NorthWest Arkansas Community College

Bentonville, Arkansas

Basic Financial Statements and Other Reports

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE

NORTHWEST ARKANSAS COMMUNITY COLLEGE
TABLE OF CONTENTS
JUNE 30, 2015

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INFORMATION

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of NorthWest Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the NorthWest Arkansas Community College Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the NorthWest Arkansas Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the NorthWest Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the beginning net position has been restated due to the adoption of Governmental Accounting Standards Board (GASB) Statement no. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement no. 27* and GASB Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement no. 68.* Additionally, as discussed in Note 16 to the financial statements, the College increased the beginning net position for prior year adjustments to library holdings and related accumulated depreciation. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-10, 37-38, and 39-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2016 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 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 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 Norman

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

Little Rock, Arkansas
August 4, 2016
EDHE19815

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

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of NorthWest Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 4, 2016. Our report includes a reference to other auditors who audited the financial statements of the NorthWest Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the NorthWest Arkansas Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated August 4, 2016.

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 4, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2015, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2014	Fall Term 2014	Spring Term 2015	Summer I Term 2015
Student Headcount	1,190	8,098	7,217	2,335
Student Semester Credit Hours	4,569	69,176	60,984	10,359

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

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 4, 2016

Overview of the Financial Statements and Financial Analysis

NorthWest Arkansas Community College presents its financial statements for the fiscal year ended June 30, 2015 with comparative financial data for the fiscal year ended June 30, 2014

The financial statements are designed to provide readers with a broad overview of finances and operations of NorthWest Arkansas Community College. The College reports its activity as a business-type activity using the full accrual basis of accounting. The emphasis of discussions about the financial statements will be on current year data. The annual financial report of the College includes the following three financial statements presented with notes to the financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows – Direct Method.

Statement of Net Position

The Statement of Net Position presents information on all of NorthWest Arkansas Community College's assets and liabilities, with the difference between assets and liabilities being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal "snapshot" of NorthWest Arkansas Community College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows and net position (assets plus deferred outflows minus liabilities and deferred inflows). GASB no. 63 defines *deferred outflows* and *deferred inflows* as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. The recording and reporting of deferred outflows and deferred inflows became applicable for the College for the year ended June 30, 2015.

The Statement of Net Position reports the assets available to continue the operations of the College. Readers of the Statement of Net Position are able to determine the amount of liabilities owed to vendors and lending institutions. The Net Position section of the Statement presents the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the College.

NorthWest Arkansas Community College's total assets and deferred outflows at June 30, 2015 were $73,480,884 compared to assets of $69,530,434 on June 30, 2014 as reported in the asset section of the Statement of Net Position. Total assets are comprised of current assets in the amount of $18,605,966 and noncurrent assets of $53,989,882 and deferred outflows of $885,036 for fiscal year 2015, compared to $16,657,548 and $52,872,886 for current and noncurrent assets, respectively, with no recognition of deferred outflows or deferred inflows for the 2014 fiscal year. Current assets are cash and other assets expected to be converted into cash or consumed in the subsequent fiscal year. Noncurrent assets consist of restricted cash and capital assets net of related depreciation.

Deferred outflows are $855,036 relating to defined benefit pension plans as required by GASB 68, at June 30, 2015 and none at June 30, 2014.

The liability section reports total liabilities of NorthWest Arkansas Community College at June 30, 2015 of $43,525,967 and $35,739,268 at June 30, 2014. Current liabilities are obligations of the College that reasonably expect to be liquidated within the next twelve months. NorthWest Arkansas Community College's current liabilities in the amount $5,469,873 at June 30, 2015, consisted of accounts payable and accrued liabilities, the current portion of bonds and notes payable, and the current portion of compensated absences compared to $4,103,695 at June 30, 2014.

Noncurrent liabilities are long-term obligations of the College that are payable at some date beyond the following fiscal year. Noncurrent liabilities of $38,056,094 at June 30, 2015, were comprised of the long-term portion of bonds and notes payable and compensated absences payable as well as the liability for postretirement benefits and liability for pensions (recorded in financial statements as of June 30, 2015 in the amount of $4,690,917) compared to $31,635,573. at June 30, 2014. Liability for pensions are not recorded in the June 30, 2014 Statement of Net Position.

Deferred inflows are $2,083,449 relating to defined benefit pension plans as required by GASB 68 at June 30, 2015 and none at June 30, 2014.

In the net position section of the Statement of Net Position, there are three main categories of net position. The first category is, "Net Investment in Capital Assets" which provides the College's equity in property, plant, and equipment. The second category is "Restricted Net Position", which consists of expendable resources that are available for expenditure by the College, but must be spent for purposes as determined by donor(s) and/or external entities that have placed purpose and/or time restrictions on the use of the assets. The third category is "Unrestricted Net Position", which is available to be used by the College for any lawful purpose. By far the largest portion of NorthWest Arkansas Community College's net position is reflected in the amount net investment in capital assets.

The following is a condensed Statement of Net Position:

	June 30, 2015	June 30, 2014
ASSETS:		
Current Assets	$ 18,605,966	$ 16,657,548
Noncurrent Assets	53,989,882	52,872,886
TOTAL ASSETS	72,595,848	69,530,434
Deferred outflows of resources	885,036	0
Total assets and deferred outflows	$ 73,480,884	$ 69,530,434
LIABILITIES:		
Current Liabilities	$ 5,469,873	$ 4,103,695
Noncurrent Liabilities	38,056,094	31,635,573
TOTAL LIABILITIES	43,525,967	35,739,268
Deferred inflows of resources	2,083,449	0
Total liabilities and deferred inflows	45,609,416	35,739,268
Net Position		
Net Investment in Capital Assets	14,914,134	16,189,459
Restricted	8,222,599	8,060,501
Unrestricted	4,734,735	9,541,206
TOTAL NET POSITION	$ 27,871,468	$ 33,791,166

Net Investment in Capital Assets as of June 30, 2015 and 2014 are as follows:

	June 30, 2015	June 30, 2014
Capital Assets not Depreciated	$ 5,160,215	$ 2,234,065
Other Capital Assets	66,220,748	66,448,901
Total Capital Assets	71,380,963	68,682,966
Less: Accumulated Depreciation	(22,998,522)	(21,090,397)
Capital Assets, Net	48,382,441	47,592,569
Less: Related Debt	(33,468,307)	(31,403,110)
Net Investment in Capital Assets	$ 14,914,134	$ 16,189,459

The College also records compensated absences as part of noncurrent liabilities for amounts owed to employees upon retirement or employee's beneficiary upon death of the employee as well as the liability for postretirement benefits and for the year ended June 30, 2015 the liability for pensions.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as reported on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to report the operating and nonoperating revenues received by the College, and the operating and nonoperating expenses paid by the College, along with any other revenues, expenses, and gains/losses received or spent by the College.

In general, operating revenues are received in return for providing goods and services to customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in exchange for operating revenues, and to carry out the mission and operations of the College. Operating revenues and expenses are considered to be “exchange” transactions.

Nonoperating revenues are revenues received for which goods and services are not provided in return for the revenue. State appropriation funds provided by the State Legislature to the College are reported as nonoperating revenue because the Legislature does not receive commensurate goods or services for these revenues. Local property tax millage and investment income received are also reported as nonoperating revenue since goods and services are not provided in exchange for the revenue. Nonoperating revenues and expenses are considered to be “nonexchange” transactions.

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

- Total operating revenues increased for fiscal year 2015 to $14,084,917 compared to $12,986,934 in the previous fiscal year. This increase of 8.5% or $1,097,983 is due to increased gross student tuition and fees.

- Tuition and fees are reported net of scholarship discount and allowance of $9,956,920 in 2015 and $11,774,111 in 2014. The decrease of $ 1,817,191 is due primarily to a reduction in Pell awards received by students.

- Total operating expenses decreased to $49,476,624 in 2015 from $50,408,911 in 2014. This represents a decrease of 1.8% or $932,287. The main drivers are decreased personal services costs of $1,024,149 and supplies and services expense of $645,462, partially offset by an increase in scholarships of $771,072.

