Ozarka College

Melbourne, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE

OZARKA COLLEGE
TABLE OF CONTENTS
JUNE 30, 2020

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INFORMATION

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

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Ozarka 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 Ozarka College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, 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 Ozarka College Foundation, Inc., which represents 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 Ozarka 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 Ozarka 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, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the College's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated May 6, 2020. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 06-08, 40, and 41-42 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 May 18, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
May 18, 2021
EDHE68720

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

Ozarka College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Ozarka College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 18, 2021. Our report includes a reference to other auditors who audited the financial statements of the Ozarka College Foundation, Inc**.**, as described in our report on the College's financial statements. The financial statements of the Ozarka 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the College in a separate letter dated May 18, 2021.

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

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
May 18, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Ozarka 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, 2020, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2019	Fall Term 2019	Spring Term 2020	Summer I Term 2020
Student Headcount	167	1,171	1,068	270
Student Semester Credit Hours	785	11,232	10,189	1,688

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

Roger A. Norman

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

Little Rock, Arkansas
May 18, 2021

Overview of Financial Statements and Financial Analysis

Financial statements for Ozarka College for the fiscal year ended June 30, 2020 were prepared according to requirements set out in GASB No. 34 and 35. A comparative analysis is presented from the prior year with the date of June 30, 2019 displayed in a separate column. The data presented includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position is presented as of June 30, 2020, and reflects the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of Ozarka College. The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot as of the end of the fiscal year. Current assets and liabilities are distinguished from non-current assets and liabilities. The statement provides a picture of net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

A summarized Statement of Net Position at June 30, 2020 is as follows:

Assets:	**June 30, 2020**	**June 30, 2019**
Current Assets	$ 5,154,735	$ 4,250,580
Noncurrent Assets		
Capital Assets (net of accumulated depreciation)	10,429,672	10,507,608
Other Noncurrent Assets	431,576	780,307
Total Assets	**16,015,983**	**15,538,495**
Deferred Outflows of Resources:		
Deferred amount on refunding	54,967	58,989
Deferred amount related to OPEB	40,803	35,132
Deferred amount related to pensions	311,017	354,360
Total Deferred Outflows	**406,787**	**448,481**
Total Assets and Deferred Outflows of Resources	**16,422,770**	**15,986,976**
Liabilities:		
Current Liabilities	388,282	385,768
Noncurrent Liabilities	7,405,879	7,177,950
Total Liabilities	**7,794,161**	**7,563,718**
Deferred Inflows of Resources:		
Deferred amount related OPEB	24,727	27,474
Deferred amount related to pensions	454,345	613,578
Total Deferred Inflows	**479,072**	**641,052**
Total Liabilities and Deferred Inflows of Resources	**8,273,233**	**8,204,770**
Net Position:		
Invested in capital assets, net of debt	5,175,635	5,391,031
Restricted	9,196	196
Unrestricted	2,964,706	2,390,979
Total Net Position	**$8,149,537**	**$7,782,206**

The transition to on-line delivery during the Spring and Summer Semesters led to costs savings for budgeted expenditures because projects and instructional activities were altered or postponed due to the uncertainty caused by the Covid pandemic. In addition, travel bans were imposed and planned professional development conferences were cancelled or moved to a virtual format. These changes resulted in budget savings for the year and an increase to the cash balance causing an overall increase in the total assets.

The increase in noncurrent liabilities resulted from a loan obtained to purchase a building in Ash Flat to be used for a technical education center.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of this statement is to present revenues received and expenses paid, operating and non-operating, and any other revenues, expenses, gains and losses. Operating revenues include activities that have the characteristics of exchange transactions, such as reimbursements from various services, federal and state grants, and auxiliary enterprises. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 34, such as state appropriations, federal and state grants and investment income.

A summarized Statement of Revenues, Expenses and Changes in Net Position at June 30, 2020 is as follows:

Operating Revenues:	**June 30, 2020**	**June 30, 2019**
Student tuition and fees (net of scholarship allowances)	$ 1,186,243	$ 1,045,321
Federal, state and local grants and contracts	1,332,011	1,118,326
Auxiliary enterprises (net of scholarship allowances)	31,181	20,059
Other operating revenue	68,916	67,245
Total Operating Revenues	**2,618,351**	**2,250,951**
Operating Expenses:		
Personal Services	6,667,969	6,460,458
Scholarships and fellowships	1,698,944	1,317,616
Supplies and services	2,190,565	1,842,016
Depreciation	742,603	696,546
Total Operating Expenses	**11,300,081**	**10,316,636**
Operating Income (Loss)	**(8,681,730)**	**(8,065,685)**
Non-Operating Revenues (Expenses):		
State appropriations	4,397,004	4,362,612
Sales and use tax	520,529	477,739
Federal, state and local grants and contracts	4,044,193	3,397,846
Gifts	80,149	74,203
Investment income	23,270	26,455
Other revenues (expenses)	(191,360)	(185,189)
Net Non-Operating Revenue (Expenses)	**8,873,785**	**8,153,666**
Income Before Other Revenues, Expenses, Gains or Losses	**192,055**	**87,981**
Capital grants and gifts	160,637	
Adjustment of Library Holdings – rate per volume	14,639	32,504
Increase (Decrease) in Net Position	**367,331**	**120,485**
Net Position – Beginning of Year	**7,782,206**	**7,661,721**
Net Position – End of Year	**$ 8,149,537**	**$ 7,782,206**

The increase in total operating revenues was due to increases in both student tuition and fees and grant funding. Although the total number of full-time equivalent students remained fairly constant, an adjustment to the fee structure for aviation practicums and program fees resulted in additional income from tuition and fees.

The increases in operating expenses were a result of several factors. The increase in personal services was from the addition of new faculty and student support staff. The increase in scholarships and fellowships was from approximately $400,000 in direct aid to students as a result of the funding received from the CARES Act Higher Education Emergency Relief Funds. The supplies and services line item increased for the equipment and supplies needed to transition to on-line instruction due to the Covid pandemic and to renovate and equip the space for an automotive/diesel shop in the Ash Flat Technical Center.

