

Northwest Arkansas Community College

Bentonville, Arkansas

**Annual Financial Report
Independent Auditor's Report
and Other Reports
June 30, 1999**

LEGISLATIVE JOINT AUDITING COMMITTEE



NORTHWEST ARKANSAS COMMUNITY COLLEGE
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Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN

DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN

CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Northwest Arkansas Community College
Legislative Joint Auditing Committee

We have audited the balance sheet of Northwest Arkansas Community College (the "University"), a component unit of the State of Arkansas, as of June 30, 1999 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Arkansas Community College as of June 30, 1999 and changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2000 on our consideration of Northwest Arkansas Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents, including the schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements of Northwest Arkansas Community College. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
January 19, 2000
EDHE19899



Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN

DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN

CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

COMBINED REPORT(S) ON COMPLIANCE, INTERNAL CONTROLS AND OTHER MATTERS

Northwest Arkansas Community College
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of Northwest Arkansas Community College. This letter reflects various requirements and pronouncements of the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), the United States Office of Management and Budget (OMB), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Section I of this letter is designed to satisfy certain requirements for compliance and internal control over financial reporting, whereas, Section II is designed to satisfy certain requirements for compliance requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133.

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

We have audited the financial statements of Northwest Arkansas Community College (the "University"), a component unit of the State of Arkansas, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, and federal contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are disclosed below in the Audit Findings section of this letter.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the finding below to be a material weakness. Other matters involving compliance and/or internal control were reported to university management in separate written communications.

Reportable Condition(s)

As reported in the previous audit, the accounting for and numbering of disbursement vouchers was inadequate. In addition, bank accounts were not reconciled in a timely manner.

SECTION II: REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Northwest Arkansas Community College (the "University") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 1999, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. Our testing was limited to the fall and spring terms of the year. The enrollment data reported was as follows:

	Second Summer Term <u>1998</u>	Fall Term <u>Term</u>	Spring Term <u>Term</u>	First Summer Term <u>1999</u>
Student Head Count	644	3,542	3,700	947
Student Semester Credit Hours	2,204	28,842	27,116	3,780

During our review, nothing came to our attention that would cause us to believe that the student enrollment data was not substantially correct.

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, university management, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

William R. Baum

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 19, 2000

Northwest Arkansas Community College
Balance Sheet
June 30, 1999

	Current Funds		Plant Funds				Total All Funds	
	Unrestricted	Restricted	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	June 30, 1999	June 30, 1998
ASSETS								
Cash	\$1,139,742.87	\$121,939.26	\$364,150.78	\$22,800.10	\$1,241,333.84		\$2,889,966.85	\$2,735,917.06
Deposits with trustees					198,895.60			266,946.49
Accounts Receivable: (net of allowance for doubtful accounts of:								
1999, \$98,670.22								
1998, \$111,804.56)								
Accounts receivable - other	52,519.77	72,843.71					52,519.77	39,908.87
Inter-fund Receivable	434,018.48						506,862.19	138,393.62
Inventories	72,011.58						72,011.58	49,839.14
Prepaid Expenses	21,315.72						21,315.72	15,629.56
Land	37,860.95	398.35					38,259.30	29,963.40
Buildings						\$933,390.29	933,390.29	605,693.77
Improvements other than buildings						8,829,843.09	8,829,843.09	7,440,353.00
Equipment						672,103.09	672,103.09	672,103.09
Library holdings						2,770,641.50	2,770,641.50	2,517,724.05
Construction in progress						738,082.86	738,082.86	637,407.51
						18,178.27	18,178.27	571,070.14
TOTAL ASSETS	\$1,757,469.37	\$195,181.32	\$364,150.78	\$22,800.10	\$1,440,229.44	\$13,962,239.10	\$17,742,070.11	\$15,720,949.70
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$448,032.72	\$7,432.82	\$317,696.52				\$773,162.06	\$724,539.66
Deferred Revenue	150,505.26						150,505.26	8,495.50
Accrued Payroll and fringe benefits	197,287.70						197,287.70	221,155.90
Grant Refunds Payable		72,011.58					72,011.58	49,839.14
Inter-fund Payable								
Deposits/assets held in custody for others	2,341.90						2,341.90	4,300.00
Capital leases payable								13,343.88
Bonds Payable								4,830,000.00
Compensated Absences Payable	209,507.01	7,930.98				\$4,605,000.00	4,605,000.00	4,830,000.00
							217,437.99	183,934.77
TOTAL LIABILITIES	1,007,674.59	87,375.38	317,696.52			4,605,000.00	6,017,746.49	6,035,608.85
FUND BALANCES:								
Unrestricted	749,794.78		46,454.26	\$22,800.10			819,049.14	142,471.03
Restricted		107,805.94			\$1,440,229.44		1,548,035.38	1,941,862.14
Net Investment in Plant						9,357,239.10	9,357,239.10	7,601,007.68
TOTAL FUND BALANCES	749,794.78	107,805.94	46,454.26	22,800.10	1,440,229.44	9,357,239.10	11,724,323.62	9,685,340.85
TOTAL LIABILITIES & FUND BALANCES	\$1,757,469.37	\$195,181.32	\$364,150.78	\$22,800.10	\$1,440,229.44	\$13,962,239.10	\$17,742,070.11	\$15,720,949.70

