College of the Ouachitas

Malvern, Arkansas

Basic Financial Statements and Other Reports

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE

COLLEGE OF THE OUACHITAS
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JUNE 30, 2016

BASIC FINANCIAL STATEMENTS

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Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

College of the Ouachitas
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 the College of the Ouachitas (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2016, 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 College of the Ouachitas Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit as of and for the year ended December 31, 2015. 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 College of the Ouachitas 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 College of the Ouachitas 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, 2016 and December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the College's 2015 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 August 11, 2016. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015, 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 and certain information pertaining to pensions on pages 6-8 and 29-30 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 July 31, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
July 31, 2017
EDHE68516

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

College of the Ouachitas
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the College of the Ouachitas (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the College of the Ouachitas Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the College of the Ouachitas Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the College in a separate letter dated July 31, 2017.

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

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 31, 2017

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

College of the Ouachitas
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, 2016, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2015	Fall Term 2015	Spring Term 2016	Summer I Term 2016
Student Headcount	40	1,346	1,208	395
Student Semester Credit Hours	135	10,940	9,706	2,897

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

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the governing board, College management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 31, 2017

Overview of Financial Statements and Financial Analysis

College of the Ouachitas is proud to present its financial statements for fiscal year 2016 with comparative data presented for fiscal year 2015. The emphasis of discussion about these statements will be on current year data. There are three financial statements presented: the Comparative Statement of Net Position; the Comparative Statement of Revenues, Expenses, and Changes in Net Position; and the Comparative Statement of Cash Flows.

Condensed Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of College of the Ouachitas, as of June 30, 2016. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

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

Net Position is presented in three major categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. The first category, net investment in capital assets provides information on the institution's equity in property, plant and equipment. The next category, expendable restricted net position is available for expenditures by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets and nonexpendable net position is required to be maintained in indefinitely. The final category unrestricted net position is available to the institution for any lawful purpose of the institution.

Net position increased $1,623,172 from $1,351,640 to $2,974,812. The increase is largely due to the increase in capital assets of $1,345,137 and an increase in cash balance of $ 220,683.

Condensed Comparative Statement of Net Position
For the Year Ended June 30, 2016

	2016	2015
Total Assets and Deferred Outflows of Resources	$ 10,775,461	$ 9,329,951
Total Liabilities and Deferred Inflows of Resources	7,800,649	7,978,311
Total Net Position	2,974,812	1,351,640
Total Liabilities and Net Position	$ 10,775,461	$ 9,329,951

Condensed Statement of Net Position (Continued)

The total liabilities and deferred inflows listed on the Statement of Net Position, is $7,800,649. This consists mainly of loans payable, noncurrent portion of $1,490,144 and other noncurrent liabilities, postemployment benefits of $3,037,850, and net pension liability of $2,212,581. Total liabilities and deferred inflows for the year decreased $177,662 mainly due to a decrease in the noncurrent portion of Certificates of Indebtedness, as well as a decrease in current liabilities accounts payable of $79,732.

College of the Ouachitas

Management's Discussion and Analysis (Unaudited)

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

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. (For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.)

Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2016

	2016	2015
Operating revenues	$ 5,621,309	$ 5,843,860
Operating expenses	11,564,397	12,280,994
Operating loss	(5,943,088)	(6,437,134)
Nonoperating revenues and expenses	7,380,591	7,502,337
Income (loss) Before Other Revenues, Expenses, Gains, or Losses	1,437,503	1,065,203
Other revenues, expenses, gains or losses	185,669	(52,007)
Increase (Decrease) in Net Position	1,623,172	1,013,196
Net Position at Beginning of Year	1,351,640	2,906,850
Cumulative Effect: Pension Prior Year		(2,568,406)
Net Position at End of Year	$ 2,974,812	$ 1,351,640

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

- College of the Ouachita's tuition increased $5, $10, and $15 per credit hour for in-state, out-of-state and international students respectively. In-state tuition increased from $88 to $93 per credit hour between Fall 2014 and Fall 2015; out-of-state tuition increased from $176 to $186 and international tuition increased from $264 to $279.

- Additional per credit hour fees include: Technology fee of $10, Building fee of $9, Security fee of $3, Academic Excellence fee of $3, and Student Government fee of $2. Thus, total mandatory fees including tuition of $93 are $120 per credit hour. Flat fees per term include an Assessment fee of $10 per term.

