Black River Technical College

Pocahontas, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE

BLACK RIVER TECHNICAL COLLEGE
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Black River Technical College
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of Black River Technical College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, 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 an opinion on these financial statements based on our audit. 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.

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 judgement, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2017, and the changes in financial position, and its cash flows 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 2016 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated August 24, 2017. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-12, 39-42, and 43-44 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 an opinion 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. Such information 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 June 5, 2018 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
June 5, 2018
EDHE67517

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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

Black River Technical 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 of Black River Technical College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the College in a separate letter dated June 5, 2018.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 5, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Black River Technical 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, 2017, 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 2016	Fall Term 2016	Spring Term 2017	Summer I Term 2017
Student Headcount	196	1,572	1,436	331
Student Semester Credit Hours	827	16,827	15,343	1,753

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
June 5, 2018

Introduction

Black River Technical College is a public, two-year technical college committed to blending tradition, technology, and innovation to educate today's diverse students for tomorrow's changing world. BRTC was established as a vocational school in 1972 and became a technical college in 1991. The College is accredited by the Higher Learning Commission.

BRTC has approximately 1,532 credit students and 161 full-time employees. The campus is located in northeast Arkansas on Hwy 304 East in Pocahontas. The College also operates an additional location in Paragould and adult education centers in Walnut Ridge and Corning.

Overview of Financial Statements and Financial Analysis

Black River Technical College (BRTC) is presenting financial statements for the year ended June 30, 2017. The following discussion and analysis has been prepared by management to provide an overview of the College's financial position and activities for the year and should be read in conjunction with the accompanying financial statements and notes. Comparative data presented will provide the opportunity for comparative analysis. Financial statements presented are 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 presents the assets, liabilities, and net position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The purpose of this statement is to present a fiscal snapshot of the College. The difference between total assets and total liabilities is net position, which is one indicator of the current financial condition of the College. The change in net position also indicates whether the College's overall financial condition has changed positively or negatively. Assets and liabilities are generally measured using current values with the exception of capital (fixed) assets that are stated at historical cost less depreciation. The Statement of Net Position also presents assets available for operations and allows readers to determine how much the College owes vendors and other institutions.

BRTC's net position for the past two years is summarized below:

	2017	2016	Increase/ Decrease	Percent Change
Current Assets	$ 6,002,520	$ 5,674,500	$ 328,020	5.78 %
Capital Asset, net	28,514,882	30,315,350	(1,800,468)	(5.94) %
Non-current Assets	7,691,495	10,030,897	(2,339,402)	(23.32) %
Total Assets	42,208,897	46,020,747	(3,811,850)	(8.28) %
Deferred Outflows of Resources	949,532	541,288	408,244	75.42 %
Current Liabilities	1,510,328	2,175,379	(665,051)	(30.57) %
Non-Current Liabilities	13,710,214	13,308,142	402,072	3.02 %
Total Liabilities	15,220,542	15,483,521	(262,979)	(1.70) %
Deferred Inflows of Resources	145,848	338,788	(192,940)	(56.95) %
Net Position	$ 27,792,039	$ 30,739,726	$ (2,947,687)	(9.59) %

For review purposes, current assets consist primarily of cash and cash equivalents, account receivables, inventories, and prepaid expenses. Capital assets, net, consist of land, buildings, infrastructure and improvements, equipment, intangibles, and library holdings. Infrastructure consists of roads, sidewalks, signage, and lighting. Non-current assets consist of restricted and designated cash and cash equivalents, long-term investments, and deposits with trustee. Current liabilities consist of vendor payables, salaries payable, accrued compensated absences for employees, unearned revenue from student pre-payments, funds held in trust for others, and bonds payable. Non-current liabilities consist of the non-current portion of bonds payable and compensated absences payable as well as other post-employment benefits payable, construction bond payable, and net pension liability.

Current assets increased by $328,020 (5.78%) in 2017. While inventories decreased due to the adoption of an online bookstore model, other receivables and prepaid expenses increased. Also, the increase in cash and cash equivalents was due in part to a transfer from non-current cash & cash equivalents, reflected in the decrease of non-current assets. The cost of the new system software and implementation also contributes to the decrease in non-current assets.

Deferred outflows of resources reflect another increase due to the continued recognition of deferred outflows related to pensions in compliance with GASB 68.

Current liabilities decreased by 30.57 percent from the previous year 2016 due to payment of vendor payables related to construction. The non-current liabilities increased by 3.02 percent. Other post-employment benefits increased 25.87 percent due to a new actuarial report and several retirees taking advantage of the voluntary separation agreement. Also, in compliance with GASB 68, an addition to net pension liability of $652,851 was recorded. The current year's bond payments and a decline in compensated absences payable helped to offset these increases.

Changes in the deferred inflows of resources related to pensions in the amount of a $192,940 decrease has also been recognized.

The combination of the decrease in total assets of $3,811,850, the increase in deferred outflows of $408,244, the decrease in total liabilities of $262,979, and the decrease in deferred inflows of $192,940, resulted in the overall decrease in net position of $2,947,687 for the year ended June 30, 2017.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of this statement is to present revenues and expenses, both operating and non-operating, and any other revenues, expenses, gains or losses for the College for fiscal year 2017. The total net position presented in the Statement of Net Position is based on information presented in this statement.