Net non-operating revenues increased as a result of the funding received from the CARES Act for direct payment to students, a local grant received to combat opioid use, and increased sales tax revenues.

A grant from the Arkansas Department of Aeronautics for the purchase of instructional equipment and contributions received from the Ozarka College Foundation to purchase equipment needed for new instructional programs led to the increase in capital grants.

Statement of Cash Flows:

The statement of Cash Flows provides detailed information about the cash activity of the College during the year. The statement is divided into the following five sections:

- Operating Activities - provides detail of the operating cash flows and the net cash used by operating activities for the College.
- Non-Capital Financing Activities - reflect cash received and spent for non-operating financing activities.
- Investing Activities - cash flows related to the purchase, proceeds, and interest received from investing activities.
- Capital and Related Financing Activities – provides specific information on the cash used for the acquisition and construction of capital and related items.
- Change in Cash - reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

A summarized Statement of Cash Flows at June 30, 2020 is as follows:

Cash Provided (Used) By:	**June 30, 2020**	**June 30, 2019**
Operating activities	$ (8,107,792)	$ (7,379,832)
Noncapital financing activities	9,014,556	8,218,793
Capital and related financing	(530,247)	(479,074)
Investing activities	7,867	8,235
Net Change in Cash	**384,384**	**368,122**
Cash – Beginning of Year	**3,655,323**	**3,287,201**
Cash – End of Year	**$ 4,039,707**	**$ 3,655,323**

Economic Outlook

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take actions to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on our operations and financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to Ozarka College is uncertain at this time.

Ozarka College
Comparative Statement of Net Position
June 30, 2020

Exhibit A

		2020		2019
Assets				
Current Assets:				
Cash & cash equivalents	$	3,799,472	$	3,066,357
Short-term investments		688,181		674,783
Accounts receivable (less allowance of $26,607 and $24,498)		239,465		220,479
Other receivables		296,701		210,262
Inventories		650		594
Deposits with trustee		5,582		11,824
Prepaid expenses		124,447		65,228
Accrued interest		237		1,053
Total Current Assets		**5,154,735**		**4,250,580**
Noncurrent Assets:				
Cash & cash equivalents		240,235		588,966
Deposits with trustee		191,341		191,341
Capital assets (net of accumulated depreciation of $10,630,349 and $9,917,173)		10,429,672		10,507,608
Total Noncurrent Assets		**10,861,248**		**11,287,915**
Total Assets		**16,015,983**		**15,538,495**
Deferred Outflows of Resources				
Deferred amount on refunding		54,967		58,989
Deferred amount related to other postemployment benefits		40,803		35,132
Deferred amount related to pensions		311,017		354,360
Total Deferred Outflows		**406,787**		**448,481**
Total Assets and Deferred Outflows of Resources	**$**	**16,422,770**	**$**	**15,986,976**
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	$	53,881	$	108,042
Notes Payable		18,037		
Bonds payable		199,474		199,474
Compensated absences		22,931		28,560
Liability for other postemployment benefits		15,201		4,602
Unearned revenue		44,764		13,359
Funds held in trust for others		19,857		17,637
Interest payable		14,137		14,094
Total Current Liabilities		**388,282**		**385,768**
Noncurrent Liabilities:				
Notes payable		318,897		
Bonds payable		4,908,969		5,108,443
Liability for other post employment benefits		797,034		737,710
Compensated absences		233,108		201,962
Net pension liability		1,147,871		1,129,835
Total Noncurrent Liabilities		**7,405,879**		**7,177,950**
Total Liabilities		**7,794,161**		**7,563,718**
Deferred Inflows of Resources				
Deferred amount related to other postemployment benefits		24,727		27,474
Deferred amount related to pensions		454,345		613,578
Total Deferred Inflows		**479,072**		**641,052**
Total Liabilities and Deferred Inflows		**8,273,233**		**8,204,770**
Net Position				
Invested in capital assets		5,175,635		5,391,031
Restricted for:				
Expendable				
Other		9,196		196
Unrestricted		2,964,706		2,390,979
Total Net Position	**$**	**8,149,537**	**$**	**7,782,206**

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

Ozarka College Foundation, Inc.
Statements of Financial Position
June 30, 2020

Exhibit A-1

		2020		2019
Assets				
Current Assets:				
Cash and cash equivalents	$	19,923	$	18,861
Loan receivable, net of allowance for doubtful accounts		131		149
Total Current Assets		**20,054**		**19,010**
Restricted Assets				
Cash and cash equivalents		132,618		129,313
Investments		2,032,185		2,036,354
Total Restricted Assets		**2,164,803**		**2,165,667**
Property and Equipment				
Land				21,883
Total Assets	**$**	**2,184,857**	**$**	**2,206,560**
Liabilities and Net Assets				
Net Assets				
Without Donor Restrictions	$	401,766	$	499,837
With Donor Restrictions		1,783,091		1,706,723
Total Net Assets		**2,184,857**		**2,206,560**
Total Liabilities and Net Assets	**$**	**2,184,857**	**$**	**2,206,560**

Ozarka College
Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Exhibit B

	2020	2019
Operating Revenues:		
Student tuition and fees (net of scholarship allowance of $2,918,140 and $2,729,062)	$ 1,186,243	$ 1,045,321
Federal grants and contracts	965,517	781,345
State and local grants and contracts	366,494	336,981
Auxiliary enterprises		
Student Housing (net of scholarship allowances of $12,566 and $13,017)	28,693	16,824
Other auxiliary enterprises	2,488	3,235
Other operating revenues	68,916	67,245
Total Operating Revenues	**2,618,351**	**2,250,951**
Operating Expenses:		
Personal services	6,667,969	6,460,458
Scholarships and fellowships	1,698,944	1,317,616
Supplies and services	2,190,565	1,842,016
Depreciation	742,603	696,546
Total Operating Expenses	**11,300,081**	**10,316,636**
Operating Income (Loss)	**(8,681,730)**	**(8,065,685)**
Non-Operating Revenues (Expenses):		
State appropriations	4,397,004	4,362,612
Sales and use tax	520,529	477,739
Federal grants	3,687,294	3,172,098
State grants	275,661	225,748
Local/Private grants	81,238	
Gifts	80,149	74,203
Investment income	23,270	26,455
Interest on capital asset - related debt	(190,550)	(184,062)
Gain or loss on disposal of capital assets	599	423
Refund to grantor		(104)
Other expense - Paying Agent Fees	(1,409)	(1,446)
Net Non-Operating Revenues (Expenses)	**8,873,785**	**8,153,666**
Income Before Other Revenues, Expenses, Gains or Losses	**192,055**	**87,981**
Capital grants and gifts	160,637	
Adjustment of Library Holdings - rate per volume	14,639	32,504
Increase (Decrease) in Net Position	**367,331**	**120,485**
Net Position - Beginning of Year	**7,782,206**	**7,661,721**
Net Position - End of Year	**$ 8,149,537**	**$ 7,782,206**