- State appropriations of general revenue and educational excellence funds received during the fiscal year remained relatively flat at approximately $11,600,000, however Capital appropriations declined from $800,000 in 2014 to $50,000 in 2015.

- Total local property tax millage (2.6 mills) revenue reported in the fiscal year was $8,866,758 compared to $8,928,340 in 2014. Two thirds of the mills of the revenue were used for operations of the College, while one third mill was restricted for debt retirement.

Fiscal year ended June 30, 2014 was not adjusted for pensions because key actuarial information was not available. Additional information is included in the Notes to Financial Statements No. 15.

Fiscal year ended June 30, 2014 was not adjusted for Library Holdings due to the accounting concept of consistency and comparability in reporting. Additional information is included in the Notes to Financial Statements No. 16.

The following is a condensed summary of the change in net position:

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

	June 30, 2015	June 30, 2014
Total Operating Revenues	$ 14,084,917	$ 12,986,934
Total Operating Expenses	49,476,624	50,408,911
Total Operating Loss	(35,391,707)	(37,421,977)
Total Nonoperating Revenue/(Expenses) and Other Changes	35,521,306	38,370,883
Increase (Decrease) in Net Assets	129,599	948,906
Net Position:		
Beginning of year (restated)	27,741,869	32,842,260
End of year	$ 27,871,468	$ 33,791,166

Statement of Cash Flows – Direct Method

The final statement presented by NorthWest Arkansas Community College is the Statement of Cash Flows – Direct Method. The Statement of Cash Flows is prepared using the direct method and presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The fifth section reconciles the net cash used in the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Cash and cash equivalents at the end of the year are $15,342,496. An additional amount of $534,277 is held by bond trustees.

A summary of the cash flows for fiscal year 2015 and 2014 is as follows:

	June 30, 2015	June 30, 2014
Cash provided (used) by:		
Operating Activities	$ (32,194,547)	$ (35,297,981)
Noncapital Financing Activities	35,633,654	37,339,342
Capital and Related Financing Activities	(691,073)	(15,893)
Investing Activities	3	-
Net Change in Cash	2,748,037	2,025,468
Cash – Beginning of Year	12,594,459	10,568,991
Cash – End of Year	$ 15,342,496	$ 12,594,459

Enrollment

As a result of rapid economic development of the NWA region, student enrollment over the past has steadily increased at NorthWest Arkansas Community College but this growth has slowed over the last two years as shown in the following enrollment statistics.

Headcount Enrollment								
Year	Fall Headcount	Fall to Fall % Change	Spring Headcount	Spr to Spr % Change	Summer I Headcount	Summer II Headcount	Total Summer	Total Summer % Change
2003-04	4,915	3.9%	4,061	-3.7%	1,209	625	1,834	-1.6%
2004-05	5,266	7.1%	5,172	12.4%	1,381	762	2,134	16.8%
2005-06	5,467	3.8%	5,330	3.1%	1,550	753	2,303	7.5%
2006-07	5,732	4.8%	5,756	8.0%	1,753	842	2,595	12.7%
2007-08	6,470	12.9%	6,594	14.6%	2,101	1,072	3,173	22.3%
2008-09	7,216	11.5%	7,244	9.9%	2,392	1,359	3,751	18.2%
2009-10	8,006	10.9%	8,066	11.3%	2,586	1,426	4,012	7.0%
2010-11	8,365	4.5%	8,176	1.4%	2,716	1,446	4,162	3.7%
2011-12	8,528	1.9%	8,090	-1.1%	2,499	1,296	3,795	-8.8%
2012-13	8,341	-2.20%	7,981	-1.40%	2,505	1,259	3,764	-0.82%
2013-14	8,020	-3.84%	7,457	-6.56%	2,289	1,190	3,448	-8.39%
2014-15	8,098	1.0%	7,217	-3.21%	2,335	1,135	3,425	0.67%

The College served 16,022 credit and non-credit students during the 2015 fiscal year and the College's non-duplicated credit student headcount decreased 1.30% in 2015 to 11,433 students from 11,586 students in 2014. Management is currently anticipating a flat or declining enrollment for the next 1-3 years.

Economic Outlook and Factors Impacting Future Periods

The College strives to continue its tradition of providing a quality and affordable educational experience. The College entered into a bond agreement in October 2014 and purchased land for permanent expansion in Washington County. A Master Plan for the new Washington County Center located next to the Arvest Ballpark in Springdale, AR, has been approved and will guide the College as it designs the first building at the new location. While general education courses will be available, there will be a major emphasis on career and technical training in this building.

NWACC is continuing to expand its on-line learning programs to provide students with other learning opportunities along with entering into additional "partnerships" with four-year institutions to ensure the successful transfer of classes.

The 3rd floor of the Center for Health Professions Building will be completed in Fall 2015. This area will house the Occupational Life Skills Program, set to begin Fall 2016. The Construction Science Technology program was approved in FY2015 and begins Fall 2015.

The Adult Education Division moved to the Shewmaker Center for Workforce Technologies in May 2015. This move has resulted in significant lease cost savings for the College and provides better student access to college recruiting and advising.

Funding from the State of Arkansas remains problematic due to fact that the College remains under-funded relative to peer institutions. The need for additional state funding becomes even more critical as enrollment continues to flatten. For Fall 2015, NWACC is experiencing a 5.5% drop in enrollment over Fall 2014. NWACC has experienced single-digit declines since Fall 2012, and continues to implement cost-saving measures, including reducing staff. Revenues from the local property tax remain stable.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

ASSETS		
Current Assets:		
Cash and cash equivalents	$	9,735,055
Accounts receivable (less allowance of $499,908)		2,349,232
Interest receivable		14,194
Property taxes receivable		5,774,521
Inventories		19,389
Deposits with bond trustee		534,277
Prepaid expenses		179,298
Total Current Assets		18,605,966
Noncurrent Assets:		
Restricted cash and cash equivalents		5,607,441
Capital assets (net of accumulated depreciation of $22,998,522)		48,382,441
Total Noncurrent Assets		53,989,882
TOTAL ASSETS		72,595,848
DEFERRED OUTFLOWS OF RESOURCES		
APERS Pension		440,297
ATRS Pension		444,739
TOTAL DEFERRED OUTFLOWS		885,036
TOTAL ASSETS and DEFERRED OUTFLOWS		73,480,884
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities		4,188,327
Bonds payable - current portion		1,165,000
Bond issue premium		78,788
Bond issue discount		(3,423)
Compensated absences - current portion		41,181
Total Current Liabilities		5,469,873
Noncurrent Liabilities:		
Bonds payable		31,335,000
Bond issue premium		961,888
Bond issue discount - Series 2010 A bonds		(111,836)
Compensated absences payable		782,432
Liability for post retirement benefits		378,615
Liability for executive health insurance benefits		19,078
Proportionate share of net pension liability - APERS		1,510,507
Proportionate share of net pension liability - ATRS		3,180,410
Total Noncurrent Liabilities		38,056,094
TOTAL LIABILITIES		43,525,967

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

DEFERRED INFLOWS OF RESOURCES		
APERS Pension	$	613,256
ATRS Pension		1,470,193
Total Deferred Inflows		2,083,449
Total Liabilities and Deferred Inflows		45,609,416
NET POSITION		
Net investment in capital assets		14,914,134
Restricted for:		
Expendable		
Instructional departments uses		258,037
Capital projects		66,956
Debt service		7,897,606
Unrestricted		4,734,735
TOTAL NET POSITION	$	27,871,468