Statement of Revenues, Expenses, and Changes in Net Position
For Fiscal Years Ended June 30, 2017 and 2016

		2017		2016		Increase/ Decrease	Percent Change	
Operating Revenues	$	5,570,038	$	4,337,975	$	1,232,063	28.40	%
Operating Expenses		19,775,309		20,421,013		(645,704)	(3.16)	%
Operating Incom/Loss		(14,205,271)		(16,083,038)		1,877,767	(11.68)	%
Non-Operating Revenues (Expenses)		11,832,173		12,283,046		(450,873)	(3.67)	%
Income before Other Rev., Exp., Gains/Losses		(2,373,098)		(3,799,992)		1,426,894	(37.55)	%
Other Revenues, Expenses, Gains/Losses		(574,589)		(188,509)		(386,080)	204.81	%
Increase/Decrease in Net Position		(2,947,687)		(3,988,501)		1,040,814	(26.10)	%
Net Position - Beginning of Year		30,739,726		34,728,227		(3,988,501)	(11.48)	%
Net Position - End of Year	$	27,792,039	$	30,739,726	$	(2,947,687)	(9.59)	%

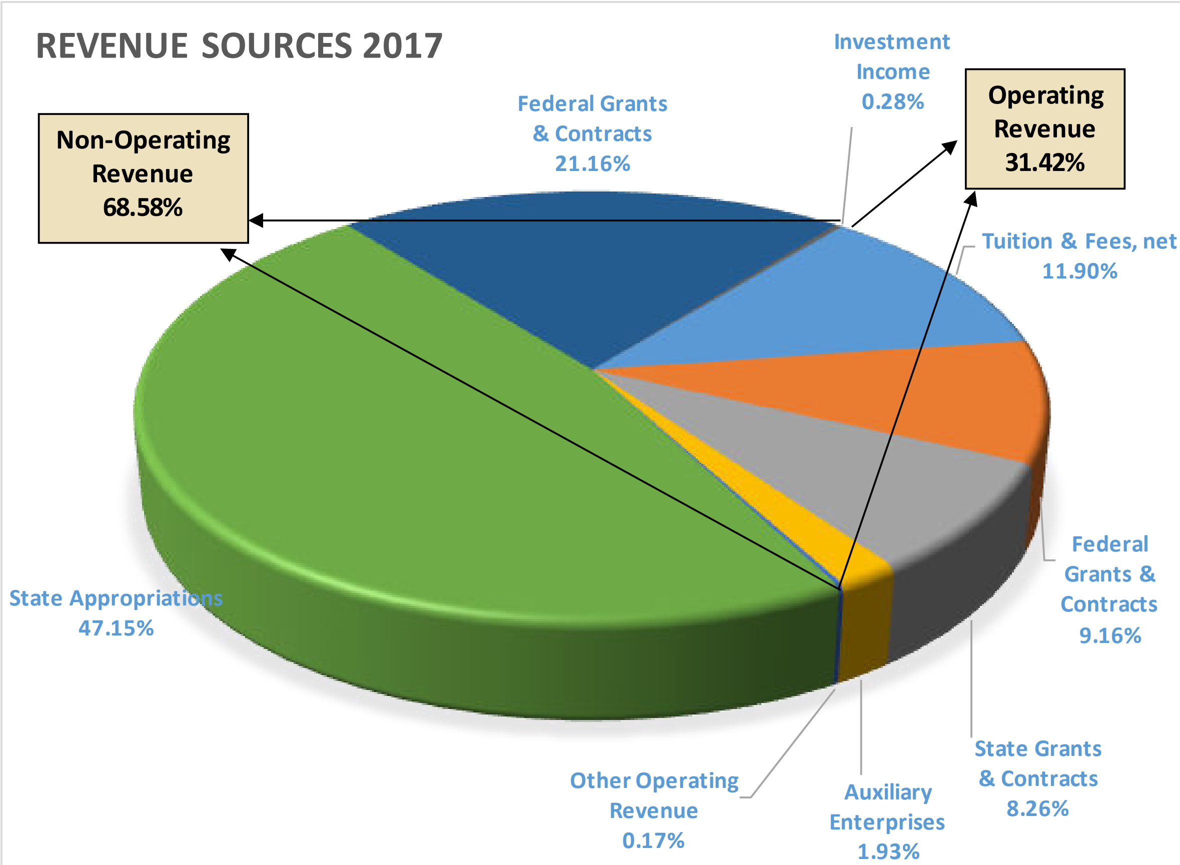
Generally, operating revenues are received for providing goods and services to students and other constituencies of the College. These revenues include student tuition and fee payments (net of scholarship allowances), federal and state grants, auxiliary enterprises (net of scholarship allowances), and other operating revenues. Non-operating revenues are those that require no exchange of goods and services. These revenues include federal Pell grants, state appropriations, gifts, and investment income. This methodology results in an operating loss since federal Pell grants, state appropriations, gifts, and investment income are mandated as non-operating revenues. Other revenues are derived from various sources such as capital appropriations and capital gifts.