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

Ozarka College Foundation, Inc.
Statements of Activities
For the Year Ended June 30, 2020

Exhibit B-1

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Unrestricted	With Donor Restrictions	Total
Revenues, gains, and other support						
Contribution income	$ 6,614	$ 155,511	$ 162,125	$ 6,350	$ 67,434	$ 73,784
Other income	83,084		83,084	109,583		109,583
Investment return	556	4,331	4,887	1,051	81,248	82,299
Net assets released from restriction	83,474	(83,474)		95,628	(95,628)	
Total revenues, gains and other support	**173,728**	**76,368**	**250,096**	**212,612**	**53,054**	**265,666**
Operating expenses:						
Contract services	38,448		38,448	43,943		43,943
Scholarship expense	58,800		58,800	50,276		50,276
Office expense	2,033		2,033	1,054		1,054
Gala expense	126		126	7,822		7,822
Golf tournament	11,452		11,452	9,376		9,376
Insurance	1,141		1,141	1,166		1,166
Professional fees	4,900		4,900	4,885		4,885
Program expense	13,518		13,518	7,690		7,690
Contributions to Ozarka college	125,000		125,000			
Total Expenses	**255,418**		**255,418**	**126,212**		**126,212**
Excess of revenues over expenses	**(81,690)**	**76,368**	**(5,322)**	**86,400**	**53,054**	**139,454**
Nonoperating revenues (expenses)						
Loss on sale of assets	(16,381)		(16,381)			
Total nonoperating revenues (expenses)	(16,381)		(16,381)			
Change in net assets	**(98,071)**	**76,368**	**(21,703)**	**86,400**	**53,054**	**139,454**
Net assets beginning of year	**499,837**	**1,706,723**	**2,206,560**	**413,437**	**1,653,669**	**2,067,106**
Net assets end of year	**$ 401,766**	**$ 1,783,091**	**$ 2,184,857**	**$ 499,837**	**$ 1,706,723**	**$ 2,206,560**

Ozarka College
Comparative Statement of Cash Flows
For the Year Ended June 30, 2020

Exhibit C

	2020	2019
Cash Flows from Operating Activities		
Student tuition and fees	$ 1,199,404	$ 1,055,526
Grants and contracts - State	350,764	341,771
Grants and contracts - Federal	908,131	734,720
Auxiliary enterprises revenues		
Student Housing	27,760	17,514
Other auxiliary enterprises	2,636	7,699
Other receipts	68,916	67,245
Payments to employees	(4,909,877)	(4,798,941)
Payments for employee benefits	(1,789,210)	(1,725,998)
Payments to suppliers	(2,267,372)	(1,761,752)
Scholarship and fellowships	(1,698,944)	(1,317,616)
Net cash provided by operating activities	**(8,107,792)**	**(7,379,832)**
Cash Flows from Noncapital Financing Activities		
State appropriations	4,397,004	4,362,612
Sales and use tax	517,427	463,270
Grants and contracts - State	275,661	225,748
Grants and contracts - Federal	3,687,294	3,172,098
Direct Lending receipts	1,188,907	1,089,231
Direct Lending payments	(1,188,907)	(1,089,231)
Other agency funds - net	2,215	(4,831)
Other Grants and Gifts	134,955	(104)
Net cash provided by noncapital financing activities	**9,014,556**	**8,218,793**
Cash Flows from Capital and Related Financing Activities		
Capital gifts and grants	160,637	
Proceeds from sale of capital assets	599	423
Payments to trustee for bond principal	(200,000)	(195,000)
Payments to trustee for interest and fees	(168,215)	(181,850)
Purchases of capital assets	(300,116)	(102,647)
Principal paid on capital lease	(13,066)	
Interest paid on capital lease	(10,086)	
Net cash provided by capital and related financing activities	**(530,247)**	**(479,074)**
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	1,368,143	1,336,618
Interest on investments (net of fees)	7,867	8,235
Purchases of investments	(1,368,143)	(1,336,618)
Net cash provided by investing activities	**7,867**	**8,235**
Net increase (decrease) in cash and cash equivalents	**384,384**	**368,122**
Cash and Cash equivalents - beginning of year	**3,655,323**	**3,287,201**
Cash and Cash equivalents - end of year	**$ 4,039,707**	**$ 3,655,323**

Ozarka College
Comparative Statement of Cash Flows
For the Year Ended June 30, 2020

Exhibit C

	2020	2019
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating Income (loss)	**$ (8,681,730)**	**$ (8,065,685)**
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	742,603	696,546
Non cash operating expenses		74,203
Change in assets and liabilities:		
Receivables, net	(75,891)	(43,945)
Inventories	(56)	(594)
Prepaid expenses	(59,219)	(2,472)
Accounts payable and accrued liabilities	(54,072)	41,722
Unearned revenue	31,405	3,584
Compensated absences	25,517	(19,256)
Other post-employment benefits	61,505	52,931
Net pension liability	(97,854)	(116,866)
Net cash provided (used) by operating activities	**$ (8,107,792)**	**$ (7,379,832)**
Noncash Transactions		
Adjustment of library holdings - rate per volume	$ 14,639	$ 32,504
Investment earnings on deposit with trustee	2,821	4,070
Reinvested investment earnings	13,397	13,881
Northcentral Arkansas Educational Service Cooperative - welding supplies		74,203
Proceeds of note payable	350,000	

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

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

The State Board for Vocational Education was created under the provisions of Act 328 of 1957 for the purpose of establishing in various sections of Arkansas, secondary level schools for specializing in vocational technical training. Efforts of the agencies were to be directed toward specialized training of students of high school age and as a service to the community in the area of adult education.