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

Exhibit A-1

	JUNE 30, 2015	JUNE 30, 2014
ASSETS		
Cash and cash equivalents	$ 1,603,643	$ 1,355,548
Pledges receivable	467,176	605,288
Loans and other receivables	427	286
Investments	6,340,219	1,992,784
Prepaid expenses	930	940
Assets held in reserve	1,205,760	1,642,855
Property and equipment, net	20,072,620	20,677,788
Bond issuance costs, net	83,028	90,638
TOTAL ASSETS	$ 29,773,803	$ 26,366,127
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	$ 3,878	$ 5,491
Accrued interest	25,782	56,109
Note payable	1,253,063	1,573,694
Bonds payable	5,810,000	6,270,000
TOTAL LIABILITIES	7,092,723	7,905,294
Net Assets:		
Unrestricted	18,526,353	15,340,671
Temporarily restricted	2,683,727	1,114,483
Permanently restricted	1,471,000	2,005,679
TOTAL NET ASSETS	22,681,080	18,460,833
TOTAL LIABILITIES AND NET ASSETS	$ 29,773,803	$ 26,366,127

NORTHWEST ARKANSAS COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

	Year Ended June 30, 2015
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $9,956,920)	$ 13,522,060
Other operating revenues	562,857
TOTAL OPERATING REVENUES	14,084,917
OPERATING EXPENSES	
Personal services	33,712,045
Scholarships and fellowships	4,013,144
Supplies and services	9,303,457
Depreciation expense	2,447,978
TOTAL OPERATING EXPENSES	49,476,624
OPERATING LOSS	(35,391,707)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	11,634,914
Federal grants	14,924,957
State grants	2,982,360
Property taxes	8,866,758
Nongovernmental grants and contracts	56,406
Investment income	108
Interest on capital asset related debt	(1,718,009)
Loss on disposal of capital assets	(223,003)
Bond issuance costs	(291,582)
Federal interest subsidy - Build America Bonds	113,542
NET NONOPERATING REVENUES	36,346,451
INCOME (LOSS) BEFORE REVENUES, EXPENSES, GAINS OR (LOSSES)	954,744
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	
Capital gifts	19,762
Capital appropriations	50,000
Contractual payment to component unit	(894,907)
INCREASE (DECREASE) IN NET POSITION	129,599
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED	33,791,166
Restatement of prior year balance (Notes 15 and 16)	(6,049,297)
NET POSITION - BEGINNING OF YEAR RESTATED	27,741,869
NET POSITION - END OF YEAR	$ 27,871,468

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

Exhibit B-1

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
REVENUES AND SUPPORT					
Special Events:					
Special event revenue	$ 65,800			$ 65,800	$ 75,925
Less cost of direct benefit to donors	19,155			19,155	22,812
TOTAL SPECIAL EVENTS	46,645			46,645	53,113
Contributions	2,937,451	$ 1,053,758	$ 465,321	4,456,530	445,455
Investment income, net	148,779			148,779	343,227
Parking fees	894,907			894,907	886,295
Rental income	300,000			300,000	300,000
Miscellanous income					89,856
Net assets released from restrictions:					
Satisfaction of donor restrictions	447,536	(447,536)			
TOTAL SUPPORT AND REVENUES	4,775,318	606,222	465,321	5,846,861	2,117,946
EXPENSES					
Program expenses	1,553,000			1,553,000	1,407,458
Management and general	43,090			43,090	219,894
Fundraising	30,524			30,524	34,399
TOTAL EXPENSES	1,626,614			1,626,614	1,661,751
NET CHANGE IN NET ASSETS BEFORE RECLASSIFICATIONS OF FUNDS	3,148,704	606,222	465,321	4,220,247	456,195
Reclassifications of funds	36,978	963,022	(1,000,000)		
CHANGE IN NET ASSETS	3,185,682	1,569,244	(534,679)	4,220,247	456,195
NET ASSETS, BEGINNING OF YEAR	15,340,671	1,114,483	2,005,679	18,460,833	18,004,638
NET ASSETS, END OF YEAR	$ 18,526,353	$ 2,683,727	$ 1,471,000	$ 22,681,080	$ 18,460,833

NORTHWEST ARKANSAS COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS - DIRECT METHOD

FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

	Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from student tuition and fees	$ 13,905,974
Other receipts	572,753
Payments to employees	(25,055,761)
Payments for employee benefits	(8,293,654)
Payments to suppliers	(9,310,715)
Payments for scholarships and fellowships	(4,013,144)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(32,194,547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	11,634,914
Proceeds from grants and contracts	17,948,882
Property taxes	5,993,452
Nongovernmental grants and contracts	56,406
Direct lending loan receipts	11,460,004
Direct lending loan payments	(11,460,004)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	35,633,654
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	50,000
Property taxes allocated for debt retirement	2,996,727
Payments to trustees for bond principal	(750,970)
Payments to trustees for bond interest	(1,585,610)
Purchases of capital assets	(2,918,113)
Contractual payments to component unit	(894,907)
Proceeds of student tuition revenue bonds from trustee for land purchase	2,411,800
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(691,073)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3
NET INCREASE IN CASH	2,748,037
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,594,459
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 15,342,496

NORTHWEST ARKANSAS COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS - DIRECT METHOD

FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

		Year Ended June 30, 2015
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	$	(35,391,707)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		2,447,978
Changes in assets and liabilities:		
Receivables, net		424,840
Inventories		(309)
Prepaid expenses		(80,878)
Accounts payable		730,627
Compensated absences		(50,749)
Other post employment benefits		50,160
Net pension liability		(303,646)
Liability for executive health insurance benefits		(20,863)
NET CASH USED BY OPERATING ACTIVITIES	$	(32,194,547)
NONCASH TRANSACTIONS		
Subsidy for 2010B series bonds deposited with trustee	$	113,558
Donated assets		19,762
Interest earned on deposits by trustees		105
Loss on disposal of capital assets		(223,003)
Bond interest paid from trustee funds		(1,338,697)
Proceeds of student tuition revenue bonds		2,440,000
Student tuition revenue bond premium deposited with trustee		58,972
Student tuition revenue bond issuance costs		(82,376)
Proceeds of student tuition revenue bonds issue held by trustee		(4,796)
Proceeds of refunding bond issue deposited with trustee		16,475,000
Bond premium on refunding bonds deposited with trustee		945,395
Debt service reserve funds utilized for refunding of bonds		782,033
Refunding bond issuance costs		(207,432)
Refunding bond proceeds utilized for interest payments by trustee		(401,369)
Payment by escrow agent to refund bonds		(17,590,000)
Proceeds of refunding bond issue held by trustee		(3,627)
Amortization of bond premium		10,482
Amortization of bond discount		(3,423)

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

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

NorthWest Arkansas Community College (the College) is a comprehensive, public institution of higher education that serves the local, state, national, and international communities and provides varied and abundant learning opportunities to advance fundamental knowledge. The College is an institution of higher education of the State of Arkansas and its governing body is the Board of Trustees comprised of nine members.

The College's financial statements reflect all funds and accounts directly under the control of the College. NorthWest Arkansas Community College began fiscal operations on January 30, 1990, and began offering classes in the 1990-91 school year.

Financial Statement Presentation

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

Component Units

In May 2002, GASB issued Statement no. 39, *Determining Whether Certain Organizations Are Component Units* which amends GASB Statement no. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the statement, which became effective with the fiscal year ended June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. There is one qualifying foundation for the NorthWest Arkansas Community College: the NorthWest Arkansas Community College Foundation, Inc.

NorthWest Arkansas Community College Foundation, Inc., (the Foundation) is a legally separate, tax-exempt component unit of 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 the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of the resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2015, the Foundation distributed $189,326 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administration office at One College Drive, Bentonville, AR 72712.

New Accounting Pronouncements

GASB issued the following four statements which become effective with the fiscal year ended June 30, 2013: Statement no. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses partnerships with private and other public entities; Statement no. 61, *The Financial Reporting Entity: Omnibus* – an amendment of no. 14 and no. 34, which modifies certain requirements for inclusion of component units in the financial reporting entity; Statement no. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates pre-November 30, 1989 pronouncements into GASB's authoritative language from FASB, APB, and AICPA; and Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which redefines some assets and liabilities. Management has determined the requirements of these Statements have no effect on the financial statements or reporting.