Revenues reported for tuition and fees, and bookstore are reduced by the amount of scholarships and fellowships received for those purposes. This adjustment is made to avoid double counting revenues. The total net adjustment for fiscal year 2017 was $3,559,934 of which $2,993,811 was for tuition and $566,123 was for the bookstore.

Operating revenues increased by 28.4 percent for 2017, due to revenue generated by new federal and state grants. Non-operating revenue (expenses) decreased by 3.67 percent reflective of a continued decrease in non-operating federal grants and contracts directly related to the decline in enrollment and an increase in interest expense related to the 2016 bond issue.

REVENUES BY SOURCE 2017

	2017	2016
Operating Revenues		
Tuition & Fees, net	$ 2,110,165	$ 2,083,935
Federal Grants & Contracts	1,623,878	761,803
State Grants & Contracts	1,464,437	1,019,216
Auxiliary Enterprises	341,797	446,647
Other Operating Revenue	29,761	26,374
Non-Operating Revenues		
State Appropriations	8,358,725	8,358,725
Federal Grants & Contracts	3,750,841	4,025,085
Gifts		41,748
Investment Income	48,982	51,856
	$ 17,728,586	$ 16,815,389



Operating expenses are those expenses paid to acquire goods and services provided in return for operating revenues and to carry out the mission of the College. The operating expenses are presented in this statement in what are considered natural classifications such as personal services, supplies and services, scholarships and fellowships, and depreciation. Overall expenditures increased in fiscal year 2017 in the category of personal services.

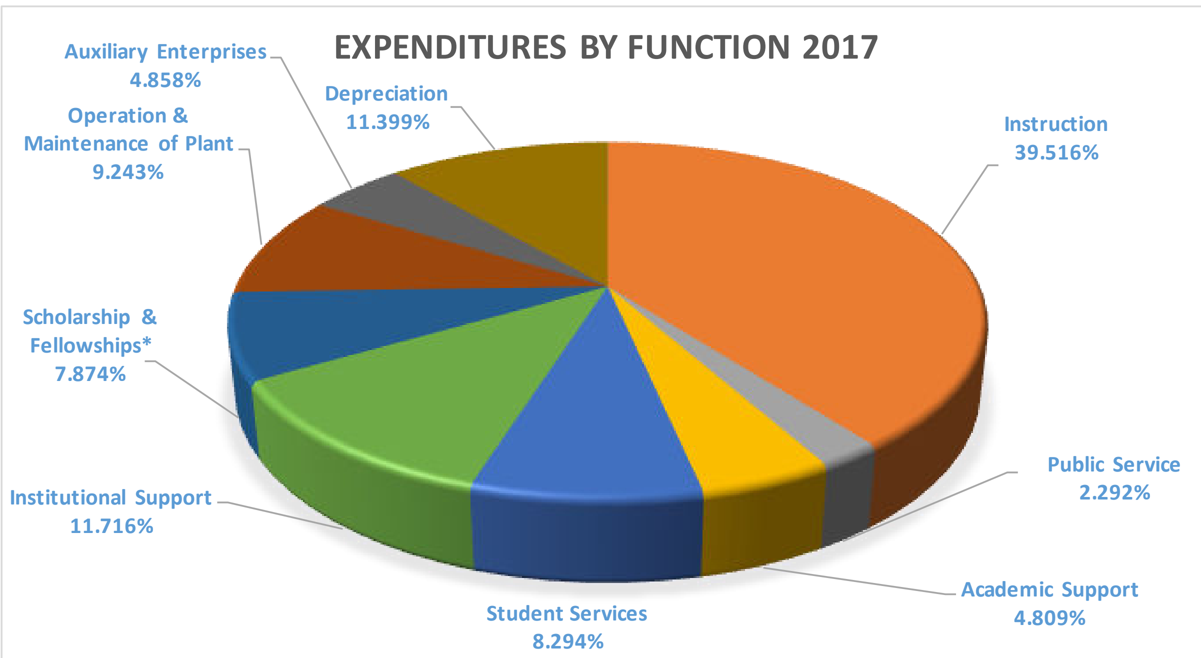
Overall expenditures in functional categories decreased by a total of $645,704 or approximately 3.16 percent from 2016 to 2017. Expenditures increased in three of the nine functional categories. These increases occurred in academic support, student services, and institutional support. The voluntary separation arrangement in addition to the leave payouts for several employees who retired resulted in an increase in personal services. By percentage, the largest decreases occurred in scholarship & fellowships and auxiliary enterprises, indicative of the continued decline in enrollment. Other decreases were the result of a continued effort to decrease operating expenditures.

The table below shows the functional classification of expenditures for fiscal year 2017. A more detailed representation of functional versus natural classifications of operating expenditures is included in Note 7 of the accompanying financial statements.