Ozarka Vocational Technical School, an institution of higher education of the State of Arkansas, began operations in July 1975. Effective July 1, 1991, the College's name was changed to Ozarka Technical College under the provisions of Ark. Code Ann. § 6-53-301. The College is now under the jurisdiction of the Arkansas Higher Education Coordinating Board. The governing body is the Board of Trustees comprised of seven members. Effective July 1, 1999, the College's name was changed to Ozarka College.

The Ozarka College Foundation, Inc., (Foundation) is a legally separate, tax-exempt component unit of Ozarka College (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 Foundation board is self-perpetuating and consists of friends of the College. As of June 30, 2020, there were 19 board positions filled of the 25 allowed by the Foundation by-laws. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the College by 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, 2020, the Foundation distributed $98,500 and $125,000 in cash and gifts to the College for both restricted and unrestricted purposes. Gifts consisted of non-operating gifts of $80,149 and capital gifts of $44,851 as reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Complete financial statements for the Foundation can be obtained from the Finance Office, Ozarka College, Post Office Box 10, Melbourne, AR 72556.

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

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement no. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* GASB Statement no. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, followed this in November 1999. The financial statement presentation required by GASB no. 34 and no. 35 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

In June 2011, the GASB issued Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The use of net position as the residual of all other elements presented in a statement of financial position has also been identified. This statement amends the net asset reporting requirement in Statement no. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In fiscal year 2016, the College implemented GASB Statement no. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. Further information can be found in Note 2.

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments. Further information can be found in Note 10.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, software, equipment, and construction in progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at acquisition value when received. The College follows the State guidelines for equipment capitalization. Library holdings are valued at a rate per volume by categories. The rate per volume was derived from a publication of average costs.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 10 to 15 years for library holdings , and 3 to 7 years for software and equipment.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Revenues

Operating revenues include activities that have characteristics of exchange transactions, such as student tuition and fees, most federal and state grants, and auxiliary enterprises.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9 and GASB Statement no. 34. Such revenues include state appropriations, sales and use tax, Pell grants and other grants used exclusively for scholarships, and investment income.

Cash Equivalents

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

Accounts Receivable

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

Investments

Investments, which consist of certificates of deposit classified as nonparticipating contracts, are stated at cost under the provisions of Statement no. 31 of the Governmental Accounting Standards Board.

Inventories

Inventories are valued at cost with cost being generally determined on a specific cost basis for the food service inventory.

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 expenses are incurred.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Compensated absences payable represent the College's liability for unused annual leave, certain unused sick leave, and related matching costs at June 30, 2020. For presentation purposes only, employees eligible for retirement are included in the sick leave portion of the liability. Employees meeting the following criteria are eligible for retirement: (1) the employee is retiring from Ozarka College at the age of 55 or above, (2) the employee's actual age and actual number of years of service to Ozarka College at the time of retirement combine to a total of 75 or more, and (3) the employee is enrolled in health coverage through the College at the time of retirement.

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
FDIC (Insured)	$1,035,713	$1,250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	3,562,157	3,786,795
Total Deposits	$4,597,870	$5,036,795

The above deposits do not include cash on deposit in the state treasury or cash on hand in the amount of $129,868 and $150 for the year ended June 30, 2020, respectively. The above total deposits include certificates of deposit of $688,181 reported as investments and classified as nonparticipating contracts.

NOTE 2: Public Fund Deposits and Investments (Continued)

Deposits with Trustee

The Federated U.S. Treasury Cash Reserves Fund

This fund operates as a "government money market fund" as defined in or interpreted under Rule 2a-7 of the Investment Company Act of 1940, as amended. Under normal conditions, this fund will invest its assets so that at least 80% of its net assets are invested in government securities that are collateralized fully by government securities.

Investments Measured at the NAV

Calculation of Net Asset Value – The Fund attempts to stabilize the NAV of its Shares at $1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the Fund calculates a market-based NAV per Share on a periodic basis. The Fund cannot guarantee that its NAV will always remain at $1.00 per Share. The fund does not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the New York Stock Exchange is open.

Security Description	Amount
U.S. Treasury (2015 series bonds) (1)	$ 113,128
U.S. Treasury (2013 series bonds) (1)	83,795
Total investments * measured at the NAV	$ 196,923

* reported as deposits with trustee

(1) *Government Agencies and U.S. Treasury – Fixed-Income Securities*. Fixed-income securities pay interest, dividends, or distributions at a specified rate. The rate may be a fixed percentage of the principal or may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase the issuer's earnings. This limits the potential appreciation of fixed-income securities as compared to equity securities.

A security's yield measures the annual income earned on a security as a percentage of its price. A Security's yield will increase or decrease depending upon whether it costs less (a "discount") or more (a "premium") than the principal amounts. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

The following describes the types of fixed-income securities in which the Fund principally invests:

U.S. Treasury Securities – are direct obligations of the federal government of the United States.

Government Securities – are issued or guaranteed by a federal agency or instrumentality acting under federal authority. Some government securities, including those issued by Ginnie Mae, are supported by the full faith and credit of the Unites States and are guaranteed only as to the timely payment of interest and principal.

NOTE 2: Public Fund Deposits and Investments (Continued)

Investments Measured at the NAV (Continued)

Other government securities receive support through federal subsidies, loans or other benefits, but are not backed by the full faith and credit of the United States. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Freddie Mac, and Fannie Mae in support of such obligations.

Some government agency securities have no explicit financial support, and are supported only by the credit of the applicable agency, instrumentality, or corporation. The U.S. government has provided financial support to Freddie Mac and Fannie Mae, but there is no assurance that it will support these or other agencies in the future.

Callable Securities – are certain U.S. Treasury or government securities in which the Fund invests are callable at the option of the issuer. Callable securities are subject to call risks.