Condensed Statement of Cash Flows

The final statement presented by College of the Ouachitas is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Comparative Statement of Cash Flows
For the Year Ended June 30, 2016

	2016	2015
Cash provided (used) by:		
Operating activities	$ (5,498,838)	$ (5,920,174)
Noncapital financing activities	7,332,850	7,454,782
Capital and related financing activities	(1,624,113)	(1,558,662)
Investing activities	10,784	10,499
Net Change in Cash	220,683	(13,555)
Cash, beginning of year	2,993,123	3,006,678
Cash, end of year	$ 3,213,806	$ 2,993,123

Capital Asset and Debt Administration

College of the Ouachitas has debt outstanding of $1,652,727 at June 30, 2016.

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The College's overall financial position is good. Other postemployment benefit liability (OPEB) continues to increase and is over $3,000,000. The net pension liability, recently added by GASB no. 68, and similar to OPEB, is over $2,200,000. The combination of these soft liabilities continues to erode the unrestricted fund balance. The College anticipates the current fiscal year will be much like the last, and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

COLLEGE OF THE OUACHITAS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit A

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets:		
Cash	$ 3,213,806	$ 2,993,123
Accounts receivable	126,605	123,839
Student receivables (less allowances of $355,631 and $321,935)	245,939	276,839
Notes receivable	8,248	
Inventories	118,826	167,265
Prepaid expenses	196,228	390,923
Total Current Assets	3,909,652	3,951,989
Noncurrent Assets:		
Capital assets (net of accumulated depreciation of $7,063,904 and $6,793,943)	6,419,442	5,074,305
TOTAL ASSETS	10,329,094	9,026,294
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount related to pensions	446,367	303,657
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,775,461	$ 9,329,951
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 74,184	$ 153,916
Accrued interest payable	7,587	8,607
Certificates of indebtedness payable	162,583	159,446
Compensated absences	28,896	18,747
Unearned revenues	2,167	3,078
Funds held in trust for others	40,611	54,347
Total Current Liabilities	316,028	398,141
Noncurrent Liabilities		
Certificates of indebtedness payable	1,490,144	1,652,727
Compensated absences	194,328	198,208
Other postemployment benefits	3,037,850	2,997,391
Net pension liability	2,212,581	1,874,807
Total Noncurrent Liabilities	6,934,903	6,723,133
TOTAL LIABILITIES	7,250,931	7,121,274
DEFERRED INFLOWS OF RESOURCES		
Deferred amount related to pensions	549,718	857,037
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 7,800,649	$ 7,978,311
NET POSITION		
Net investment in capital assets	$ 4,766,715	$ 3,262,131
Restricted for:		
Expendable:		
Scholarships and fellowships	28,838	40,310
Emergency loans to students	10,000	
Unrestricted	(1,830,741)	(1,950,801)
TOTAL NET POSITION	$ 2,974,812	$ 1,351,640

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

COLLEGE OF THE OUACHITAS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS		
Cash and cash equivalents	$	269,759
Investments		472,463
Equipment (net of depreciation)		5,023
Total Assets	$	747,245
NET ASSETS		
Unrestricted	$	102,206
Temporarily restricted		645,039
Total Net Assets	$	747,245

COLLEGE OF THE OUACHITAS

Exhibit B

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Year Ended June 30, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $1,439,326 and $1,409,848)	$ 1,726,684	$ 1,761,956
Federal grants and contracts	1,800,917	1,620,776
State and local grants and contracts	1,748,817	2,052,259
Other receipts	67,629	64,151
Auxiliary enterprises:		
Bookstore (net of scholarship allowances of $324,742 and $333,048)	212,818	296,598
Food Services	64,444	48,120
TOTAL OPERATING REVENUES	5,621,309	5,843,860
OPERATING EXPENSES		
Personal services	7,471,411	7,969,786
Scholarships and fellowships	919,929	1,064,449
Supplies and services	2,853,905	2,664,866
Depreciation	319,152	581,893
TOTAL OPERATING EXPENSES	11,564,397	12,280,994
OPERATING INCOME (LOSS)	(5,943,088)	(6,437,134)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	4,667,468	4,671,368
Federal grants and contracts	2,384,319	2,468,525
State and local grants and contracts	341,343	379,053
Investment income	10,784	10,499
Interest expense	(25,923)	(29,508)
House rent	2,600	2,400
NET NON-OPERATING REVENUES (EXPENSES)	7,380,591	7,502,337
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,437,503	1,065,203
Insurance proceeds	106,951	
Capital gifts	30,414	5,225
Payment of mandatory fees to agency funds	(40,896)	(57,232)
Adjustments to prior year revenues and expenses	89,200	
INCREASE (DECREASE) IN NET POSITION	1,623,172	1,013,196
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED	1,351,640	2,906,850
Restatement of net position for pensions		(2,568,406)
NET POSITION - BEGINNING OF YEAR RESTATED	1,351,640	338,444
NET POSITION - END OF YEAR	$ 2,974,812	$ 1,351,640