NOTE 1: Summary of Significant Accounting Policies (Continued)

GASB issued the following two statements which become effective with the fiscal year ended June 30, 2014: Statement no. 65, *Items Previously Reported as Assets and Liabilities*. This Statement had the effect of requiring a restatement of the beginning fund balance as a result of the elimination of deferred bond issue costs in the amount of $121,094 reducing the previously reported fund balance. Additionally, GASB issued Statement no. 66, *Technical Corrections – 2012 – an amendment of GASB Statements no. 10 and no. 62*, and *Statement no. 67*, *Financial Reporting for Pension Plans* – an amendment of GASB Statement no. 25. These Statements had no effect on the financial statements for the year ended June 30, 2014.

Financial reporting information pertaining to the College's participation in the Arkansas Teacher Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS) is prepared in accordance with GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of ATRS and APERS have been determined on the same basis as they are reported by ATRS and APERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statues governing ATRS and APERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the College's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

See Note 9, Employee Retirement Plans, for more information.

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, land improvements, buildings, improvements and infrastructure, equipment, library holdings, archives and collections, and construction-in-progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at fair market value when received. The College follows the State guidelines for equipment capitalization.

The College capitalizes interest involving qualifying assets, if material. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 to 50 years for buildings and building improvements, 15 years for infrastructure and land improvements, 3 to 8 years for office and classroom furniture, fixtures and equipment, 5 years for motor vehicles, and 10 years for library holdings.

Operating and Nonoperating 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; and (2) sales and services of educational departments.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions, federal grants and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement no. 34, such as state appropriations and investment income.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and services 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. Accounts receivable are recorded net of the estimated allowance for doubtful accounts in the amount of $499,908 at June 30, 2015.

A summary of accounts receivable balances at June 30, 2015 is as follows:

	Gross	Allowance	Net
Student accounts receivable	$ 1,932,891	$ 499,908	$ 1,432,983
Accounts receivable – other government	903,874		903,874
Other accounts receivable	12,375		12,375
Totals	$ 2,849,140	$ 499,908	$ 2,349,232

Inventories

Inventories of office supplies, which are immaterial, are valued at cost.

Noncurrent Cash

Cash that is externally restricted to make debt service payments maintain sinking or reserve funds, or to purchase or construct capital or other nonrecurring assets is classified as a noncurrent asset in the statement of net position.

Accounts Payable and Accrued Liabilities

A summary of accounts payable and accrued liabilities at June 30, 2015, is as follows:

Trades payable	$ 654,643
Accrued payroll	871,967
Payroll related liabilities	1,579,684
Due to State of Arkansas	79,382
Interest payable	183,146
Unearned revenue	354,899
PACE Grant payable to colleges	464,606
Total	$ 4,188,327

In accordance with the employment contract of the retired College President, a liability has been recorded to recognize the estimated cost of providing health care insurance for 5 years until normal retirement age. The current portion is $20,863 and the non-current portion is $19,078.

Restricted/Unrestricted Resources

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues

Unearned revenues, reported as a component of accounts payable and accrued liabilities, include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

Unearned revenues also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences Payable

Compensated absences payable represents the College's liability (salaries plus applicable salary related costs) for unused annual leave as of June 30, 2015. Unused vacation leave for eligible employees is included in the compensated absences payable calculation. Also included is unused sick leave accrual for classified employees in accordance with state regulations. This accrual is calculated on a sliding scale and is limited to a maximum payout of $7,500.

Accumulated vacation days have a maximum carryover of 240 hours. In the event of termination or retirement, all employees are paid for accumulated unused vacation hours up to a maximum of 240 hours.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year; (3) the liability for postemployment benefits; and (4) proportionate share of net pension liability. An estimate is made to allocate the compensated absences liability between the current and noncurrent components.

Property Taxes

Property taxes are levied in November based on the property assessment made between January 1 and May 31, and are enforceable liens on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of 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 2: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 500,000	$ 500,000
Collateralized:		
The collateral is held by the College and bank's agent in a trilateral agreement in the College's name	14,751,358	14,194,870
Uninsured, uncollateralized	22,461	
Total Deposits	$ 15,273,819	$ 14,694,870

The above deposits do not include cash on hand maintained by the College in the amounts of $1,720 and in the State Treasury of $66,957 at June 30, 2015.

Deposit with Trustees

As of June 30, 2015, the College had the following investments reported as deposits with trustees:

Investment type: Short-term U.S. Treasury obligations (external investment pool). Fair value is $534,277.

NOTE 2: Public Fund Deposits (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Governments are required to disclose the credit quality ratings of debt securities and external investment pools.

The short-term debt securities (external investment pool) were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Governments with investments in external investment pools are required to disclose the interest rate risk of such investments. The portfolio of the external investment pool in which the College participates is wholly comprised of short-term U.S. treasury obligations. Consequently, any potential interest rate risk associated with this external investment pool would be minimal. The College does not have a policy designed to manage interest rate risk.

NOTE 3: Income Taxes

The College is tax exempt under Internal Revenue Service code section 501(a). It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

NOTE 4: Capital Assets

The following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Retirements	Restatements	Balance June 30, 2015
Nondepreciable capital assets:					
Land	$ 2,041,390	$ 2,427,648			$ 4,469,038
Construction in progress		498,502			498,502
Archives and collections	192,675				192,675
Total nondepreciable capital assets	2,234,065	2,926,150			5,160,215
Other capital assets:					
Land improvements	1,353,754				1,353,754
Improvements and infrastructure	372,291				372,291
Buildings	57,515,442				57,515,442
Equipment	6,089,133	365,150	$ (564,258)		5,890,025
Library holdings	1,118,281	25,876	(33,857)	$ (21,064)	1,089,236
Total other capital assets	66,448,901	391,026	(598,115)	(21,064)	66,220,748
Less accumulated depreciation for:					
Land improvements	(1,079,844)	(45,774)			(1,125,618)
Buildings	(14,586,938)	(1,917,181)			(16,504,119)
Improvements and infrastructure	(347,470)	(24,820)			(372,290)
Equipment and archives and collections	(3,965,780)	(424,186)	341,252		(4,048,714)
Library holdings	(1,110,365)	(36,017)	33,858	164,743	(947,781)
Total accumulated depreciation	(21,090,397)	(2,447,978)	375,110	164,743	(22,998,522)
Other capital assets, net	$ 45,358,504	$ (2,056,952)	$ (223,005)	$ 143,679	$ 43,222,226
Capital asset summary:					
Nondepreciable capital assets	$ 2,234,065	$ 2,926,150			$ 5,160,215
Other capital assets, at cost	66,448,901	391,026	$ (598,115)	$ (21,064)	66,220,748
Total cost of capital assets	68,682,966	3,317,176	(598,115)	(21,064)	71,380,963
Less: accumulated depreciation	(21,090,397)	(2,447,978)	375,110	164,743	(22,998,522)
Capital assets, net	$ 47,592,569	$ 869,198	$ (223,005)	$ 143,679	$ 48,382,441

NOTE 5: Long-Term Liabilities

A summary of long-term liabilities is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding June 30, 2015	Maturities to June 30,2015
12-2010	5-2035	3% to 5.25%	$ 9,500,000	$ 8,690,000	$ 810,000
12-2010	5-2035	Bond Discount	(82,160)	(68,467)	(13,693)
12-2010	5-2035	*4.55%	5,000,000	5,000,000	
10-2014	10-2034	2.05% to 3.55%	2,440,000	2,440,000	
10-2014	10-2034	Bond Premium	58,972	57,763	1,209
2-2015	5-2030	2.0% to 4.00%	16,475,000	16,370,000	105,000
2-2015	5-2030	Bond Premium	992,186	982,913	9,273
2-2015	5-2030	Bond Discount	(46,792)	(46,792)	
Totals			$ 34,337,206	$ 33,425,417	$ 911,789

*Face interest rate of 7% less Build America Bonds Federal Interest Subsidy of 2.45% results in a net interest rate of 4.55%

The change in long-term debt for the fiscal year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts due within one year
Bonds	$ 31,403,110	$ 19,919,367	$ (17,897,060) *	$ 33,425,417	$ 1,240,365
Compensated Absences	874,362	1,174,911	(1,225,660)	823,613	41,181
Executive Health Benefits	57,328		(17,387)	39,941	20,863
Totals	$ 32,334,800	$ 21,094,278	$ (19,140,107)	$ 34,288,971	$ 1,302,409

* Includes $17,590,000 early retirement of debt—See refunding note below

The liability for Executive Health Benefits is the accrued liability for health insurance to be provided to the retired College President for the period from her retirement until age 65. This benefit was provided in accordance with the terms of her employment contract. The current portion of this liability ($20,863) is included in accounts payable and accrued expenses.