FUNCTIONAL COMPARISON

Expenditure Category	2017	2016
Instruction	$ 7,814,426	$ 8,437,220
Public Service	453,183	489,794
Academic Support	950,899	683,957
Student Services	1,640,129	1,547,418
Institutional Support	2,316,916	2,099,197
Scholarship & Fellowships*	1,557,048	1,786,903
Operation & Maintenance of Plar	1,827,879	1,972,791
Auxiliary Enterprises	960,645	1,083,288
Depreciation	2,254,184	2,320,445
	$ 19,775,309	$ 20,421,013

* Scholarship & Fellowships Expense 2017:
$5,116,982 less discounts and waivers of $3,559,934 = $1,557,048



Statement of Cash Flows

The Statement of Cash Flows presents a detailed look at the College's cash activity during the fiscal year. The first part of this statement shows cash flows from operating activities and the net cash used by the operating activities. The second part reflects cash flows from non-capital financing activities such as state appropriations. The third part deals with the cash used for acquisition and construction of capital assets. The fourth part reflects cash flows from investing activities. The final part is a reconciliation of net cash used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The summary below shows that BRTC's cash and cash equivalents decreased by $2,081,156 from 2016 to 2017. While Net Cash Used by Operating

Activities decreased, the purchases of capital assets and debt service payments required increased the amount of Net Cash Used by Capital and Related Financing Activities.

CASH FLOW SUMMARY

	2017	2016
Cash provided (used) by:		
Operating Activities	$ (12,257,069)	$ (12,890,232)
Non-capital Financing Activities	12,287,078	12,326,334
Capital & Related Financing Activities	(2,141,374)	260,687
Investing Activities	30,209	32,688
Net Increase (Decrease) in Cash	(2,081,156)	(270,523)
Cash and Cash Equivalents - Beginning of Year	12,753,749	13,024,272
Cash and Cash Equivalents - End of Year	$ 10,672,593	$ 12,753,749

Long Term Debt

In fiscal year 2011, BRTC issued $2,665,000 in bonds on September 15, 2010, refunding the Series 2003 issue. The 2003 bond issue was used to fund the construction of the Adult Education/Continuing Education Building finished in fall 2005 and the Business Technology Building finished in fall 2007.

In fiscal year 2016, BRTC completed construction of a 41,450 square foot Health/Science Complex. A permanent financing bond in the amount of $8,475,000 was issued to United States of American through the Rural Development office of the United States Department of Agriculture.

More detailed information about the bond issues can be found in Notes 5 and 11 of the accompanying financial statements.

Capital Assets

During the year ended June 30, 2017, capital equipment purchases of over $195,000 were made. A large portion of these expenditures were for additional grant funded purchases for nursing equipment and purchases of servers for our new enterprise resource planning system. Construction in progress additions totaled $998,431 and the costs for the completed Fire Science Tower were transferred into buildings. Intangible asset under construction for the new ERP totaled $564,157 at year end.

Economic Outlook Factors

Black River Technical College remains in sound financial condition, despite perennial challenges. Challenges facing the college include enrollment decreases, public and political pressure to hold tuition down, and a student population with expectations of new amenities and programs upon enrolling in college. The uncertainties of health insurance costs, the expenses related to maintaining aging facilities, and ever increasing instructional costs contribute to the challenges the College faces.

To combat the challenges, the College leverages federal and state grant opportunities for program development and enhancement. Moreover, the College captures efficiencies by collaborating with both Higher Education and K12 institutions, business and industry, and is developing philanthropic relationships to create new opportunities for students and the economic livelihood of the region.

BLACK RIVER TECHNICAL COLLEGE
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A

	June 30, 2017	June 30, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,189,619	$ 4,868,144
Accounts receivable (less allowances of $63,337 and $83,916)	72,439	47,962
Other receivables	279,122	191,690
Inventories	166,131	318,288
Prepaid expenses	293,319	246,723
Accrued interest	1,890	1,693
Total Current Assets:	**6,002,520**	**5,674,500**
Non-Current Assets:		
Cash and cash equivalents	5,482,974	7,885,605
Other long-term investments	2,006,901	1,943,672
Deposits with trustee	201,620	201,620
Land, construction in progress, improvements and infrastructure, buildings, and leasehold improvements	44,046,467	44,581,371
Improvements and infrastructure, buildings, and leasehold improvements - accumulated depreciation	(17,617,315)	(16,904,197)
Equipment	9,799,960	9,932,322
Equipment - accumulated depreciation	(7,820,521)	(7,434,630)
Library holdings	611,937	608,714
Library holdings - accumulated depreciation	(578,072)	(571,446)
Intangibles	643,728	643,728
Intangibles- accumulated amortization	(571,302)	(540,512)
Total Non-Current Assets:	**36,206,377**	**40,346,247**
Total Assets	**42,208,897**	**46,020,747**
Deferred Outflows of Resources		
Deferred outflows related to pensions	925,693	515,282
Deferred outflows related to debt refunding	23,839	26,006
Total Deferred Outflows of Resources	**949,532**	**541,288**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**43,158,429**	**46,562,035**
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	944,370	1,587,253
Bond interest payable	90,296	93,222
Compensated absences payable	57,030	64,243
Unearned revenue	29,820	51,949
Funds held in trust for others	49,189	45,146
Bonds payable	339,880	333,823
Bond original issue discount	(257)	(257)
Total Current Liabilities:	**1,510,328**	**2,175,379**
Non-Current Liabilities:		
OPEB payable	663,001	526,751
Compensated absences payable	513,588	560,993
Net pension liability	2,859,898	2,207,047
Bonds payable	9,676,296	10,016,177
Bond original issue discount	(2,569)	(2,826)
Total Non-Current Liabilities:	**13,710,214**	**13,308,142**
TOTAL LIABILITIES	**15,220,542**	**15,483,521**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	**145,848**	**338,788**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**15,366,390**	**15,822,309**