NOTE 3: Income Taxes

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

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2020:

	Balance 7/1/2019	Additions	Retirements	Balance 6/30/2020
Nondepreciable capital assets:				
Land	$ 310,499			$ 310,499
Other capital assets:				
Improvements	$ 475,321			$ 475,321
Buildings	16,206,285	$ 401,232		16,607,517
Equipment	1,303,839	248,796	$ (29,427)	1,523,208
Software (intangible asset)	451,652			451,652
Library holdings	1,677,185	14,639		1,691,824
Total other capital assets	20,114,282	664,667	(29,427)	20,749,522
Less accumulated depreciation for:				
Improvements	218,202	20,330		238,532
Buildings	6,872,853	527,173		7,400,026
Equipment	986,045	138,121	(29,427)	1,094,739
Software (intangible asset)	451,652			451,652
Library holdings	1,388,421	56,979		1,445,400
Total accumulated depreciation	9,917,173	742,603	(29,427)	10,630,349
Other capital assets, net	$ 10,197,109	$ (77,936)	$ 0	$ 10,119,173
Capital asset summary:				
Nondepreciable capital assets	$ 310,499			$ 310,499
Other capital assets, at cost	20,114,282	$ 664,667	$ (29,427)	20,749,522
Total cost of capital assets	20,424,781	664,667	(29,427)	21,060,021
Less accumulated depreciation	9,917,173	742,603	(29,427)	10,630,349
Capital assets, net	$ 10,507,608	$ (77,936)	$ 0	$ 10,429,672

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities to June 30, 2020
2/1/2013	12/1/2042	1 - 3.95%	$ 3,000,000	$ 2,500,000	$ 500,000
Unamortized premium			6,791	5,108	1,683
9/1/2015	12/1/2035	2 - 3.75%	3,200,000	2,615,000	585,000
Unamortized discount			(15,239)	(11,665)	(3,574)
9/20/2019	9/20/2024	3.85%	350,000	336,934	13,066
Totals			$ 6,541,552	$ 5,445,377	$ 1,096,175

The changes in long-term liabilities are as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Bonds Payable	$ 5,307,917		$ 199,474	$ 5,108,443	$ 199,474
Notes Payable		$ 350,000	13,066	336,934	18,037
Compensated Absences	230,522	378,671	353,154	256,039	22,931
Totals	$ 5,538,439	$ 728,671	$ 565,694	$ 5,701,416	$ 240,442

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

Year Ended	Bonds Payable			Note Payable		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2021	$ 200,000	$ 171,249 *	$ 371,249	$ 18,037	$ 12,833	$ 30,870
2022	210,000	165,694	375,694	18,753	12,116	30,869
2023	215,000	159,759	374,759	19,499	11,370	30,869
2024	215,000	153,628	368,628	20,245	10,624	30,869
2025	230,000	147,160	377,160	260,400	2,545	262,945
2026-2030	1,250,000	624,746	1,874,746			
2031-2035	1,485,000	393,627	1,878,627			
2036-2040	860,000	158,116	1,018,116			
2041-2043	450,000	27,058	477,058			
Totals	$ 5,115,000	$ 2,001,037	$ 7,116,037	$ 336,934	$ 49,488	$ 386,422

*Includes interest payable of $14,137 reported as a current liability at June 30, 2020.

NOTE 6: 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 law authorizes participation in the plan.

Funding Policy. TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 6% of earnings to the plan. The College contributes 12% of earnings for all applicable employees. The participants' and the College's contributions for the year ended June 30, 2020 were $43,835 and $61,672, respectively.

Arkansas Teacher Retirement System

Summary of Significant Accounting Policies

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

(a) General Information about the Pension Plan

Plan description: Eligible employees of Ozarka College are provided with pensions through the Arkansas Teacher Retirement System (ATRS), administered by the Arkansas Teacher Retirement System Board of Trustees. ATRS is a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly.

ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. The report may be obtained by contacting:

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

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

(a) General Information about the Pension Plan (Continued)

Benefits Provided: The ATRS plan provides retirement, disability and death benefits, and annual adjustments to plan members and beneficiaries, as follows:

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

(b) Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for the plan are as follows:

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2020, the employer contribution rate was 14.25% of covered employee payroll.

Contributions to ATRS from Ozarka College were $76,542 for the year ended June 30, 2020.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 6.25% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members were automatically enrolled as contributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, Ozarka College reported a liability of $619,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. Ozarka College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2019, the College's proportion was .0149% for ATRS.

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2020, Ozarka College recognized pension expense of $5,260. For the year ended June 30, 2020, Ozarka College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,641	$ 6,486
Net differences between projected and actual earnings on pension plan investments		43,664
Changes of assumptions	92,126	
Changes in proportion and differences between employer contributions and share of contributions	2,705	291,172
College contributions subsequent to the measurement date	76,542	
Total	$188,014	$341,322

$76,542 reported as deferred outflows of resources related to pensions resulting from Ozarka College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$(78,784)
2022	$(101,482)
2023	$(40,174)
2024	$(6,137)
2025	$(3,273)

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions. The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	ATRS
Date of actuarial valuation	June 30, 2019
Inflation rate	2.75%
Salary increases	2.75% to 7.75%, including inflation
Investment rate of return	7.5%
Mortality rates	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.
Actuarial experience study dates	July 1, 2010, through June 30, 2015

The long-term expected rate of return on pension plan investments of the ATRS 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. 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 each pension plans' target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	53%	5.1%
Fixed income	15%	1.4%
Alternatives	5%	4.2%
Real assets	15%	5.0%
Private equity	12%	6.3%
Cash equivalents	0%	0.6%

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System

Discount rate. The discount rate for the ATRS plan was determined as follows:

The single discount rate was based on the expected rate of return on pension plan investments of 7.5%. 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.

Sensitivity of College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability for the ATRS plan calculated using the discount rate stated above, as well as what Ozarka's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.5%	Current discount rate 7.5%	1% Increase 8.5%
ATRS – Current discount rate 7.50%	$1,019,052	$619,827	$288,729

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

Summary of Significant Accounting Policies

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

(a) General Information about the Pension Plan

Plan descriptions: Eligible employees of Ozarka College are provided with pensions through Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System Board of Trustees. APERS 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. Benefits are also provided for governors, General Assembly members, state and county constitutional officers, and quasi-judicial members. The benefit provisions offered by the APERS plan are established by State law and may be amended only by the Arkansas General Assembly.