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

Year Ended June 30,	Bond Principal	Interest	Total Payments	Interest Subsidy	Net Payments
2016	$ 1,165,000	$ 1,391,581	$ 2,556,581	$ (122,500)	$ 2,434,081
2017	1,185,000	1,363,281	2,548,281	(122,500)	2,425,781
2018	1,220,000	1,325,731	2,545,731	(122,500)	2,423,231
2019	1,250,000	1,289,119	2,539,119	(122,500)	2,416,619
2020	1,280,000	1,250,569	2,530,569	(122,500)	2,408,069
2021-2025	7,090,000	5,554,319	12,644,319	(612,500)	12,031,819
2026-2030	8,560,000	4,092,931	12,652,931	(612,500)	12,040,431
2031-2035	10,750,000	1,959,300	12,709,300	(378,525)	12,330,775
Totals	$ 32,500,000	$ 18,226,831	$ 50,726,831	$ (2,216,025)	$ 48,510,806

<u>Refunding</u>

The College issued $16,475,000 Series 2015 Bonds on February 26, 2015 to refund $17,590,000 outstanding bonds issued in 2005 for Capital improvements. The bonds, with interest rates of 2.0% to 4.0% were issued to defease the 2005 bonds with interest rates of 3.0% to 5.0%. Net bond proceeds and premium of $17,212,963, after deducting bond issuance costs in the amount of $207,432 plus deposits made to 2005 debt service account of $782,033 were deposited into the refunding account to retire the 2005 Bonds of $17,590,000 at May 15, 2015, pay the accrued interest of $401,369, and leaving a balance of $3,627 to be utilized in debt service for the 2015 bond issue. The College completed this refunding to reduce its total debt payments over the next fifteen years by $2,729,965 and to obtain an economic gain (difference between present value between old and new debt service payments) of $2,254,855.

NOTE 6: Pledged Revenues

Ad Valorem Tax and Learning Support Fee - Series 2010A and Series 2010B Bonds

The College has pledged one-third of the continuing ad valorem tax mills and the gross revenues derived from the imposition of the student activity fee known as the Learning Support Fee to repay the $9,500,000 Capital Improvement Bonds, Series 2010A and the $5,000,000 Capital Improvement Bonds, Series 2010B. Proceeds from the bonds have been utilized to construct a new health sciences building. Total principal and interest remaining on the Series 2010A and Series 2010B bonds are $13,690,000 and $12,572,625, respectively, payable through May 15, 2035. For the current year, principal and interest paid were $195,000 and $782,419, respectively. One-third of the property taxes received by the College and the Learning Support fees for the year totaled $2,955,586 (gross amount $8,866,758) and $1,250,866, respectively. The percentage of ad valorem tax and learning support fees pledged for the year ended June 30, 2015 was 23.2%.

Parking Fee - Series 2010 Bonds

The College has pledged revenues derived from the imposition of Parking Fees to repay the $7,740,000 College Parking Facility Revenue Refunding Bonds, Series 2010 issued by the Public Facilities Board of Benton County, Arkansas. The original Series 2005 bond proceeds financed the construction of an 800 space college parking facility located on the campus of NorthWest Arkansas Community College. Total principal remaining on the variable market rate Series 2010 bonds is $5,810,000 payable through 2026. The fees collected and the amount disbursed for the year totaled $846,963 and $894,907, respectively. The parking facility and the related indebtedness are an asset and liability, respectively, of NorthWest Arkansas Community College Foundation, Inc. The only involvement the College has in these are the revenue pledged and payments as discussed above.

Tuition – Series 2014 Bonds

The College issued in October 2014 bonds with par value of $2,440,000 to purchase land in Washington County, Arkansas. The College has pledged tuition revenue in support of these bonds. Total principal and interest remaining on the Series 2014 bonds are $2,440,000 and $867,744, respectively, payable through October 1, 2034. Interest only was paid during the 2015 fiscal year in the amount of $35,636. Tuition for FY 15 totaled $15,790,838. The percentage of tuition pledged is less than 1.00% during FY 15.

Ad Valorem Tax-Series 2015 Bonds

As discussed above, the College issued refunding bonds with a par value of $16,475,000 to defease the Capital Improvement and Refunding Bonds issued in 2005. The College has pledged one-third of the continuing ad valorem tax mills, on parity with the 2010 Series A and B, to repay these bonds. Total principal and interest remaining on the Series 2015 bonds are $16,370,000 and $4,786,463, respectively. For the current year, principal and interest paid were $105,000 and $119,274, respectively. One-third of property taxes received by the College for the year totaled $2,955,586 (gross amount $8,866,758). The percentage of ad valorem tax pledged for the year ended June 30, 2015 was 7.6%.

NOTE 7: Interest Expense

Total interest cost for the year ended June 30, 2015 was $1,718,009 and was charged to expense in the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 8: Commitments

The College was contractually obligated for the following amounts at June 30, 2015: Construction commitments for Health Professions Center 3rd Floor Build-out $1,436,926. This project was completed and in service in early January 2016.

Operating Leases

The following represents future minimum rental payments (aggregated at June 30, 2015). The leases are comprised of eight facility rentals and various office and computer lab equipment leases. It is expected that in the normal course of business such leases will continue to be required.

NOTE 8: Commitments (Continued)

Future minimum rental payments (aggregated at June 30, 2015): $2,615,622 Future minimum rental payments for the succeeding fiscal years:

Year Ended June 30,	Amount
2016	$ 769,552
2017	698,341
2018	329,587
2019	286,142
2020	144,000
Thereafter	388,000
Total	$2,615,622

Rental payments for the operating leases described above were approximately $1,085,780 for the year ended June 30, 2015.

NOTE 9: Employee Retirement Plans

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

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

Funding Policy – TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 4% earnings to the plan. The College contributes 6% of earnings for non-contributory members and 10% of earnings for contributory members. The College's and participants' contributions for the year ended June 30, 2015 were $1,573,418 and $854,879, respectively.

Arkansas Teacher Retirement System

Plan Description – The College contributes to the Arkansas Teacher Retirement Systems (ATRS), a cost-sharing multiple-employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teachers Retirement System issued a publicly available financial report that included financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teachers 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 law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The College's contributions to ATRS for the years ended June 30, 2015, 2014, and 2013, were $444,739, $498,305, and $612,475, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description – The College contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under APERS as a qualified retirement system. APERS, administered by a Board of Trustees, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit 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 APERS. The 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.

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Funding Policy – APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5% of their salaries. Each participating employer is required by law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 14.76% of annual covered payroll. The College's contributions to APERS for the years ended June 30, 2015, 2014 and 2013 were $261,372, $277,369, and $220,819, respectively, equal to the required contributions for each year.

General Information about ATRS Pension Plan

Plan Description. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for noncontributory members. The amount will be prorated for members who have both contributory and noncontributory service. Members with 15 or more years of contributory service will receive the full $10,000. 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%. Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999 allows for participation in the T-DROP after 28 years of credited service with a reduction of 6% for each year under 30 years. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member election to enter T-DROP is irrevocable, and additional service credit cannot be accumulated. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by 1% for each year of service. For members who entered T-DROP prior to September 1, 2003, the reduction is 1/2 of 1% (.5%) for contributory service and 3/10 of 1% (.3%) for noncontributory service for each year above 30 years of service. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive the T-DROP distribution as a lump-sum cash payment or an annuity or may roll it over into another tax deferred account. A member may also elect to defer all or part of the distribution into a T-DROP cash balance account held by ATRS.