Northwest Arkansas Community College
Statement of Changes in Fund Balances
For the Year Ended June 30, 1999

	Current Funds		Plant Funds		
	Unrestricted	Restricted	Unexpended	Renewal and Replacement	Retirement of Indebtedness Investment in Plant
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Fund Revenues	\$10,807,201.76				
Gifts, grants and contracts - restricted		\$1,742,853.23	\$350,000.00		
Acquisition of Plant Facilities					
(Including \$ 331,887.83 related to Current Fund expenditures, donations and other)					\$1,545,546.50
State Appropriation			127,264.45		238,343.88
Retirement of indebtedness		131.00			\$50,184.39
Investment income					1,032,821.08
Property taxes - restricted					
TOTAL REVENUES AND OTHER ADDITIONS	10,807,201.76	1,742,984.23	477,264.45	1,083,005.47	1,783,890.38
EXPENDITURES AND OTHER DEDUCTIONS					
Educational and general expenditures	10,407,691.00	1,711,569.46			
Indirect cost			1,213,658.67		
Expended for plant facilities					238,343.88
Retirement of indebtedness					255,990.55
Interest on indebtedness					
Disposal of plant facilities					27,658.96
Other deductions				451.00	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	10,407,691.00	1,711,569.46	1,213,658.67	494,785.43	27,658.96
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)					
Nonmandatory	355,528.54			(355,528.54)	
NET INCREASE (DECREASE) FOR THE YEAR	755,039.30	31,414.77	(736,394.22)	232,691.50	1,756,231.42
FUND BALANCE AT BEGINNING OF YEAR	(5,244.52)	76,391.17	782,848.48	\$22,800.10	1,207,537.94
FUND BALANCE AT END OF YEAR	\$749,794.78	\$107,805.94	\$46,454.26	\$22,800.10	\$1,440,229.44
					\$9,357,239.10

Northwest Arkansas Community College
Statement of Current Funds Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1999

	Year ended June 30, 1999		Total	Year Ended June 30, 1998	Increase (Decrease)
	Unrestricted	Restricted			
REVENUES					
Tuition & fees	\$3,806,790.01		\$3,806,790.01	\$3,365,262.57	\$441,527.44
State appropriations	4,720,596.00		4,720,596.00	3,824,619.07	895,976.93
Gifts, grants and contracts	64,566.56	\$1,711,569.46	1,776,136.02	1,885,446.88	(109,310.86)
Property taxes	2,065,642.16		2,065,642.16	1,953,568.52	112,073.64
Investment earnings	50,081.69		50,081.69	42,490.05	7,591.64
Other	99,525.34		99,525.34	114,477.87	(14,952.53)
TOTAL REVENUES	<u>10,807,201.76</u>	<u>1,711,569.46</u>	<u>12,518,771.22</u>	<u>11,185,864.96</u>	<u>1,332,906.26</u>
EXPENDITURES					
Educational & general:					
Instruction	5,158,810.66	428,932.09	5,587,742.75	4,957,385.84	630,356.91
Academic support	780,016.45	206,362.12	986,378.57	814,926.35	171,452.22
Student services	1,196,548.38	141,260.57	1,337,808.95	1,178,605.16	159,203.79
Institutional support	2,098,382.68	4,748.18	2,103,130.86	2,265,276.68	(162,145.82)
Operation and maintenance of plant	971,270.64		971,270.64	942,001.61	29,269.03
Scholarships and fellowships	202,662.19	930,266.50	1,132,928.69	1,258,663.46	(125,734.77)
Total Educational and General Expenditures	<u>10,407,691.00</u>	<u>1,711,569.46</u>	<u>12,119,260.46</u>	<u>11,416,859.10</u>	<u>702,401.36</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Excess of restricted receipts over transfers to revenues		31,414.77	31,414.77	49,537.52	(18,122.75)
Other transfers	355,528.54		355,528.54	98,846.71	256,681.83
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	<u>355,528.54</u>	<u>31,414.77</u>	<u>386,943.31</u>	<u>148,384.23</u>	<u>238,559.08</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$755,039.30</u>	<u>\$31,414.77</u>	<u>\$786,454.07</u>	<u>(\$82,609.91)</u>	<u>\$869,063.98</u>

See accompanying summary of significant accounting policies and notes to financial statements.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1: Reporting Entity

Northwest Arkansas Community College "the University" is a public institution of higher education. The governing body is the board of trustees comprised of nine (9) members.