Exhibit A

BLACK RIVER TECHNICAL COLLEGE
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2017

	June 30, 2017	June 30, 2016
NET POSITION		
Net investment in capital assets	$ 18,703,152	$ 20,170,053
Restricted for:		
Expendable:		
Debt Service	45,874	
Other	397,158	55,217
Unrestricted	8,645,855	10,514,456
TOTAL NET POSITION	**$ 27,792,039**	**$ 30,739,726**

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

BLACK RIVER TECHNICAL COLLEGE **Exhibit B**

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
Operating Revenues:		
Student tuition and fees	$ 2,110,165	$ 2,083,935
(net of scholarship allowances of $2,993,811 and $3,097,869)		
Federal grants and contracts	1,623,878	761,803
State and local grants and contracts	1,464,437	1,019,216
Auxiliary enterprises		
Bookstore	255,821	355,099
(net of scholarship allowances of $566,123 and $609,401)		
Cafeteria	82,685	87,924
Vending	3,291	3,624
Other operating revenues	29,761	26,374
Total Operating Revenues	**5,570,038**	**4,337,975**
Operating Expenses:		
Personal services	11,862,599	11,214,032
Supplies and services	4,101,478	5,099,633
Scholarships and fellowships	1,557,048	1,786,903
Depreciation and amortization	2,254,184	2,320,445
Total Operating Expenses	**19,775,309**	**20,421,013**
Operating Income (Loss)	**(14,205,271)**	**(16,083,038)**
Non-operating Revenues (Expenses)		
State appropriations	8,358,725	8,358,725
Federal grants and contracts	3,750,841	4,025,085
Gifts		41,748
Investment income	48,982	51,856
Interest on capital asset - related debt	(325,891)	(157,587)
Other expense (bond issuance costs)		(36,300)
Other revenue/expense	(484)	(481)
Net Non-operating Revenues (Expenses)	**11,832,173**	**12,283,046**
Income Before Other Revenues, Expenses, Gains or Losses	**(2,373,098)**	**(3,799,992)**
Other Revenues, Expenses, Gains or Losses		
Capital appropriations		20,000
Capital grants		125,331
Gain (Loss) from disposition of capital assets	(40,229)	(2,497)
Refunds to grantors	(33,677)	(56,382)
Adjustments to prior year capital assets		(274,961)
Extraordinary item - other insurance proceeds	806,208	
Extraordinary item related expenses	(802,854)	
Extraordinary item - net loss on impairment of capital assets	(504,037)	
Total Other Revenues, Expenses, Gains or Losses	**(574,589)**	**(188,509)**
Increase (Decrease) in Net Position	**(2,947,687)**	**(3,988,501)**
Net Position - Beginning of Year	**30,739,726**	**34,728,227**
Net Position - End of Year	**$ 27,792,039**	**$ 30,739,726**

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

BLACK RIVER TECHNICAL COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C

	June 30, 2017	June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 2,017,567	$ 2,182,026
Federal grants and contracts	1,622,751	795,939
State grants and contracts	1,444,585	998,153
Auxiliary enterprises revenues:		
Bookstore	251,773	369,486
Cafeteria	82,685	87,924
Vending	3,348	3,683
Other receipts	25,980	33,019
Payments to employees	(8,499,377)	(8,239,401)
Payments for employee benefits	(3,167,994)	(2,813,397)
Payments to suppliers	(4,481,339)	(4,520,761)
Scholarships and fellowships	(1,557,048)	(1,786,903)
Net Cash provided (used) by Operating Activities	**(12,257,069)**	**(12,890,232)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,358,725	8,358,725
Federal grants and contracts	3,750,841	4,025,085
Direct lending loan receipts	2,088,649	2,367,662
Direct lending loan payments	(2,088,649)	(2,367,662)
Refunds to grantors	(23,677)	(56,382)
Other agency funds - net	4,043	(1,094)
Insurance Proceeds - Extraordinary (Flood)	1,000,000	
Extraordinary Expenses (Flood)	(802,854)	
Net Cash provided (used) by Noncapital Financing Activities	**12,287,078**	**12,326,334**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations		20,000
Capital gift and grants		131,119
Purchases of capital assets	(1,436,322)	(4,598,242)
Proceeds from capital debt		13,191,902
Payment of capital debt	(458,667)	(8,250,000)
Other expense (bond issuance costs)		(36,300)
Proceeds from sale of assets	302	395
Payment to establish debt service reserve fund	(45,867)	
Payments to bond trustees - principal	(140,000)	(135,000)
Payments to bond trustees - interest	(60,820)	(63,187)
Net Cash provided (used) by Capital and Related Financing Activities	**(2,141,374)**	**260,687**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	30,209	32,688
Net Increase (decrease) in cash and cash equivalents:	**(2,081,156)**	**(270,523)**
Cash and Cash Equivalents - Beginning of Year	**12,753,749**	**13,024,272**
Cash and Cash Equivalents - End of Year	**$ 10,672,593**	**$ 12,753,749**