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

(a) General Information about the Pension Plan (Continued)

APERS issues a publicly available financial report that includes financial statements and required supplementary information for APERS. The report may be obtained by contacting:

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

Benefits Provided: The APERS plan provides retirement, disability and death benefits, and annual adjustments to plan members and beneficiaries, as follows:

The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately prceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

(b) Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for the plan are as follows:

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly, certain municipal and county elected officials, and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2020, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 38.99%. The College's required contribution rate was 15.32% for the year ended June 30, 2020. Contributions to APERS from Ozarka College were $79,935 for the year ended June 30, 2020.

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

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

(b) Contributions (Continued)

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

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, Ozarka College reported liabilities of $528,044 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. Ozarka College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2019, the State's proportion was .0219% for APERS.

For the year ended June 30, 2020, Ozarka College recognized pension expense of $53,363. For the year ended June 30, 2020, Ozarka College reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,371	$ 785
Changes of assumptions	28,661	20,299
Net differences between projected and actual earnings on pension plan investments		4,011
Changes in proportion and differences between employer contributions and proportionate share of contributions	36	87,928
State contributions subsequent to the measurement date	79,935	
Total	$123,003	$113,023

$79,935 reported as deferred outflows of resources related to pensions resulting from Ozarka College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$(23,329)
2022	$(42,026)
2023	$(10,630)
2024	$ 6,030

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions. The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	APERS
Date of actuarial valuation	June 30, 2019
Inflation rate	3.25%
Salary increases	3.25% - 9.85%, including inflation
Investment rate of return	7.15%
Mortality rates	RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.
Actuarial experience study dates	July 1, 2012 through June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019-2028 were based upon capital market assumptions provided by the plan investment consultant.

For each major asset class included in the plan's current asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.20%
International equity	24.00%	6.33%
Real assets	16.00%	3.32%
Absolute return	5.00%	3.56%
Cash	18.00%	1.54%

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Discount rate. The discount rate for each plan was determined as follows:

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

Sensitivity of College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability for each plan calculated using the discount rate stated above, as well as what the State's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.15%	Current discount rate 7.15%	1% Increase 8.15%
APERS – Current discount rate 7.15%	$846,323	$528,044	$265,450

Pension plan fiduciary net position. Detailed information about each pension plan's fiduciary net position is available in the separately issued financial report of each plan.

The total pension expense for both plans, recorded in personal services expenditures, for fiscal year ended June 30, 2020 was $58,623. Individual plan pension expense was $53,363 for APERS and $5,260 for ATRS.

Alternative Retirement Plan – Variable Annuity Life Insurance Company

Plan Description. The College contributes to the Alternative Retirement Plan – Variable Annuity Life Insurance Company, 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 the Arkansas State Board of Career Education and Variable Annuity Life Insurance Company (VALIC). VALIC provides insurance policies and annuity contracts and when they are issued they become the property of the participant. Arkansas law authorizes participation in the plan.

Funding Policy. The participants' contributions are tax-sheltered and amount to a minimum of 6% of compensation. The College's contribution rate is 12%. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2020 were $209,907 and $340,423, respectively.

NOTE 7: Natural Classifications by Function

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

	Total Personal Services	Scholarships and Fellowships	Supplies and Services	Depreciation	Total
Instruction	$ 3,220,339		$ 669,670		$ 3,890,009
Public service	195,871		67,578		263,449
Academic support	65,748		43,493		109,241
Student services	910,000		169,126		1,079,126
Institutional support	1,817,754		478,946		2,296,700
Scholarships & fellowships		$ 1,698,944			1,698,944
Operation & maintenance of plant	458,257		738,060		1,196,317
Auxiliary enterprises			23,692		23,692
Depreciation				$ 742,603	742,603
Total	$ 6,667,969	$ 1,698,944	$ 2,190,565	$ 742,603	$ 11,300,081

NOTE 8: Disaggregation of Receivable and Payable Balances

Accounts receivable from students were $266,072 at June 30, 2020. This amount was reduced by an allowance for doubtful accounts of $26,607.

Other receivables of $296,701 consisted of $100,944 due from sales and use tax, reimbursements of $192,212 from various agencies for grants and contracts, and auxiliary enterprises and other receivables of $3,545.

The accounts payable and accrued liabilities of $53,881 at June 30, 2020, consisted of $14,314 due to vendors and $39,567 salaries and benefits payable.

NOTE 9: Sales and Use Tax

Effective October 2002, the voters of the City of Ash Flat approved the levy of a three-eighths of one percent sales and use tax. This sales tax will assist in the operation and maintenance and capital improvements of the facilities located at the Ash Flat campus.

On April 10, 2012, the voters of the City of Melbourne passed a one percent city sales tax of which three-eighths of one percent was designated for Ozarka College. This sales tax is designated for the construction and maintenance of buildings and improvements on the Melbourne Campus.

NOTE 10: Other Postemployment Benefits

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

General Information about OPEB Plan:

Plan Description

Ozarka College offers a single-employer, defined benefit OPEB plan for all permanent benefits eligible employees. Employees who retire directly from active employment who have reached age 55 and their age plus years of service total 75 years with Ozarka College are eligible to participate in the Ozarka OPEB Plan. The College allows continued group health insurance coverage until the retiree reaches Medicare eligibility and contributes to health insurance premiums (individual or family coverage) for qualified employees until the retiree is 65 years of age.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payment	1
Active employees	87
	88

Medical Plan	Arkansas Higher Education Consortium Benefits Trust
Deductible:	Basic - \$3,500 individual/\$7,000 family Core - \$2,500 individual/\$5,000 family Enhanced - \$1,500 individual/\$3,000 family Twice the above amounts for out-of-network
Out of Pocket Limit:	Basic - \$7,100 individual/\$14,200 family Core - \$7,100 individual/\$14,200 family Enhanced - \$5,500 individual/\$11,000 family No limit for out-of-network claims
Copayment:	Basic - \$35 primary care physician, \$70 specialist Core - \$30 primary care physician, \$60 specialist Enhanced - \$25 primary care physician, \$50 specialist
Coinsurance:	Generally 20% in-network, 40% out-of-network

NOTE 10: Other Postemployment Benefits (Continued)

Total OPEB Liability

Ozarka College's total OPEB liability of $812,235 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no.75.