Basis of Presentation. The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated to carry on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. The economic resources measurement focus and accrual basis of accounting are used in Fiduciary Fund financial statements. Under the accrual basis, contributions and other revenues are recognized when they are earned, and benefits paid, refunds, and other expenses are recognized when due and payable in accordance with the provisions of law. ATRS adopted Statement of Governmental Accounting Standards (GASB Statement) no. 67, *Financial Reporting for Pension Plans* that replaces the requirements of GASB Statement no. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement no. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The requirements of this Statement will improve the usefulness of pension information included in financial reports for decision-making, assessment of accountability, and transparency by providing enhanced note disclosures and schedules of required supplementary information. GASB Statement no. 67 is effective for financial statements for fiscal years beginning after June 15, 2013 (i.e., fiscal year 2014).

NOTE 9: Employee Retirement Plans (Continued)

General Information about ATRS Pension Plan (Continued)

At June 30, 2015, the College reported a liability of $3,180,410 for its proportionate share of the ATRS's net pension liability. The net pension liability was measured as of June 30, 2014, and the total liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on current contributions of all participating employer. At June 30, 2014, the College's proportion was .1212% for ATRS. For the year ended June 30, 2015, the College recognized pension expense of $230,343.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to ATRS as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$102,833
Contributions made in FY2015 after measurement date	$444,739	
Net difference between projected and actual earnings on pension plan investments		1,367,360
Total	$444,739	$1,470,193

College contributions subsequent to the measurement date of $444,739 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	2017	2018	2019	2020
$(363,821)	$(363,821)	$(363,821)	$(363,821)	$(14,909)

Actuarial Assumptions – The total liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement: Wage inflation rate 3.25%, Salary increases 3.25 – 9.10%, and Investment rate of return 8.00% Mortality rates were based on the RP-2000 Mortality Table for males and females projected 25 years with Scale AA (95% for men and 87% for women). The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. 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, 2014, these best estimates are summarized in the following table:

Asset Allocation	**Target**	**Long-Term Expected Real Rate of Return**
Domestic Equity	20.00%	4.7%
Global Equity	30.00%	5.0%
Fixed Income	20.00%	2.0%
Alternatives	5.00%	5.0%
Real Assets	15.00%	4.6%
Private Equity	10.00%	6.6%
Cash Equivalents	0.00%	1.2%
	100.00%	

NOTE 9: Employee Retirement Plans (Continued)

General Information about ATRS Pension Plan (Continued)

Single Discount Rate – A single discount rate of 8.0% 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 8.0%. 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 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's net pension liability, calculated using a single discount rate of 8.00%, 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 (7%)	$5,690,045
Current Rate (8%)	3,180,410
1% Increase (9%)	1,068,961

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

General Information about APERS Pension Plan

Plan Description. The APERS plan is a cost-sharing, multiple-employer defined benefit pension plan that covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees, and certain non-teaching school employees and other public entities specifically defined by law.

On June 30, 2014, the number of employers participating in the plan was as follows:

State	245
Municipal	171
School	117
County	86
District Judge	40
Court Clerks	39
Other Non-State	28
Total	726

The APERS plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978, was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date that are noncontributory have the option to become a contributory member at any time.

Benefits Provided: Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 07/01/2005	2.07%
Contributory, on or after 07/01/2005	2.03%
Non-Contributory	1.72%

NOTE 9: Employee Retirement Plans (Continued)

General Information about APERS Pension Plan (Continued)

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005),
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Under Arkansas Code, the following groups or individuals are allowed credit for years of service on a basis greater than 1:1:

Public safety members	1.5 per year for individuals employed prior to July 1, 1997
Governor	3 per year if first elected to public office prior to July 1, 1999
Elected state constitutional officers	2.5 per year if first elected to public office prior to July 1, 1999
Elected officials under the state division	2 per year if first elected to public office prior to July 1, 1999
Local elected officials	2 per year

The benefit provisions provided by the APERS plan are established by state law and may be amended only by the General Assembly. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

Basis of Presentation. The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Basis of Accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. The economic resources measurement focus and accrual basis of accounting are used in Fiduciary Fund financial statements. Under the accrual basis, contributions and other revenues are recognized when they are earned. Benefits paid, refunds, and other expenses are recognized when due and payable in accordance with the provisions of law.

APERS has implemented Statement of Governmental Accounting Standards (GASB Statement) no. 67, *Financial Reporting for Pension Plans*, that replaces the requirements of GASB Statement no. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement no. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The requirements of this Statement will improve the usefulness of pension information included in financial reports for decision-making, assessment of accountability, and transparency by providing enhanced note disclosures and schedules of supplementary information. GASB Statement no. 67 is effective for financial statements for fiscal years beginning after June 15, 2013 (i.e., State fiscal year 2014).

Contributions: Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-20-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended June 30, 2015. The College's contributions for the year ended June 30, 2015 was $261,372.

NOTE 9: Employee Retirement Plans (Continued)

General Information about APERS Pension Plan (Continued)

APERS Fiduciary Net Position: Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at www.apers.org or by calling 1-800-682-7377.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: The collective Net Pension Liability of $1,418,912,236 was measured as of June 30, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The College's proportionate percentage was .1065%. The College's portion of Net Pension Liability at June 30, 2015 was $1,510,507.

For the year ended June 30, 2015, the College recognized a pension expense of $172,122. Deferred outflows of resources and deferred inflows of resources related to APERS pension for the College are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$19,190
Contributions made in FY2015 after measurement date	$261,372	
Changes of assumptions	178,925	
Net difference between projected and actual earnings on pension plan investments		594,066
Total	$440,297	$613,256

The College's contributions subsequent to the measurement date of $261,372 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	2017	2018	2019
$(104,111)	$(104,111)	$(104,111)	$(121,998)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75-10.35% including inflation
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 year for males and 1 year for females
Average Service Life All Members	4.5972

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 9: Employee Retirement Plans (Continued)

General Information about APERS Pension Plan (Continued)

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 arithmetic real rates of return for the 10-year period from 2014-2023 were provided by each plan's investment consultant. For each major asset class included in the respective pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Fixed income domestic	9.00%	0.50%
Fixed income defensive	9.00%	0.80%
Large cap domestic equity	20.00%	6.65%
Small/mid cap domestic equity	17.00%	7.90%
International equity	12.00%	7.00%
Emerging market equity	12.00%	9.20%
Private equity	2.50%	11.30%
Hedge funds	2.50%	3.19%
Real estate	16.00%	5.10%
Cash equivalents	0.00%	0.00%
	100.00%	

Discount Rate - A single discount rate of 7.75% 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 7.75%. 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.

Regarding the sensitivity of the net pension liability to changes in the single discount rate of 7.75%, the following presents the proportionate share of the net pension liability , calculated using the current discount rate, as well as what the proportionate share of the net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

1% Decrease (6.75%)	$2,710,164
Current Rate (7.75%)	1,510,507
1% Increase (8.75%)	510,979

NOTE 10: Partially Self-Insured Program

Beginning January 1, 2015, the College established a partially self-insured health benefit plan for employees and their eligible dependents. The Plan is administered by BlueAdvantage administrators.

At June 30, 2015, approximately 362 active employees and their dependents were participating in the plan. The estimated rates for college expense and employee withholding amounts were unchanged from previous premiums based health coverage. The table below shows college expense, employee share and total estimated costs:

Plan Type	Monthly Cost	NWACC Cost	NWACC Percentage	Employee Cost	Employee Percentage
Employee	$526.99	$444.73	84%	$82.26	16%
Employee Spouse	$1,317.16	$1,072.30	81%	$244.86	19%
Employee Children	$916.77	$763.03	83%	$153.74	17%
Family	$1,580.62	$1,293.26	82%	$287.36	18%

NOTE 10: Partially Self-Insured Program (Continued)

Retirees and their eligible dependents can continue coverage paying the full amount of estimated costs until becoming eligible for Medicare coverage.

All medical claims that were incurred in and reported for FY2015 by BlueAdvantage were expensed in FY2015.

The College purchases specific reinsurance to reduce its exposure to large claims. Group Service Underwriters was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed $100,000.