BLACK RIVER TECHNICAL COLLEGE
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C

	June 30, 2017	June 30, 2016
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	**$ (14,205,271)**	**$ (16,083,038)**
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,254,184	2,320,445
Change in assets and liabilities:		
Receivables, net	(113,553)	144,317
Inventories	152,157	54,199
Prepaid expenses	(46,596)	26,408
Accounts payable	(406,993)	601,576
Non Capital gifts		41,748
OPEB payable	136,250	96,297
Unearned revenue	(22,129)	(29,578)
Compensated absences	(54,618)	24,507
Net pension liability	49,500	(87,113)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (12,257,069)**	**$ (12,890,232)**
Noncash Transactions		
Noncapital gift		$ 41,748
Trustee investment earnings	$ 1,214	1,215
Bond interest and fees paid by bond trustee	(1,214)	(1,882)
Investment earnings reinvested	17,363	17,950
Capitalized interest		87,489

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

Black River Technical College
Notes to Financial Statements
June 30, 2017

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

The State Board of 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.

Black River Vocational Technical School, an institution of higher education of the State of Arkansas, began operations February 26, 1973. Effective July 1, 1991, the College's name was changed to Black River 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.

The College's financial statements reflect all funds and accounts directly under the control of the College. There are no component units.

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, deferred outflows and deferred inflows, 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, equipment, library holdings, intangible assets, 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.

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

The College adopted GASB Statement no. 51, *Accounting and Financial Reporting for Intangible Assets*, during fiscal year 2010. The statement requires government entities to recognize all intangible assets not specifically excluded by its scope provisions to be classified as capital assets in the Statement of Net Position. The statement also provided guidance on determining the useful life of intangible assets for amortization purposes.

The College amortizes intangibles using the straight-line method over the estimated useful life of the asset, generally 4 to 20 years.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Revenues

Revenues of the College are classified as either operating or non-operating according to the following criteria:

> Operating revenues result from activities that have characteristics of exchange transactions; that is, the College receives payment in exchange for providing services or products to students or other constituencies. Student tuition and fees, net of scholarship allowances, and some federal, state, and local grants are the primary characteristics of operating revenues for the College.
>
> Non-operating revenues are those revenues that result from non-exchange transactions or from activities specifically defined as non-operating by the Governmental Accounting Standards Board (GASB). Pell grants are considered non-operating under the definitions set forth by the GASB because it imposes administrative responsibilities on the College. Appropriations from the state are also considered non-operating under the definitions set forth by the GASB because the College does not provide a direct and commensurate benefit to the legislature in exchange for such funding. In addition to state appropriations, gifts and investment income are categorized as non-operating revenue.

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 state government for TANF, Carl Perkins, BAT, TAA, D & E, TRIO Grant, Career Coach, Trauma Grant, Arkansas Career Education, and various industry partners for continuing education classes. In addition, there are receivables from bookstore credit memos and various miscellaneous receivables.

Investments

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

Inventories

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

Non-current Cash and Investments

Cash that is externally restricted to purchase or construct capital assets is classified as non-current assets in the Statement of Net Position. This classification also includes cash and investments designated by the College for those same purposes and other investments with an original maturity in excess of one year.

Deposits with Trustee

Deposits with trustee are externally restricted and utilized for the payment of debt and the maintenance of reserve funds.

Unearned Revenues

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Compensated absences payable represents the College's liability for unused annual and sick leave and related matching costs at June 30, 2017.

Non-Current Liabilities

Non-current liabilities include (1) principal amounts of bonds payable and bond original issue discount with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year; (3) other post-employment benefits payable, and (4) net pension liability.

Pensions

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

Net Position

Net investment in capital assets presents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position – expendable represent those resources for which the College is legally or contractually obligated to spend such resources in accordance with restrictions imposed by external parties.

Unrestricted net position include those resources derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the College's Board of Trustees.

Restricted/Unrestricted Resources

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

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge
for goods and services provided by the College and the amount that is paid by students and/or certain third parties making payments on behalf of the students. Under this approach, scholarships awarded by the College are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants are required to be reported as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the College has reported a corresponding scholarship discount or allowance.

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
Insured (FDIC)	$ 3,277,247	$ 3,284,693
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the College's name	9,602,947	9,443,121
Total Deposits	$ 12,880,194	$ 12,727,814

The above deposits do not include cash on hand maintained by the College of $920.00 at June 30, 2017. The above total deposits include certificates of deposits of $ 2,006,901 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include a certificate of deposit and money market checking accounts of $201,620 reported as deposits with trustee.