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

COLLEGE OF THE OUACHITAS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit B-1

	Unrestricted	Temporarily Restricted	Total
REVENUES AND RECLASSIFICATIONS			
Revenues:			
Contributions	$ 24,732	$ 7,146	$ 31,878
Sale of Bingo Equipment	850		850
Interest and dividends	1,260	28,194	29,454
Unrealized gain on investments	(3,784)	(53,188)	(56,972)
Total revenues, gains and Other Support	23,058	(17,848)	5,210
EXPENSES			
Program Services:			
Scholarships	9,625	11,285	20,910
Educational programs	2,089		2,089
CADC Grant	10,000		10,000
Digital Sign		30,414	30,414
Supporting services:			
General and administrative	7,211	839	8,050
Total Expenses	28,925	42,538	71,463
CHANGE IN NET ASSETS	(5,867)	(60,386)	(66,253)
NET ASSETS - BEGINNING OF YEAR	108,073	705,425	813,498
NET ASSETS - END OF YEAR	$ 102,206	$ 645,039	$ 747,245

COLLEGE OF THE OUACHITAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

	Year Ended June 30, 2016	Year Ended June 30, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Student tuition and fees (net of scholarships)	$ 1,756,673	$ 1,713,832
Federal grants and contracts	1,786,896	1,641,633
State and local grants and contracts	1,760,072	1,981,015
Other receipts	67,629	64,151
Auxiliary enterprises revenues:		
Bookstore	212,818	296,598
Food Service	64,444	48,120
Payments to employees	(5,780,572)	(5,863,206)
Payments for employee benefits	(1,756,366)	(1,939,660)
Payments to suppliers	(2,690,503)	(2,798,208)
Scholarships and fellowships	(919,929)	(1,064,449)
Net cash provided (used) by operating activities	(5,498,838)	(5,920,174)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	4,667,468	4,671,368
Federal grants and contracts	2,384,319	2,468,525
State and local grants and contracts	341,343	379,053
Direct loan receipts	1,811,957	1,736,157
Direct loan payments	(1,811,957)	(1,736,157)
Other agency funds - net	(13,736)	(9,332)
Emergency loan fund payments	(8,248)	
Mandatory transfers	(40,896)	(57,232)
House rent	2,600	2,400
Net cash provided (used) by noncapital financing activities	7,332,850	7,454,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bank loan	(159,446)	(156,447)
Interest paid on bank loan	(26,943)	(29,940)
Construction in progress payments		(1,016,596)
Purchases of other capital assets	(1,575,089)	(355,679)
Insurance proceeds	106,951	
Capital gifts	30,414	
Net cash provided (used) by capital and related financing activities	(1,624,113)	(1,558,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	10,784	10,499
Net increase (decrease) in cash and cash equivalents	220,683	(13,555)
Cash and cash equivalents - beginning of year	2,993,123	3,006,678
Cash and cash equivalents - end of year	$ 3,213,806	$ 2,993,123

Exhibit C

COLLEGE OF THE OUACHITAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Year Ended June 30, 2016	Year Ended June 30, 2015
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (5,943,088)	$ (6,437,134)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	319,152	581,893
Change in assets and liabilities:		
Other postemployment benefits	40,459	328,088
Net pension liability	(112,255)	(140,219)
Accounts receivable	(2,766)	4,491
Student receivables, net	30,900	(101,016)
Inventories	48,439	(6,016)
Prepaid expenses	194,695	(240,012)
Accounts payable	(79,732)	112,686
Unearned revenue	(911)	(1,986)
Compensated absences payable	6,269	(20,949)
Net cash provided (used) by operating activities	$ (5,498,838)	$ (5,920,174)
Noncash Transactions		
Capital asset donation		$ 5,225

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

NOTE 1: 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 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.

Ouachita Vocational Technical School began operations in January, 1972. Effective July 1, 1991, the entity's name was changed to Ouachita Technical College under the provisions of Act 617 of 1991. The College is now under the jurisdiction of the Arkansas State Board of Higher Education. On March 8, 2011, Act 208 of 2011 was approved changing the name of the entity to College of the Ouachitas. The effective date of this legislation was July 27, 2011. College of the Ouachitas is governed by a seven member Board of Trustees appointed by the Governor.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement no. 34, Basic Financial Statements - and Management 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.

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, library holdings, 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 fair market value when received. The College capitalizes all equipment purchases equal to or exceeding $2,500 in cost.