NOTE 11: Operating Expenses by Functional Classification

The College's operating expenses by functional classifications for fiscal year 2015 were as follows:

	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation	Total
Instruction	$ 18,213,082		$ 2,268,852		$ 20,481,934
Academic support	4,409,792		1,772,612		6,182,404
Student services	4,108,470		580,121		4,688,591
Institutional support/ research	4,720,734		1,527,557		6,248,291
Scholarships and fellowships	2,156	$ 4,013,144	1,496		4,016,796
Operations and maintenance of plant	2,257,811		3,152,819		5,410,630
Depreciation				$ 2,447,978	2,447,978
Totals	$ 33,712,045	$ 4,013,144	$ 9,303,457	$ 2,447,978	$ 49,476,624

NOTE 12: Related Party Transactions

In May 2005, the Board of Trustees of the College authorized the imposition and use of infrastructure fees to aid the NorthWest Arkansas Community College Foundation, Inc. (the Foundation) in the financing of a college parking facility. In 2015, the College collected $846,963 and disbursed $894,907 in infrastructure fees to the Foundation for bond payments.

The College is leasing the Foundation's Shewmaker Center for Global Business Development, a 43,000 sq. ft. facility at the Bentonville Campus. The lease, in the amount of $ 240,000 for the fiscal year ended June 30, 2015, provided additional instructional classrooms and labs.

In March 2013, the Board of Trustees of the College entered into a lease agreement with the Foundation for additional classroom and training space located at the Bentonville campus. The building is known as the National Child Protection Center Building. The lease is in the amount of $60,000 including insurance costs for the fiscal year 2015.

One of the members of the Board of Trustees for the College was an officer of a financial institution that the College has a normal banking relationship with until his retirement from the financial institution in January 2015. The relationship is a normal depository and the total balances on deposit with this institution at June 30, 2015 were $3,335,454.

The President of NWACC has been named to the Board of Directors of the above financial institution.

The Governor appointed a member to the Board of Trustees in March 2015 whose wife is the Director of Institutional Research for the College. In addition, the College does minimal business with this newly appointed Board member. Payments made were $2,551, $2,695, and $1,670 in fiscal years 2015, 2014 and 2013, respectively.

NOTE 13: Risk Management

The College maintains insurance coverage for a wide variety of risks. The coverage is outlined in the following table:

Items Insured	Coverage	Contributions	Administrator
Directors/Officers/Employees Professional Liability	$3M, $3M aggregate $25,000 deductible	N/A	RSUI
Automobile Policy	$500,000 limit $500/$1,000 deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Buildings and Contents	100% replacement value $30,000 deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Mobile Equipment and Artwork	Per artwork schedule	N/A	Arkansas Multi-Agency Insurance Trust Fund
Blanket Fidelity Bond	Actual loss up to $250,000 $2,500 deductible	N/A	Arkansas Fidelity Bond Trust Fund
Health Professions Professional Liability	$3M, $5M aggregate	N/A	Health Care Providers Insurance Assn - part of C.N.A.
Upward Bound Accident	Comprehensive Accident Policy	N/A	Francis L. Dean & Associates Inc.
Cyber Liability	$3M, $5M aggregate	N/A	CFC Sweet & Crawford
Workers Comp	Reimbursement of medical expense and loss of salary due to job-related injury or illness	The administrator is reimbursed quarterly	Arkansas Public Employees Claim System
Life Insurance Program	N/A	N/A first $20,000	Lincoln Life Insurance
Health Care Program	N/A	Employee contributes a portion	Blue Advantage, Delta Dental of Arkansas

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by state employees or officials. There is a limit of $250,000 and a $2,500 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the College's state treasury funds.

The College participates in the Arkansas Multi-Agency Property Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop and administer on behalf of members, a program of insurance to obtain lower costs for property coverage and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The College pays an annual premium for this coverage.

The College participates in the Arkansas Multi-Agency Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow members a means of insuring vehicles. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The College pays an annual premium for this coverage.

The College maintains workers compensation coverage through the State of Arkansas program in accordance with Ark. Code Ann. § 11-9-305. Annual premiums are based on a formula calculated by the Arkansas Department of Finance and Administration.

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: Other Postemployment Benefits (OPEB) Liability

In June 2004 the Governmental Accounting Standards Board (GASB) issued Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ended June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. As a result of the implementation of this statement, the College accrued $378,615 in retiree healthcare liability as of June 30, 2015.

The College offers employees who retire directly from active employment and meet the "Rule of 70" (age plus service is 70 or greater, with at least 10 years of service) to continue insurance coverage. The retiree pays the entire premium at the same rate as active employees. The plan is considered a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Under GASB Statement no. 45, this creates an "implicit subsidy" which is the difference between the higher rate that a retiree would otherwise pay and the lower rate of the active group. While the College is "pay as you go", collecting and submitting the retiree premiums each month along with active employee premiums, GASB 45 requires an actuarial calculation. For the fiscal year ended June 30, 2015, the College had no retiree participants.

Determination of Annual Required Contribution (ARC) and End of Year Net OPEB Obligation

Cost Element

	July 1, 2013
Unfunded Actuarial Accrued Liability (UAAL)	$ 282,635

Annual Required Contribution (ARC)	2013-14
Normal Cost	$ 38,244
Amortization of the UAAL over 30 Years	17,055
Interest	2,627
Total ARC	$ 57,926

There were no employer contributions toward the retiree premiums. There were "implicit contributions" in the amount of $2,607 during the year ended June 30, 2015. This amount was calculated at the rate of $144.81 as an implicit subsidy based on the July 1, 2013 actuarial study. No actuarial valuation was done for the fiscal year of June 30, 2015 as the requirements for small plans are for valuations to be done on a biannual basis.

Total ARC	$ 57,926
Interest on Net OPEB Obligation	15,602
Adjustment to ARC	(20,761)
Total Annual OPEB Cost	$ 52,767

End of the Year Accrual (Net OPEB Obligation - June 30, 2014)	$ 328,455
Annual OPEB Cost (2014-2015 calculated cost)	52,767
Implicit Contributions (18 months coverage at $144.81 per actuary report)	(2,607)
Net OPEB Obligation June 30, 2015	$ 378,615

This amount has been recorded as a long-term liability.

The percentage of OPEB cost contributed ($2,607) to the annual OPEB cost ($52,767) for the fiscal year ended June 30, 2015 was 4.9%

Reconciliation of Funded Status

	July 1, 2011	July 1, 2013
Actuarial Accrued Liability		
Retirees	$ 7,634	$ 1,911
Fully eligible active employees	83,160	76,073
Other active employees	221,551	204,651
Net Actuarial Accrued Liability	$ 312,345	$ 282,635
Plan Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 312,345	$ 282,635

NOTE 14: Other Postemployent Benefits (OPEB) Liability (Continued)

Note: Unfunded Accrued Liability at July 1, 2015 will be recalculated during 2015-16 year.

Summary of Key Actuarial Methods and Assumptions

Valuation Year	July 1, 2013
Actuarial Cost Method	Projected unit credit method, level dollar
Amortization Method	30 years, level dollar open amortization
Discount Rate	4.75%
Healthcare Cost Trend Rate	"Medical inflation" was assumed to be 10.0% next year, 9.0% the second year, 8.0% the third year, with the rate decreasing by 0.50% each year, to an ultimate rate of 5.0% in the ninth year.

Schedule of Funding Progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
July 1, 2009	$ 0	$260,875	$260,875	0.00%
July 1, 2011	0	312,345	312,345	0.00%
July 1, 2013	0	282,635	282,635	0.00%

The covered payroll as of July 1, 2009 was $16,518,535, yielding a percentage of 1.6% of UAAL compared to covered payroll. The covered payroll as of July 1, 2011 was $26,390,013, yielding a percentage of 1.2% of UAAL compared to covered payroll. The covered payroll as of July 1, 2013 was $27,623,951, yielding a percentage of 1.0% of UAAL compared to covered payroll.