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, 2017. Due to the flooding experienced in May 2017, the college recognized an asset impairment related to buildings.

	Balance July 1, 2016	Additions	Adjustments/ Transfers/ Reclassification	Retirements/ Impairments	Balance June 30, 2017
Non-depreciable Capital Assets:					
Land	$ 583,690				$ 583,690
Construction in Progress	492,967	$ 998,431	$ (925,241)		566,157
Total Non-depreciable Capital Assets	$ 1,076,657	$ 998,431	$ (925,241)	$ 0	$ 1,149,847
Other Capital Assets:					
Improvements and Infrastructure	$ 2,426,553				$ 2,426,553
Buildings	40,685,230		$ 925,241	$ (1,533,335)	40,077,136
Leasehold Improvements	392,931				392,931
Equipment	9,932,322	$ 195,181	(327,543)		9,799,960
Library Holdings	608,714	3,223			611,937
Intangibles	643,728				643,728
Total Other Capital Assets	54,689,478	198,404	597,698	(1,533,335)	53,952,245
Less Accumulated Depreciation/Amortization for:					
Land Improvements	255,628	43,916			299,544
Infrastructure	1,183,759	67,255			1,251,014
Buildings	15,430,756	1,421,735		(835,505)	16,016,986
Leasehold Improvements	34,054	15,717			49,771
Equipment	7,434,630	668,145	(282,254)		7,820,521
Library Holdings	571,446	6,626			578,072
Intangibles	540,512	30,790			571,302
Total Accumulated Depreciation/Amortization	25,450,785	2,254,184	(282,254)	(835,505)	26,587,210
Other Capital Assets, Net	**$ 29,238,693**	**$ (2,055,780)**	**$ 879,952**	**$ (697,830)**	**$ 27,365,035**
Capital Asset Summary:					
Non-depreciable Capital Assets	$ 1,076,657	$ 998,431	$ (925,241)		$ 1,149,847
Other Capital Assets, at cost	54,689,478	198,404	597,698	$ (1,533,335)	53,952,245
Total Cost of Capital Assets	55,766,135	1,196,835	(327,543)	(1,533,335)	55,102,092
Less Accumulated Depreciation	25,450,785	2,254,184	(282,254)	(835,505)	26,587,210
Capital Assets, Net	**$ 30,315,350**	**$ (1,057,349)**	**$ (45,289)**	**$ (697,830)**	**$ 28,514,882**

NOTE 5:Long-Term Liabilities

A summary of long-term debt is as follows:

Bonds:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding 6/30/2017	Maturities to 6/30/2017
Series 10					
9/15/2010	6/15/2028	2.00 - 4.00%	$ 2,665,000	$ 1,735,000	$ 930,000
	Unamortized bond discount		(4,560)	(2,826)	(1,734)
Series 16					
2/26/2016	2/26/2044	3.125%	8,475,000	8,281,176	193,824
TOTALS			$ 11,135,440	$ 10,013,350	$ 1,122,090

The changes in long-term liabilities are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount due within one Year
Compensated Absences	$ 625,236	$ 445,446	$ 500,064	$ 570,618	$ 57,030
Bonds Payable	10,346,917		333,567	10,013,350	339,623
	$ 10,972,153	$ 445,446	$ 833,631	$ 10,583,968	$ 396,653

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

Year Ended June 30,	Principal	Interest	Total
2018	$ 339,880	$ 316,837 *	$ 656,717
2019	351,126	306,880	658,006
2020	362,568	296,307	658,875
2021	374,211	285,164	659,375
2022	386,061	273,353	659,414
2023-2027	2,115,791	1,172,651	3,288,442
2028-2032	1,557,167	850,568	2,407,735
2033-2037	1,687,867	605,468	2,293,335
2038-2042	1,968,603	324,732	2,293,335
2043-2044	872,902	41,075	913,977
Totals	$ 10,016,176	$ 4,473,035	$ 14,489,211

*Accrued interest payable of $90,296 on the bond issues was recorded as a current liability at June 30, 2017.

NOTE 6: Retirement Plans

Arkansas Public Employees Retirement System (APERS)

a. **General Information about the Defined Benefit Pension Plan**

Plan description: Eligible employees of Black River Technical College may elect to participate in the 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 plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of the plan are paid out of investment earnings. Benefit provisions are established and amended by Arkansas Code Title 24.

The plan issues a publicly available financial report, which 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 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. The percentage used is based upon whether a member is contributory or non-contributory as follows: Contributory, prior to 7/1/2005, 2.07%; Contributory, on or after 7/1/2005, 2.03%; or Non-Contributory, 1.72%. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. 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; (3) at age 60 with 20 years of actual service if under the old contributory plan; or (4) 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.

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 and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2016, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 26.88%. Contributions to APERS from Black River Technical College were $124,776 for the year ended June 30, 2017 at the rate of 14.5 percent of applicable compensation.

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 were given the opportunity to become contributory if they so elected by December 31, 2005.