Actuarial Assumptions and other input

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 3.00 percent

Discount Rate: Single discount rate of:

- 3.13% at 06/30/17
- 2.98% at 06/30/18
- 2.79% at 06/30/19
- 2.66% at 06/30/20

Health Care Cost Trend Rate: 10.00% for next year, 9.00% for the following year, 8.00% for the third year, 7.50% for the fourth year, with the rate decreasing by 0.50% each year, to an ultimate rate of 5.00% in the ninth year

Base Claim Cost: The following monthly claim costs were assumed:

	College
Premium	$449.77
Implicit Subsidy	$296.87

Pre-Retirement Mortality: Deaths were projected on the basis of the RP 2014 Mortality Table

Post-Retirement Mortality: The FP 2014 Mortality Table was used. The life expectancy according to this table is as follows:

Age	Males	Females
55	28.90 years	31.36 years
65	20.01 years	21.99 years

NOTE 10: Other Postemployment Benefits (Continued)

Voluntary Terminations: The voluntary termination assumptions used by the Arkansas Teachers Retirement System have been used. Termination at some sample ages are:

Age	Termination Rate Per 100 Members
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

Expected Retirement Pattern: Retirements were assumed at the following rates:

Age	Retirement Rate Per 100 Members
55 to 59	5.00
60	15.00
61	14.00
62	25.00
63	15.00
64	15.00
65	35.00
66	30.00
67	30.00
68	30.00
69	100.00

Disabilities: The disability rates assumed by the Arkansas Teachers Retirement System have been used. Rates at some sample ages are:

Age	Disability Rate Per 100 Members
20	0.10
25	0.10
30	0.08
35	0.08
40	0.14
45	0.24
50	0.53
55	0.88
60	1.00

NOTE 10: Other Postemployment Benefits (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 06/30/19	$ 742,312
Changes for the year:	
Service cost	39,442
Interest	21,249
Changes in assumptions	10,103
Benefit payments	(871)
Net changes	69,923
Balance at 06/30/20	$ 812,235

Changes of assumptions and other inputs reflect a change in the discount rate. The assumed single discount rate was changed from 2.79% to 2.66% at June 30, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate the is 1-percentage –point lower (1.66 percent) or 1-percentage - point higher (3.66 percent) than the current discount rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	$ 900,110	$ 812,235	$ 732,699

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage–point lower or 1-percentag-point higher than the current healthcare cost trend rate:

	1% Decrease in HCCTR	Assumed HCCTR	1% Increase in HCCTR
Total OPEB liability	$ 696,947	$ 812,235	$ 951,079

NOTE 10: Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the College recognized an OPEB expense of $62,376. At June 30, 2020, the College reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$24,727
Changes of assumptions	$40,803	
Total	$ 40,803	$24,727

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

Year ended June 30:	Net deferred Outflow of Resources
2021	$ 1,685
2022	1,685
2023	1,685
2024	1,685
2025	1,685
Thereafter	7,651
Total	$ 16,076

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact:

Tina Wheelis, Vice President for Finance
Ozarka College
PO Box 10
Melbourne, AR 72556
Phone (870) 368-2014
twheelis@ozarka.edu

NOTE 11: Contractual Obligations

The College was contractually obligated for the following at June 30, 2020:

Operating Leases

In September 20, 2017, the College began leasing 11 Canon IR Advance 4535 copiers (6 at the Melbourne Campus, 2 at the Sharp County Center, 2 at the Stone County Center, and 1 at the Fulton County Center). In addition, the College also began leasing a Canon IR Advance C5200 copier for the Melbourne Campus. Copier lease terms are for three years and are expected to be renewed at the end of the lease agreement. The College has no ownership of these items at the end of the lease agreement.

The future minimum rental payments for the remaining fiscal years are: $10,988

Fiscal Year Ending June 30,	Amount
2021	9,575
2022	1,413
	$ 10,988

Rental payments for the operating leases described above were approximately $21,348 for the year ended June 30, 2020.

The College began leasing airplanes for use in the aviation program during the year. The leases are for a one-year term and have varying execution dates. The lease amounts are calculated based on an hourly rate for a monthly minimum number of Hobbs hours.

The future minimum rental payments for the remaining fiscal years are: $11,662

Aircraft	Fiscal Year Ending June 30,	Amount
N65994	2021	$ 11,662

Rental payments for the operating lease described above were approximately $8,330 for the year ended June 30, 2020.

NOTE 12: Pledged Revenues

The College has pledged future tuition and fee revenue to repay $6,200,000 in tuition and fee revenue bonds issued from February 1, 2013 to September 1, 2015. The proceeds of the 2013 bonds provided financing for the construction of a new Student Services Center on the Melbourne Campus and other capital improvements. Proceeds from the 2015 bonds provided financing for the construction of a new educational facility in Stone County and refunding of bonds issued in 2002 and 2009. The bonds are payable solely from tuition and fee revenues and are payable through December 2042. Total principal and interest remaining to be paid on the bonds is $7,116,037. Principal and interest paid for the current year and total tuition and fee revenues were $375,557 and $4,104,383 respectively. The percentage of revenues pledged for the year ended June 30, 2020 was 9.15%

NOTE 13: Risk Management

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

The College carries commercial insurance for directors or officers covering legal judgments and settlements. The College also carries commercial insurance for students enrolled in health related programs covering student professional liabilities, and aircraft liability coverage. The College pays annual premiums for this coverage. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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

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

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

NOTE 14: Related-Party Transaction

The College maintained a bank balance of $3,430,926 and an outstanding loan balance of $336,934 with FNBC at June 30, 2020. A member of the College's Board of Trustees is the Community President for the Melbourne and Batesville branches.

