	\$ 6,070,897
Contributions as a percentage of covered employee payroll	1.03%	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:	26 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, 4.09% at 6/30/2022.

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, 2022.



SOUTHERN ARKANSAS UNIVERSITY TECH  
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)  
June 30, 2022

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

**Arkansas Teacher Retirement System Pension Plan**

<b>FY Ending June 30,</b>	<b>Proportion of the net pension liability</b>	<b>Proportionate share of the net pension liability</b>	<b>Covered payroll</b>	<b>Proportionate share of the net pension liability as a % of covered payroll</b>	<b>Plan fiduciary net position as a % of the total pension liability</b>
2022*	0.0302%	\$ 835,457	\$ 987,374	84.61%	88.58%
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, 2022

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

**Arkansas Public Employees Retirement System Pension Plan**

<b>FY Ending June 30,</b>	<b>Proportion of the net pension liability</b>	<b>Proportionate share of the net pension liability</b>	<b>Covered payroll</b>	<b>Proportionate share of the net pension liability as a % of covered payroll</b>	<b>Plan fiduciary net position as a % of the total pension liability</b>
2022*	0.0514%	\$ 395,136	\$ 1,032,587	38.27%	93.57%
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, 2022

**Schedule of Southern Arkansas University Tech Contributions**

**Arkansas Teacher Retirement System Pension Plan**

<b>FY Ending June 30,</b>	<b>Contractually required contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2022	\$ 135,739	\$ 135,739	0	\$ 920,262	14.75%
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, 2022

**Schedule of Southern Arkansas University Tech Contributions**

**Arkansas Public Employees Retirement System Pension Plan**

<b>FY Ending June 30,</b>	<b>Contractually required contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2022	\$ 134,954	\$ 134,954	0	\$ 890,866	15.15%
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, 2022  
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets and Deferred Outflows	\$ 41,399,649	\$ 39,634,076	\$ 34,882,511	\$ 27,905,365	\$ 27,194,230
Total Liabilities and Deferred Inflows	12,293,542	12,632,137	13,047,597	12,299,411	13,124,685
Total Net Position	29,106,107	27,001,939	21,834,914	15,605,954	14,069,545
Total Operating Revenues	5,816,972	5,307,529	5,696,301	6,101,557	5,281,543
Total Operating Expenses	19,099,948	17,247,878	15,547,025	16,054,982	15,541,962
Total Net Non-Operating Revenues	14,502,463	11,491,896	10,739,253	10,400,112	10,321,665
Total Other Revenues, Expenses, Gains or Losses	884,681	5,615,478	5,340,431	1,089,722	202,702