In 1986, a group of community leaders formed the Rogers/Bentonville Community College Foundation with the purpose of establishing a new community college. On September 6, 1989, the Governor of Arkansas appointed nine individuals to the board of trustees of the Northwest Arkansas Community College. The board of trustees is the level of government that has responsibilities over all activities relating to the University. The University's financial statements reflect all funds and accounts directly under the control of the University. There are no component units. The University began fiscal operations on January 30, 1990 and began offering classes in the 1990-91 school year.

Governmental Accounting Standards Board Statement Number 14 (GASB 14) addresses the issue of the financial reporting entity. According to GASB 14, the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University would be a component unit of the State of Arkansas (primary government). GASB 14 defines a component unit as a legally separate organization for which the elected officials of the primary government are financially accountable. Although this statement is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit. The component unit should apply the provisions of GASB 14 as if it were a primary government. The GASB is studying circumstances under which organizations such as those described in Note 9 might be included in the financial reporting entity. Appropriate pronouncements will be issued at a later date. Disclosure of such affiliated organizations will be via notes to the financial statements pending the aforementioned pronouncements.

NOTE 2: Summary of Significant Accounting Policies

Accrual Basis

The financial statements of Northwest Arkansas Community College have been prepared on the accrual basis, except for depreciation accounting. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net earnings or loss for the period as would an income statement.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as expenditures in the case of applicable plant additions.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to Northwest Arkansas Community College, the accounts of the Institution are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized for the purposes established by the source of such funds whereas unrestricted funds are under the control of the University to use in achieving any of its educational purposes.

Current Funds

Current funds balances are separated into those which are restricted by donors or grantors and those which are unrestricted. Restricted revenues are reported to the extent of expenditures for current operating purposes.

Accounts Receivable

Unrestricted current fund accounts receivable are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts. Unrestricted current fund receivables represent charges due the University from various educational activities. Restricted current fund accounts receivable consist mainly of unreimbursed expenses relating to grants and contracts with federal, state and private agencies.

Inventories

Inventories which are immaterial are valued at cost.

Investment in Plant

Plant assets consisting of land, buildings, library holdings, equipment, improvements and construction in progress are stated at cost or, if contributed, at fair market value on date of gift.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The University does not record encumbrances in its accounting system and none are recorded in the accompanying financial statements.

Interfund Receivables and Payables

Short-term loans made by one fund to another or the current portion of an advance from another fund.

Compensated Absences Payable

Compensated absences payable represent the University's liability (salaries plus applicable salary related costs) for unused annual leave at June 30, 1999. Accumulated vacation days are required to be used annually, with a maximum accumulation of 240 hours. In the event of termination or retirement, the employees are paid for their accumulated vacation days.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: Summary of Significant Accounting Policies (Continued)

Capitalization of interest on Construction Projects

The University generally capitalizes interest related to qualifying assets. The amount of interest generally capitalized is interest cost on the applicable debt netted against any interest earned on temporary investments of the proceeds of said debt from the date of borrowing until the specified qualifying assets acquired with the debt are ready for their intended use. In the fiscal years ended June 30, 1999 and 1998, there were no borrowings made specifically for construction. Interest on construction projects was immaterial during fiscal years ended June 30, 1999 and 1998 and therefore, none was capitalized.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3: Public Fund Deposits

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

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 200,228.58	\$ 221,202.13
Uninsured, Collateralized	<u>2,181,365.12</u>	<u>2,223,653.81</u>
Totals	<u>\$ 2,381,593.70</u>	<u>\$ 2,444,855.94</u>

The above deposits do not include cash held on deposit in the state treasury or cash on hand maintained by the University in the amounts of \$506,023.15 and \$2,350.00 for the year ended June 30, 1999.