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 20 to 50 years for buildings, 10 to 40 years for infrastructure and land improvements, 15 years for library books, and 5 to 20 years for equipment. The College uses the Financial Management Guide as recommended by the Arkansas Department of Finance and Administration in establishing useful lives of capitalized assets (P2-19-4-1503).

Capitalization thresholds for reporting intangible assets are as follows: purchased software - $500,000 with an estimated life of 5 years; Internally developed software - $1,000,000 with an estimated life of 10 years; easements, land use rights, trademarks and copyrights - $250,000 with an estimated life of 15 years; patents - $250,000 with an estimated life of 20 years. The College had no intangible assets meeting the above thresholds at June 30, 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

In October 2010 the Arkansas Higher Education Coordinating Board passed a policy for the maintenance of new facilities. The policy ensures that all newly constructed or purchased facilities will have a source of funding for maintenance. Institutions seeking approval of a loan or a bond issue must provide for the maintenance of that facility by transferring annually to plant funds an amount as recommend by the Association of Physical Plant Administrators of Universities and Colleges (APPA). This amount is currently $2.50 per gross square foot for educational and general facilities. Since the policy's inception, College of the Ouachita's has two loans that fall under the new policy. The Cosmetology program added 2,000 gross square feet requiring a transfer for maintenance of $5,000, annually, which began in fiscal year 2014 and will continue as long as the building is in use. The Arkansas Higher Education Coordination Board approved a loan on April 25, 2014, from the College Savings Bond Revolving Loan Fund for the purchase and renovation of a workforce training building. The new workforce training/ Applied Science building consists of 26,076 gross square feet, and will require a maintenance transfer of $65,190 annually beginning in fiscal year 2017 and will continue as long as the building is in use. These funds will be transferred to the plant fund and shall begin in the fiscal year following completion and occupancy of the facility and will continue as long as the building is in use.

The College Board of Trustees approved donated land required for an ARE-ON connection on May 31, 2011. Dale Horn donated the College a parcel of land for the purpose of giving ARE-ON a utility easement required to connect the system to the College and to the Hot Spring County Medical Center.

Operating and Non-operating Revenues

Revenues are reported in compliance with the applicable GASB Statements.

Cash Equivalents

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, various miscellaneous receivables, and amounts due from federal, state, and private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Inventories

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences Payable

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full time non-classified and full time classified employees accrue leave at a variable rate (from 8 to 15 hours per month), depending upon the number of years employed in state government. Under the College's policy, an employee may carry leave forward from one fiscal year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed. Certain Employees are entitled compensation for accumulated unused sick leave in accordance with Ark. Code Ann. § 21-4-501. The College accrues the dollar value of leave benefits which are payable upon retirement, termination, or death of its employees. This liability has been projected to be $223,224 at June 30, 2016. Employees who leave the College's employment prior to retirement are not entitled to be paid for accrued sick leave.

Non-current Liabilities

Non-current liabilities include (1) principal amounts of debt obligations with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, (3) other postemployment benefits, and (4) net pension liability.

Component Units

In May 2002, GASB issued Statement no. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB no. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with the fiscal year ending June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. There is one qualifying component unit for College of the Ouachitas, the College of the Ouachitas Foundation, Inc. (formerly known as Ouachita Technical College Foundation, Inc.) (Foundation). Although the College does not control the timing or amount of receipts from this Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to 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.

The Foundation is a separate nonprofit organization, which operates for educational purposes. The Board of Directors of the Foundation is made up of fourteen members including three ex officio members and two members who concurrently hold positions as College of the Ouachitas Board of Trustees. Complete financial statements for the foundation can be obtained from the Vice President of Finance at College of the Ouachitas, One College Circle, Malvern, AR 72104.

NOTE 3: PUBLIC FUND DEPOSITS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 473,088	$ 491,587
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	2,739,968	2,696,659
Total Deposits	$ 3,213,056	$ 3,188,246

The above deposits do not include cash on hand of $750 at June 30, 2016.