NOTE 15: Subsequent Events

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to Ozarka College is uncertain as of the audit report date.

In September of 2020, the Ozarka College was notified that we had received the Ozarka Regional Workforce Opportunity for Rural Communities Grant in the amount of $1,472,857. The grant will provide funding for personnel, renovation/construction and equipment costs for a welding laboratory, industrial maintenance equipment, and to provide training for industry certifications and testing.

On January 19, 2021, the College closed the Series 2021 Student Tuition and Fee Revenue Refunding Bonds. The sales proceeds of the bonds were calculated as follows:

Par Amount of Bonds:	$ 5,065,000
Less: Net Original Issue Discount	(31,480)
Less: Underwriter's Discount	(68,377)
Total Purchase Price	$ 4,965,143

The proceeds of the bonds were used to retire the Series 2013 and 2015 bonds and the funds were disbursed in the following manner:

Series 2015 Payoff	$ 2,387,970
Series 2013 Payoff	2,353,825
Debt Service Reserve Fund	180,056
Cost of Issuance Fund	43,292
Total Uses of Funds	$ 4,965,143

In February 2021 the firm of Wittenburg Delony and Davidson Architects was selected for the Welding Lab Renovation at Ash Flat Tech Center. The plans have not been finalized nor has a general contractor been selected for the project at the present time.

The College has received grant awards of $2,670,355 from the Higher Education Emergency Relief Fund (HEERF) for both institutional use and for aid to students. These funds will be expended during fiscal years 2021 and 2022.

Other Postemployment Benefits

Ozarka College implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 established new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

Schedule of Changes in Total OPEB Liability

	2020	2019	2018
Total OPEB Liability Beginning Balance	$ 742,312	$ 691,146	$ 638,561
Changes for the year:			
Service cost	39,442	36,330	35,476
Interest	21,249	21,060	20,331
Differences between actual and expected experience		(30,221)	
Changes in assumptions	10,103	29,223	10,280
Benefit payments	(871)	(5,226)	(13,502)
Net changes	69,923	51,166	52,585
Total OPEB Liability Ending Balance	$ 812,235	$ 742,312	$ 691,146
Covered-employee payroll	4,225,104	4,143,938	3,854,149
Total OPEB Liability as a percentage of covered-employee payroll	19.22%	17.91%	17.93%

Notes:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of assumptions and other inputs reflect a change in the discount rate. The assumed single discount rate was changed from 2.79% to 2.66% at June 30, 2020.

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

OZARKA COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2020

Retirement Plan – Arkansas Teacher Retirement System

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

	2020*	2019*	2018*	2017*	2016*	2015*
Plan Net Pension Liability - End of Year	$4,171,365,050	$3,638,962,119	$4,203,863,874	$4,411,442,759	$3,256,909,830	$2,625,006,279
Ozarka's portion of net pension liability	0.0149%	0.0167%	0.0200%	0.0264%	0.0323%	0.317%
Ozarka's proportionate share of net pension liability	$ 619,827	$ 608,556	$ 841,486	$ 1,162,730	$ 1,052,781	$ 833,032
Ozarka's covered payroll	$ 457,306	$ 507,062	$ 593,293	$ 772,223	$ 941,951	$ 917,644
Ozarka's proportionate share of the net pension liability as a percentage of its covered payroll	135.54%	120.02%	141.83%	150.57%	111.77%	90.78%
Plan fiduciary net position as a percentage of the total pension liability	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

Ozarka College
Schedule of Contributions - ATRS

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 76,542	$ 64,023	$ 70,989	$ 83,061	$ 108,112	$ 131,873
Contributions in relation to the contractually required contribution	76,542	64,023	70,989	83,061	108,112	131,873
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Ozarka's covered payroll	$ 537,134	$ 457,306	$ 507,062	$ 593,293	$ 772,223	$ 941,951
Contribution as a percentage of covered payroll	14.25%	14.00%	14.00%	14.00%	14.00%	14.00%

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

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

Retirement Plan – Arkansas Public Employee Retirement System

Ozarka College
Schedule of College's Proportionate Share of the Net Pension Liability - APERS

	2020*	2019*	2018*	2017*	2016*	2015*
Plan Net Pension Liability - End of Year	$ 2,412,528,795	$ 2,205,935,041	$ 2,584,140,475	$ 2,391,348,072	$ 1,841,733,376	$ 1,418,912,236
Ozarka's portion of net pension liability	0.0219%	0.0236%	0.0253%	0.0318%	0.0338%	0.0339%
Ozarka's proportionate share of net pension liability	$ 528,044	$ 521,279	$ 653,746	$ 760,601	$ 622,344	$ 481,144
Ozarka's covered payroll	$ 418,849	$ 442,629	$ 455,955	$ 576,278	$ 599,539	$ 599,529
Ozarka's proportionate share of the net pension liability as a percentage of its covered payroll	126.07%	117.77%	143.38%	131.99%	103.80%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Ozarka College
Schedule of Contributions - APERS

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 79,935	$ 64,168	$ 65,288	$ 66,113	$ 83,560	$ 88,492
Contributions in relation to the contractually required contribution	79,935	64,168	65,288	66,113	83,560	88,492
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Ozarka's covered payroll	$ 521,771	$ 418,849	$ 442,629	$ 455,955	$ 576,278	$ 599,539
Contribution as a percentage of covered payroll	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%

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

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

Schedule 1

OZARKA COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets and Deferred Outflows	$ 16,422,770	$ 15,986,976	$ 16,252,559	$ 15,990,383	$ 16,199,664
Total Liabilities and Deferred Inflows	8,273,233	8,204,770	8,590,838	8,541,688	8,463,588
Total Net Position	8,149,537	7,782,206	7,661,721	7,448,695	7,736,076
Total Operating Revenues	2,618,351	2,250,951	1,963,404	2,356,841	2,551,835
Total Operating Expenses	11,300,081	10,316,636	10,022,373	10,766,305	11,063,699
Total Net Non-Operating Revenues	8,873,785	8,153,666	8,073,567	8,060,539	7,922,781
Total Other Revenues, Expenses, Gains or Losses	175,276	32,504	533,169	61,544	263,155