Schedule of Employer Contributions and Three-year Schedule of Percentage of OPEB Cost Contributed:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
June 30, 2015	$52,767	$2,607	4.9%	$378,615
June 30, 2014	53,580	1,738	3.2%	328,455
June 30, 2013	62,509	2,255	3.6%	276,613

Participation: Covers employees who retire directly from active employment. Employees must meet the "Rule of 70" (age plus years of service at least 70) and have at least 10 years of service.

Benefit Provision: Retiree can continue coverage, but must pay the same premium as active employee.

Participant Data	July 1, 2013	July 1, 2011
Number of Active Employees	400	375
Number of Retirees Covered Under 65	1	1
Over 65	0	0

Base Claim Cost: The retiree pays the entire premium. But since health care for a retired group is higher than the average for employees, this results in a subsidy for the retiree.

The following subsidy was assumed:

	Medical	Other	Total
Retiree, no Medicare	$144.81	0.00	$144.81
Retiree, with Medicare	0.00	0.00	0.00

NOTE 14: Other Postemployent Benefits (OPEB) Liability (Continued)

General Overview of the Valuation Methodology:

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available.

Actuarial calculations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Note 15: Change in Accounting Principle

Net Position as of June 30, 2014 has been restated for the implementation of GASB Statement no. 68, as amended by GASB Statement no. 71. Net position at June 30, 2014 was decreased in the amount of $6,192,976 which is reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

Note 16: Restatement of Net Position for Capital Assets

The June 30, 2014 net position (Net Investment in Capital Assets) has been restated as a result of a review of detailed records and physical inventories. The result was a reduction in the balance of Library Holdings of $21,064, a reduction in the balance of Accumulated Depreciation Library Holdings of $164,743, and an increase in Net Investment in Capital Assets of $143,679. The review indicated this restatement is the result of issues over a number of accounting periods.

Note 17: Early Retirement Incentive

An early retirement incentive of $10,000 was offered to all qualified College employees and accepted by seven individuals. The cost to the College was $70,000 in incentives and $33,602 in benefits.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Other Postemployment Benefits (OPEB)

Determination of Annual Required Contribution (ARC) and End of Year Net OPEB Obligation

Cost Element

	July 1, 2013
Unfunded Actuarial Accrued Liability (UAAL)	$ 282,635

	2013-14
Normal Cost	$ 38,244
Amortization of the UAAL over 30 Years	17,055
Interest	2,627
Annual Required Contribution (ARC)	$ 57,926

There were no employer contributions toward the retiree premiums. There were “implicit contributions” in the amount of $2,607 during the year ended June 30, 2015. This amount was calculated at the rate of $144.81 as an implicit subsidy based on the July 1, 2013 actuarial study. No actuarial valuation was done for the fiscal year of June 30, 2015 as the requirements for small plans are for valuations to be done on a biannual basis.

End of the Year Accrual (Net OPEB Obligation - June 30, 2014)	$ 328,455
Annual OPEB Cost (2014-2015 calculated cost)	52,767
Implicit Contributions (18 months coverage at $144.81 per actuary report)	(2,607)
Net OPEB Obligation June 30, 2015	$ 378,615

This amount has been recorded as a long-term liability.

The percentage of OPEB cost contributed ($2,607) to the annual OPEB cost ($52,767) for the fiscal year ended June 30, 2015 was 4.9%.

Reconciliation of Funded Status

	July 1, 2011	July 1, 2013
Actuarial Accrued Liability		
Retirees	$ 7,634	$ 1,911
Fully eligible active employees	83,160	76,073
Other active employees	221,551	204,651
Net Actuarial Accrued Liability	$ 312,345	$ 282,635
Plan Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 312,345	$ 282,635

Note: Unfunded Accrued Liability at July 1, 2015 will be recalculated during 2015-16 year.

Summary of Key Actuarial Methods and Assumptions

Valuation Year	July 1, 2013
Actuarial Cost Method	Projected unit credit method, level dollar
Amortization Method	30 years, level dollar open amortization
Discount Rate	4.75%
Healthcare Cost Trend Rate	“Medical inflation” was assumed to be 10.0% next year, 9.0% the second year, 8.0% the third year, with the rate decreasing by 0.50% each year, to an ultimate rate of 5.0% in the ninth year.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio
July 1, 2009	$ 0	$260,875	$260,875	0.00%
July 1, 2011	0	312,345	312,345	0.00%
July 1, 2013	0	282,635	282,635	0.00%

Other Postemployment Benefits (OPEB) (Continued)

The covered payroll as of July 1, 2009 was $16,518,535, yielding a percentage of 1.6% of UAAL compared to covered payroll. The covered payroll as of July 1, 2011 was $26,390,013, yielding a percentage of 1.2% of UAAL compared to covered payroll. The covered payroll as of July 1, 2013 was $27,623,951, yielding a percentage of 1.0% of UAAL compared to covered payroll.

Participation: Covers employees who retire directly from active employment. Employees must meet the “Rule of 70” (age plus years of service at least 70) and have at least 10 years of service.

Benefit Provision: Retiree can continue coverage, but must pay the same premium as active employee.

Participant Data	July 1, 2013	July 1, 2011
Number of Active Employees	400	375
Number of Retirees Covered Under 65	1	1
Over 65	0	0

Base Claim Cost: The retiree pays the entire premium. But since health care for a retired group is higher than the average for employees, this results in a subsidy for the retiree.

The following subsidy was assumed:

	Medical	Other	Total
Retiree, no Medicare	$144.81	0.00	$144.81
Retiree, with Medicare	0.00	0.00	0.00

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Retirement Plan - Arkansas Teacher Retirement System

Schedule of College's Proportionate Share of Net Pension Liability - ATRS

	2015*
Plan Net Pension Liability - End of Year	$2,625,006,279
NWACC's portion of net pension liability	0.1212%
NWACC's proportionate share of net pension liability	$3,180,410
NWACC's covered payroll ATRS	$3,539,117
NWACC's share of net pension liability as a percentage of covered payroll	89.86%
Plan fiduciary net position as a percentage of total pension liability	84.98%

*The amounts presented were determined af of June 30, 2014.

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

NorthWest Arkansas Community College
Schedule of Contributions – ATRS

	2015
Contractually required contributions	$444,739
Contributions in relation to the contractually required contributions	$444,739
Contributions deficiency (excess)	$0
NWACC's covered employee payroll	$3,176,707
Contribution as a percentage of covered employee payroll	14%

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Retirement Plan - Arkansas Public Employee Retirement System
Schedule of College's Proportionate Share of Net Pension Liability - APERS

	2015*
Plan Net Pension Liability - End of Year	$1,418,912,236
NWACC's proportion of net pension liability	0.1065%
NWACC's proportionate share of net pension liability	$1,510,507
NWACC's covered payroll	$1,914,535
NWACC's proportionate share of net pension liability as a percentage of covered payroll	78.90%
Plan fiduciary net position as a percentage of total pension liability	84.15%

*The amounts presented were determined af of June 30, 2014.

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

NorthWest Arkansas Community College
Schedule of Contributions - APERS

	2015
Contractually required contributions	$261,372
Contributions in relation to the contractually required contributions	$261,372
Contributions deficiency (excess)	$0
NWACC's covered employee payroll	$1,770,813
Contribution as a percentage of covered employee payroll	14.76%

NORTHWEST ARKANSAS COMMUNITY COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets and Deferred Outflows	$ 73,480,884	$ 69,530,434	$ 69,544,981	$ 72,673,302	$ 71,996,146
Total Liabilities and Deferred Inflows	45,609,416	35,739,268	36,702,721	38,739,509	36,882,145
Total Net Position	27,871,468	33,791,166	32,842,260	33,933,793	35,114,001
Total Operating Revenues	14,084,917	12,986,934	12,691,220	11,449,283	11,738,313
Total Operating Expenses	49,476,624	50,408,911	53,621,491	50,820,009	50,332,836
Total Net Non-Operating Revenues	36,346,451	38,342,787	40,727,094	39,127,422	39,968,668
Total Other Revenues, Expenses, Gains or Losses	(825,145)	28,096	(767,262)	(936,904)	(668,866)