NOTE 4: 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 5: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 762,000				$ 762,000
Construction in Progress	1,016,596	$ 424,897		$ (1,441,493)	
Total nondepreciable capital assets	$ 1,778,596	$ 424,897		$ (1,441,493)	$ 762,000
Other capital assets:					
Improvements and infrastructure	$ 253,131	$ 86,781			$ 339,912
Buildings	7,763,532			$ 1,441,493	9,205,025
Equipment	1,597,832	1,097,436			2,695,268
Library holdings	475,157	5,984			481,141
Total other capital assets	10,089,652	1,190,201		1,441,493	12,721,346
Less accumulated depreciation for:					
Improvements and infrastructure	248,791	5,546			254,337
Buildings	4,926,170	123,050	$ (44,047)		5,005,173
Equipment	1,218,825	177,320			1,396,145
Library holdings	400,157	13,236	(5,144)		408,249
Total accumulated depreciation	6,793,943	319,152	(49,191)		7,063,904
Other capital assets, net	$ 3,295,709	$ 871,049	$ (49,191)	$ 1,441,493	$ 5,657,442
Capital Asset Summary:					
Nondepreciable capital assets	$ 1,778,596	$ 424,897		$ (1,441,493)	$ 762,000
Other capital assets, at cost	10,089,652	1,190,201		1,441,493	12,721,346
Total cost of capital assets	11,868,248	1,615,098			13,483,346
Less accumulated depreciation	6,793,943	319,152	(49,191)	-	7,063,904
Capital Assets, net	$ 5,074,305	$ 1,295,946	$ (49,191)	$ -	$ 6,419,442

During fiscal year 2016 the College determined that the estimated useful life for improvements and infrastructure, buildings, and equipment were not indicative of the assets life. Therefore, a change in the estimated useful life is reflected in fiscal year 2016 accumulated depreciation and depreciation expense.

NOTE 6: 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, 2016	Maturities to June 30, 2016
3/1/11	3/1/26	.37%	$ 565,000	$ 380,133	$ 184,867
3/1/07	3/1/22	5.03%	825,000	403,859	421,141
4/25/14	5/1/29	.24%	1,000,000	868,735	131,265
Totals			$ 2,390,000	$ 1,652,727	$ 737,273

NOTE 6: LONG-TERM LIABILITIES (Continued)

The changes in long-term liabilities are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Compensated absences	$ 216,955	$ 243,383	$ 237,114	$ 223,224	$ 28,896
Certificate of indebtedness	1,812,173		159,446	1,652,727	162,583
Totals	$ 2,029,128	$ 243,383	$ 396,560	$ 1,875,951	$ 191,479

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

Year ended June 30,	Principal	Interest	Total
2017	$ 162,583	$ 23,806	$ 186,389
2018	165,864	20,525	186,389
2019	169,295	17,093	186,388
2020	172,886	13,503	186,389
2021	176,642	9,746	186,388
2022-2026	602,570	10,799	613,369
2027-2029	202,887	974	203,861
Totals	$ 1,652,727	$ 96,446	$ 1,749,173

NOTE 7: COMMITMENTS

The College was contractually obligated for the following at June 30, 2016:

Operating Leases:

Noncapital copier leases with initial or remaining noncancellable lease terms in excess of one year:

Lessor	Lease No.	Terms
Arkansas Copier	5501i	6/1/14 through 5/1/19
Arkansas Copier	CS4501i	4/1/16 through 3/1/19
Business World	31108Y	8/1/14 through 7/1/17
Business World	31134Y	10/1/13 through 9/1/16
Business World	MX-C402SC	2/1/14 through 1/1/17
Business World	MXB402SC	11/1/14 through 11/1/17
Canon Solutions	VAQ41/N2525	11/1/13 through 10/1/16
Canon Solutions	VAQ8A/N4235	2/1/14 through 1/1/17
DataMax	B-07621 XM7155	11/1/15 through 10/1/18

(a) Future minimum rental payments (aggregate) at June 30, 2016: $47,868.

(b) Future minimum rental payments for the succeeding fiscal years:

Year Ended June 30,	Amount
2017	$ 27,832
2018	12,204
2019	7,832

Rental payments for the operating leases described above were approximately $34,289 for the year ended June 30, 2016.

NOTE 8: EMPLOYEE RETIREMENT BENEFITS

A. Variable Annuity Life Insurance Company (VALIC)

Plan Description: The College participates in VALIC, a defined contribution plan. The plan is a 403(b) Program as defined by IRS Code of 1986 as amended, and is administered by VALIC. The administrator provides insurance policies and annuity contracts, which become the property of the participant when issued. Act 480 of 1983 provides alternative retirement plans, as approved by the Arkansas State Board of Workforce Education and Career Opportunities, for the staff members of the vocational-technical schools. The vocational-technical schools that became technical colleges on July 1, 1991 were permitted to continue in the Alternate Retirement Plans.

Funding Policy: The participants' contributions are tax-sheltered and require a minimum contribution of 6% of compensation. The College's contribution rate is 14%. Participants become vested after one year. The participants' and College's contributions for the year ended June 30, 2016, were $207,207 and $331,225, respectively.