NOTE 4: Income Taxes

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

NOTE 5: Long-Term Debt

Debt service payments on existing bonds amounted to \$481,347.25 for the fiscal year ended June 30, 1999. The amount of \$13,438.18 was expended for principal and interest on notes payable and major capital leases.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 5: Long-Term Debt (Continued)

The retirement of some bond issues is secured, by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds. A summary of long-term debt 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, 1999</u>	<u>Maturities To June 30, 1999</u>
10-92	11-12	4.25 - 5.8%	\$ 5,635,000.00	\$ 4,605,000.00	\$ 1,030,000.00
09-95	09-98	8.5%	<u>142,903.74</u>	<u> </u>	<u>142,903.74</u>
Totals			<u>\$ 5,777,903.74</u>	<u>\$ 4,605,000.00</u>	<u>\$ 1,172,903.74</u>

The changes in long-term debt are as follows:

	<u>Balance July 1, 1998</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1999</u>
Bonds	\$ 4,830,000.00		\$ 225,000.00	\$ 4,605,000.00
Capital leases	<u>13,343.88</u>		<u>13,343.88</u>	<u> </u>
Totals	<u>\$ 4,843,343.88</u>	<u>\$.00</u>	<u>\$ 238,343.88</u>	<u>\$ 4,605,000.00</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 235,000.00	\$ 245,827.50	\$ 480,827.50
2001	245,000.00	234,782.50	479,782.50
2002	255,000.00	222,777.50	477,777.50
2003	265,000.00	209,772.50	474,772.50
2004	280,000.00	195,735.00	475,735.00
To Maturity	<u>3,325,000.00</u>	<u>929,937.50</u>	<u>4,254,937.50</u>
Totals	<u>\$ 4,605,000.00</u>	<u>\$ 2,038,832.50</u>	<u>\$ 6,643,832.50</u>

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 6: Commitments

Operating Leases - The following represents future minimum rental payments (aggregate) at June 30, 1999. The leases are comprised of four (4) facility rentals, various office and computer lab equipment leases and the lease of noncapitalized office furniture.

<u>Year Ended June 30,</u>	<u>Amount</u>
2000	\$ 325,615.20
2001	325,007.20
2002	266,145.22
2003	275,688.00
2004	203,228.00
To maturity	<u>84,000.00</u>
Total	<u>\$ 1,479,683.62</u>

NOTE 7: Retirement Plans

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

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

Funding Policy. TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 4% of earnings to the plan. The University contributes 6% of earnings for non-contributory and 10% of earnings for contributory members. The University's and participants' contributions for the year ended June 30, 1999 were \$325,389.48 and \$131,847.86, respectively.

Arkansas Teacher Retirement System

Plan Description. The University contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The University's contributions to ATRS for the years ended June 30, 1999, 1998, and 1997 were \$141,508.99, \$127,396.86, and \$115,755.46, respectively, equal to the required contributions for each year.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 7: Retirement Plans (Continued)

Arkansas Public Employees Retirement System

Plan Description. The University contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under PERS as a qualified retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 10% of annual covered payroll. The University's contributions to PERS for the years ended June 30, 1999, 1998, and 1997 were \$85,093.56, \$84,234.57, and \$68,852.38, respectively, equal to the required contributions for each year.

NOTE 8: Related Organizations

The financial statements do not include assets, liabilities, fund balances, and changes in fund balances, relating to the Northwest Arkansas Community College Foundation, Inc. (the Foundation).

The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. Information of the Foundation's financial condition as of June 30, 1999 was not available. A summary of the Foundation's financial condition as of June 30, 1998, follows:

ASSETS	
Cash	\$ 537,003.00
Contributed support receivable	22,500.00
Loan receivables	<u>324.00</u>
 TOTAL ASSETS	 <u>\$ 559,827.00</u>
 LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenses	\$ 2,026.00
Fund balances	<u>557,801.00</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 559,827.00</u>

NORTHWEST ARKANSAS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 8: Related Organizations (Continued)

Major components of the changes in fund balances during 1999 consisted of:

Donations	\$ 378,660.00
Other revenue and additions	<u>20,714.00</u>
Total	399,374.00
 Expenditures	 <u>188,972.00</u>
 Net Increase/(Decrease) in Fund Balance	 <u><u>\$ 210,402.00</u></u>

NOTE 9: Contingencies/Litigation

The University has been a party to litigation and other claims in the ordinary course of business. The most important case involved a suit by certain tax payers in Benton County alleging that a portion of the 1998 property taxes were improperly assessed. A partial refund of those taxes is possible. The outcome of this case will likely be known in the fiscal year ending June 30, 2000.

NOTE 10: Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the University's operations.