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

Plan Description: The College participates in TIAA/CREF, a defined contribution plan under Section 403(b) of the Internal Revenue Service Code of 1986 as amended. The plan is administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with a lifetime income. TIAA guarantees principal and a specified interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. As with all variable annuities, returns from CREF will fluctuate since they are based on the market performance of the investment funding the annuity. Participation in the plan is authorized by State law.

Funding Policy: TIAA/CREF has contributory and non-contributory plans. Contributory members contribute a minimum of 6% of earnings to the plan. The College contributes 14% of earnings for contributory members. The participants' and College's contributions for the year ended June 30, 2016, were $58,097 and $85,536 respectively.

C. Arkansas Teacher Retirement System (ATRS)

Plan Description: The following brief description of the Arkansas Teacher Retirement System is provided for general information purposes only. Participants should refer to Act 266 of 1937 for complete information.

ATRS is a cost-sharing, multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies that are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937 as an office of Arkansas State government for the purpose of providing retirement benefits for employees of any school or other educational agency participating in ATRS. Act 427 of 1973, as amended, provides that the general administration of ATRS, responsibility for proper operation, and responsibility for making effective the provisions of the Teacher Retirement law are vested in a 15-member Board of Trustees. The State Bank Commissioner, Treasurer of State, Auditor of State, and Commissioner of Education are ex-officio trustees. The remaining 11 trustees are elected and consist of seven active members of ATRS with at last five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial ethnic group. The seven active trustees consist of one member from each of the four congressional districts, two administrators, of which one must be a superintendent, and one member employed in a position that does not require state licensure. The trustees are elected in accordance with rules adopted by the Board. Board members serve as trustees without compensation but are reimbursed for any necessary expenses incurred to attend Board meetings or perform other duties authorized by the Board.

Benefits Provided: 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 5/12 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 on (1) the member's final average salary (effective April 1, 1998, computed using highest three years' salary) and (2) the number of years of service.

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

C. Arkansas Teacher Retirement System (ATRS) (Continued)

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year.

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for noncontributory members. The amount will be prorated for members who have both contributory and noncontributory service. Members with 15 or more years of contributory service will receive the full $10,000.

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is calculated by multiplying 100% of the member's base retirement annuity by 3%.

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999 allows for participation in the T-DROP after 28 years of credited service with a reduction of 6% for each year under 30 years. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member election to enter T-DROP is irrevocable, and additional service credit cannot be accumulated. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by 3/10 of 1% (0.3%) for noncontributory service for each year above 30 years of service. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive the T-DROP distribution as a lump-sum cash payment or an annuity or may roll it over into another tax-deferred account. A member may also elect to defer all or part of the distribution into a T-DROP cash balance account held by ATRS.

Contributions: ATRS's funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuators. The employer contribution rate was 14% for the fiscal years ending June 30, 2015 and June 30, 2016. Contributory members are required to contribute 6% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund. The College's contributions for the year ended June 30, 2016 were $206,362.

ATRS Fiduciary Net Position: Detailed information about ATRS's fiduciary net position is available in the separately issued ATRS Annual Report at https://www.artrs.gov/Forms/ATRS_2015_Annual_Report.pdf, the Schedules of Employer Allocations and Pension Amounts at https://www.artrs.gov/Forms/ATRS_GASB_Actuary_Report_FY2015.pdf, and the Audit Report at https://www.artrs.gov/Forms/ATRS_GASB_Audit_Report_FY2015.pdf.

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

C. Arkansas Teacher Retirement System (ATRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: The collective Net Pension Liability of $3,256,909,832 was measured as of June 30, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The College's proportionate percentage was approximately 0.057538%. The College's portion of Net Pension Liability at June 30, 2016 was $1,873,967.

For the year ended June 30, 2016, the College recognized pension expense of $69,944.

Deferred outflows of resources and deferred inflows of resources related to ATRS for the College at June 30, 2016 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58,554	$ 38,397
Changes in proportion and differences between employer contributions and share of contributions		233,049
Contributions made in FY2016 after measurement date	206,362	
Net difference between projected and actual earnings on pension plan investments		239,273
Total	$ 264,916	$ 510,719

College contributions subsequent to the measurement date of $206,362 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	2018	2019	2020	2021
$ (148,142)	$ (148,142)	$ (148,142)	$ 17,558	$ (25,297)

Actuarial Assumptions: The total pension liability, net pension liability, and certain sensitivity information in the June 30, 2015 actuarial valuation was determined and adopted by the ATRS Board of Trustees using the following actuarial assumptions:

Actual cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor
Wage inflation	3.25%
Salary increases	3.25% to 9.10%, including inflation
Investment rate of return	8.00%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2011 pursuant to an experience study for the period July 1, 2005 – June 30, 2010.
Mortality	RP-2000 Mortality Table for males and females projected 25 years with scale AA (95% for men and 87% for women)
Average service life all members	5.6782

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

C. Arkansas Teacher Retirement System (ATRS) (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plans target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	4.7%
Fixed Income	20%	0.9%
Alternatives	5%	4.4%
Real Assets	15%	4.3%
Private Equity	10%	6.5%
Cash Equivalents	0%	0.1%
Total	100%	

Discount Rate: A single discount rate of 8.0% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's proportionate share of the net pension liability, calculated using a single discount rate of 8.0%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

1% Decrease	Current Rate	1% Increase
7.00%	8.00%	9.00%
$3,112,216	$1,873,967	$835,986

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

D. Arkansas Public Employees Retirement System (APERS)

Plan Description: The following brief description of the Arkansas Public Employees Retirement System (APERS or System) is provided for general information purposes only. Participants should refer to Arkansas Coded Annotated, Title 24 for complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided: Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined by using members final average compensation (FAC) times the member's years of service. An FAC is the average of highest 36 months of covered compensation. The percentage used is based upon whether a member is contributory or non-contributory as follows:

New Contributory Plan, prior to 07/01/2007	2.03%
New Contributory Plan, on or after 07/01/2007	2.00%
Non-Contributory, prior to 7/1/2007	1.75%
Non-Contributory, on or after 7/1/2007	1.72%

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

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

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

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

Contributions: Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-20-701(c)(3)). Employers contributed 14.50% of compensation for the fiscal year ended June 30, 2016. The College's contributions for the year ended June 30, 2016 was $40,915.

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

D. Arkansas Public Employees Retirement System (APERS) (Continued)

APERS Fiduciary Net Position: Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report at http://www.apers.org/annualreports/APERS_FR2015.pdf, the Actuarial Report at http://www.apers.org/annualreports/APERS_GRS2015.pdf, and the GASB 67/68 report at http://www.apers.org/annualreports/APERS%20GASB%2067%20%2068%20Report.pdf

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: The collective Net Pension Liability of $1,841,733,376 was measured as of June 30, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The College's proportionate percentage was 0.01838561%. The College's portion of the Net Pension Liability at June 30, 2015 was $338,614.

For the year ended June 30, 2016, the College recognized a pension expense of $65,078. Deferred outflows of resources and deferred inflows of resources related to APERS pension for College of the Ouachitas are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$22,199
Changes in proportion and differences between employer contributions and share of contributions	$90,564	
Changes of assumptions	49,972	
Contributions made in FY2016 after measurement date	40,915	
Net difference between projected and actual earnings on pension plan investments		16,800
Total	$ 181,451	$ 38,999

College contributions subsequent to the measurement date of $40,915 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	2018	2019	2020
$24,416	$24,416	$21,327	$31,378

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Amortization Method	Level of Percent-of-Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Inflation	3.25% wage inflation and 2.5% price inflation
Investment Rate of Return	7.50%
Salary Increases	3.25-9.85% including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

NOTE 8: EMPLOYEE RETIREMENT BENEFITS (Continued)

D. Arkansas Public Employees Retirement System (APERS) (Continued)

Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 year for males and 1 year for females

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 inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's current asset allocation as of June 30, 2015 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88
Real Assets	12%	3.07
Absolute Return	5%	3.35
Domestic Fixed	16%	0.83
Total	100%	

Discount Rate: A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. 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 made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 using the discount rate of 7.5%, as well as what the Net Pension Liability would be if it were calculated using a discount rate of 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

Sensitivity of Discount Rate

1% Lower	Discount Rate	1% Higher
6.50%	7.50%	8.50%
$557,784	$338,614	$156,341

NOTE 9: NATURAL CLASSIFICATION BY FUNCTION

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

	Personal Services	Scholarships and Fellowships	Supplies and Services	Depreciation	Total
Instruction	$ 4,438,908		$ 765,554		$ 5,204,462
Academic support	623,808		159,832		783,640
Student services	928,082		367,075		1,295,157
Institutional support	984,513		520,595		1,505,108
Scholarships and fellowships		$ 919,929			919,929
Operations and maintenance of plant	332,356		534,725		867,081
Auxiliary enterprises	123,285		506,124		629,409
Depreciation				$ 319,152	319,152
Other	40,459				40,459
Totals	$ 7,471,411	$ 919,929	$ 2,853,905	$ 319,152	$ 11,564,397

NOTE 10: DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables consist of the following:

Grants and contracts	$126,605
Students, net of allowance	245,939
Student promissory notes	8,248
Total Receivables	$380,792

Accounts payable and accrued liabilities consist of the following:

Vendor payables	$ 71,684
Other	2,500
Total Accounts Payable	$ 74,184

NOTE 11: RELATED PARTY TRANSACTIONS

The College has assets on deposit with the Malvern National Bank. John Cole, a member of the Board of Trustees of College of the Ouachitas, is a member of the Malvern National Bank Board of Directors and does own stock in the bank. Mark Roberts is a member of the Board of Trustees of College of the Ouachitas. Mr. Roberts is the President of Malvern National Bank and owns Stock in Malvern National Bank.