University personnel have performed a self-evaluation of the mission-critical hardware and software systems; that is, it's hardware and the software related to the general ledger, student information, human resources, telephone system, energy management and security system. At this time, these systems have been certified as year 2000 compliant. In addition, the University monitors the web sites of relevant vendors for the most current information related to the year 2000 issue.

Due to the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the University is or will be year 2000 ready, that remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be year 2000 ready.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/Pass Through Grantor/Program Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
STUDENT FINANCIAL AID - CLUSTER			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants (Note 3)	84.007		\$ 109,956.00
Federal Family Education Loans (Note 2)	84.032		676,769.00
Federal Work-Study Program (Note 3)	84.033		103,319.89
Federal Pell Grant Program	84.063		734,910.25
			<u>1,624,955.14</u>
OTHER PROGRAMS			
U.S. Department of Education:			
Passed Through State Department of Education - Vocational Education - Basic Grants to States	84.048	Unavailable	<u>89,940.01</u>
			<u>\$ 1,714,895.15</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Arkansas Community College and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.
- Note 2: Federal Family Education Loans (CFDA 84.032) - The expenditure amount is equal to the loans disbursed for the fiscal year ended June 30, 1999. Federal Family Education loans were not recorded on the University's general ledger.
- Note 3: Institutional Match - The Federal Work Study Program and the Federal Supplemental Educational Opportunity Grants Program amounts include both federal disbursements and institutional matching of 25% for the fiscal year ended June 30, 1999.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS - FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: January 19, 2000

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? yes X no
- Reportable conditions identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007
84.032
84.033
84.063

Student Financial Aid Cluster:
Federal Supplemental Educational Opportunity Grants
Federal Family Education Loans
Federal Work-Study Program
Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000.00

Auditee qualified as low-risk auditee?

 yes X no

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS - FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999

Schedule 2
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SECTION II - FINANCIAL STATEMENT FINDINGS

Reportable Conditions

99-1 Internal Controls

Specific Requirement - The University should have in place an internal control system designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting; (b) effectiveness and efficiency of operations; and (c) compliance with applicable laws and regulations.

Condition - Internal control weaknesses in the access of voucher control and untimely bank reconciliations were noted. This condition could be applicable to the University's federal programs.

Effect - Internal control weaknesses could negatively impact the achievement of objectives listed above in the specific requirement.

Recommendation - Ensure implementation of adequate internal controls over all accounting applications.

Response - We concur with the recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs were noted.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS - SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999

Schedule 3
Page 1

U. S. DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE CLUSTER

98-3 Federal Supplemental Educational Opportunity Grants Program (FSE0G) - CFDA NO. 84.007
(grant period ended June 30, 1998)

Specific Requirement - The University is required to comply with requirements relating to the payment period for Title IV funds.

Condition - Certain FSE0G payments to eligible students were not made within the correct payment period.

Effect - The amount of FSE0G funds available for distribution to eligible students was not adequately monitored.

Recommendation - Adequately monitor FSE0G funds available for distribution to eligible students and disburse FSE0G grants in the proper payment period.

Response - We concur with the recommendation.

Current Status - Corrected during the audit period.

98-4 Federal Supplemental Educational Opportunity Grants Program - CFDA No. 84.007 and Federal Pell Grant Program - CFDA No. 84.063
(grant period ended June 30, 1998)

Specific Requirement - The University is required to maintain fiscal records that support data appearing on required reports.

Condition - Expenditures reflected in the general ledger for the Pell and FSE0G Programs did not agree with the expenditures for these programs as reported in the Fiscal Operations Report and Application to Participate (FISAP) or the Grants and Payments Systems (GAPS).

Effect - Procedures to ensure accurate financial recording and reporting of Pell and FSE0G expenditures were not adequate.

Recommendation - Implement procedures to ensure the accurate recording and reporting of all federal expenditures.

Response - We concur with the recommendation.

Current Status - Corrected during the audit period.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
FEDERAL AWARD PROGRAMS - SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999

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U. S. DEPARTMENT OF EDUCATION (CONTINUED)
STUDENT FINANCIAL ASSISTANCE CLUSTER (CONTINUED)

98-5 Federal Pell Grant Program - CFDA No. 84.063
(grant period ended June 30, 1998)

Specific Requirement - The University is required to accurately calculate the annual pell award.

Condition - Four (4) of eighteen (18) students whose pell grants were examined received overawards. The total amount of the four overawards was \$1,053.00.

Effect - Prescribed procedures for calculating the annual pell award were not followed.

Recommendation - Implement procedures to ensure that annual pell awards are accurately calculated.

Response - We concur with the recommendation.

Current Status - Corrected during the audit period.