NOTE 12: RISK MANAGEMENT

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

The College carries commercial insurance for directors or officers covering legal judgments and settlements, nursing student liability coverage, and commercial building insurance. The College pays an annual premiums for these coverages.

NOTE 12: RISK MANAGEMENT (Continued)

The College participates in the Arkansas Public Employees Claims Division – Workers' Compensation Program under the Arkansas Department of Insurance. The program is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceeds 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 annually 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 buildings, contents and vehicles.

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 College pays an annual premium for this coverage.

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

NOTE 13: OTHER POSTEMPOYMENT BENEFITS

GASB issued Statement no. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; this became effective with the fiscal year ending June 30, 2008. The statement established standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB).

The College participates in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a participant in this plan, the College's OPEB liability of $3,037,850 represents a pro-rata share of the statewide liability which was actuarially determined in accordance with the parameters of GASB statement no. 45. Required information, including actuarial data, of the statewide liability is disclosed in the Arkansas Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016.

NOTE 14: DEFICIT NET POSITION

The deficit unrestricted net position is primarily the result of the adoption of GASB no. 68, *Accounting and Financial Reporting for Pensions*, as amended. The total unrestricted net position (deficit) of the College as of June 30, 2016 was $1,830,741 which includes a deficit of $2,315,932 relating to activity associated with the net pension obligation.

COLLEGE OF THE OUACHITAS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Retirement Plan - Arkansas Public Employees Retirement System

Schedule of the College's Proportionate Share of the Net Pension Liability

	2016*	2015*
College's proportion of net pension liability	0.0184%	0.0121%
College's proportionate share of the net pension liability	$ 338,614	$ 170,983
College's covered payroll	326,204	205,497
College's proportionate share of the net pension liability as a percentage of its covered payroll	103.80%	83.20%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%

*The amounts presented were determined as of June 30, 2015 and June 30, 2014.

Schedule of College Contributions

	2016	2015
Contractually required contributions	$ 40,915	$ 48,148
Contributions in realtion to the contractually required Contributions	40,915	48,148
Contribution deficiency (excess)	0	0
College's covered-employee payroll	$ 282,177	$ 326,206
Contributions as a percentage of covered-employee payroll	14.50%	14.76%

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

COLLEGE OF THE OUACHITAS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Retirement Plan - Arkansas Teacher Retirement System

Schedule of the College's Proportionate Share of the Net Pension Liability

	2016*	2015*
College's proportion of net pension liability	0.0575%	0.0649%
College's proportionate share of the net pension liability	$ 1,873,967	$ 1,703,824
College's covered payroll	1,680,391	1,876,907
College's proportionate share of the net pension liability as a percentage of its covered payroll	111.52%	90.78%
Plan fiduciary net position as a percentage of the total pension liability	82.20%	84.98%

*The amounts presented were determined as of June 30, 2015 and June 30, 2014.

Schedule of College Contributions

	2016	2015
Contractually required contributions	$ 206,362	$ 235,255
Contributions in realtion to the contractually required Contributions	206,362	235,255
Contribution deficiency (excess)	0	0
College's covered-employee payroll	$ 1,475,229	$ 1,680,391
Contributions as a percentage of covered-employee payroll	13.99%	14%

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

Schedule 1

COLLEGE OF THE OUACHITAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2016
(Unaudited)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets and Deferred Outflows	$ 10,775,461	$ 9,329,951	$ 7,901,693	$ 6,098,646	$ 6,289,494
Total Liabilities and Deferred Inflows	7,800,649	7,978,311	4,994,843	3,606,135	3,290,251
Total Net Position	2,974,812	1,351,640	2,906,850	2,492,511	2,999,243
Total Operating Revenues	5,621,309	5,843,860	4,846,357	4,142,843	4,357,730
Total Operating Expenses	11,564,397	12,280,994	12,374,939	12,042,544	12,761,364
Total Net Non-Operating Revenues	7,380,591	7,502,337	7,429,715	7,426,954	7,533,030
Total Other Revenues, Expenses, Gains or Losses	185,669	(52,007)	513,206	(33,985)	61,989