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

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan

At June 30, 2017, Black River Technical College reported liabilities of $984,291 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2016, 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. Black River Technical College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2016, the BRTC's proportion was .0412% for APERS.

For the year ended June 30, 2017, Black River Technical College recognized pension expense in the amount of $161,031. For the year ended June 30, 2017, BRTC 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	$ 929	$ 35,309
Changes of assumptions	75,428	
Net differences between projected and actual earnings on pension plan investments	171,849	
Changes in proportion and differences between BRTC contributions and proportionate share of contributions	51,887	21,128
BRTC contributions subsequent to the measurement date	124,776	
Total	$ 424,869	$ 56,437

$124,776 reported as deferred outflows of resources related to pensions resulting from BRTC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	
2018	$ 58,845
2019	51,929
2020	89,083
2021	43,799

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, 2016
Inflation rate	2.5%
Salary increases	3.95% - 9.85%, including inflation
Investment rate of return	7.50%
Mortality rates	RP-2000 Combined Healthy mortality table, projected to 2020 using projection scale BB, set forward 2 years for males and 1 year for females.
Actuarial experience study dates	July 1, 2007, through June 30, 2012

NOTE 6: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

The long-term expected rate of return on pension plan investments of each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016 to 2025 were based upon capital market assumptions provided by the System's investment consultants.

For each major class included in the pension plan's current asset allocation as of June 30, 2016, these best estimates of arithmetic real rates of return are summarized in the following table:

APERS		
Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	17%	0.83%

Discount rate. The discount rate for the 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 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 Black River Technical College's proportionate share of the net pension liability to changes in the discount rate. The following presents BRTC's proportionate share of the net pension liability for the plan calculated using the discount rate stated above, as well as what BRTC'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	Current discount rate	1% Increase
APERS – 7.5%	$ 1,489,970	$ 984,291	$ 563,444

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

Arkansas Teacher Retirement System

a. **General Information about the Defined Benefit Pension Plans**
Plan description: Eligible employees of Black River Technical College may elect to participate in the pension plan 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 plan. Benefit provisions are established and amended by Arkansas Code Title 24.

NOTE 6: Retirement Plans (Continued)

<u>Arkansas Teacher Retirement System</u> (Continued)

a. **General Information about the Defined Benefit Pension Plans (Continued)**

The plan issues a publicly available financial report, which 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

Benefits Provided: Each 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 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 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 ten 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 the member's base retirement annuity by 3%.

Contributions. Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for each 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, 2017, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from Black River Technical College were $179,364 for the year ended June 30, 2017.

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% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as 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.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, Black River Technical College reported liabilities of $1,875,607 for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2016, 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. Black River Technical College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2016, the BRTC's proportion was .0425% for ATRS.

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

For the year ended June 30, 2017, Black River Technical College recognized pension expense in the amount of $192,609. For the year ended June 30, 2017, BRTC 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	$ 34,019	$ 26,014
Changes of assumptions		
Net differences between projected and actual earnings on pension plan investments	287,441	
Changes in proportion and differences between BRTC contributions and proportionate share of contributions		63,397
BRTC contributions subsequent to the measurement date	179,364	
Total	$ 500,824	$ 89,411

$179,364 reported as deferred outflows of resources related to pensions resulting from BRTC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	
2018	$ 8,271
2019	8,271
2020	130,711
2021	89,792
2022	(4,996)

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, 2016
Inflation rate	3.25%
Salary increases	3.25% to 9.10%, including inflation
Investment rate of return	8.0%
Mortality rates	RP-2000 Mortality table for males and females projected 25 years with scale AA (95% for men and 87% for women
Actuarial experience study dates	July 1, 2005, through June 30, 2010

NOTE 6: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

The long-term expected rate of return on pension plan investments of the 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, 2016, these best estimates are summarized in the following table:

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	50.0%	5.0%
Fixed income	20.0%	0.8%
Alternatives	5.0%	4.4%
Real assets	15.0%	3.4%
Private equity	10.0%	6.3%
Cash equivalents	0.0%	-0.2%

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

Sensitivity of Black River Technical College's proportionate share of the net pension liability to changes in the discount rate. The following presents BRTC's proportionate share of the net pension liability for the plan calculated using the discount rate stated above, as well as what BRTC'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	Current discount rate	1% Increase
ATRS – 8.00%	$ 2,818,103	$ 1,875,607	$ 1,085,408

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

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

General Information about the Defined Contribution Pension Plans

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 principle and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas law authorizes participation in the plan.

NOTE 6: Retirement Plans (Continued)

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

General Information about the Defined Contribution Pension Plans (Continued)

Funding Policy. TIAA/CREF has contributory and non-contributory plans. Contributory members contribute 6 percent of earnings to the plan. The College contributes 14 percent of
earnings for contributory members. The participants' and the College's contributions for the year ended June 30, 2017 were $98,085 and $206,826, respectively.

Alternative Retirement Plan – Variable Annuity Life Insurance Company

Plan Description. The College contributes to the Alternative Retirement Plan – Variable Annuity Life Insurance Company (VALIC), 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 State Board of Workforce Education and Career Opportunities and VALIC. VALIC 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. Employees were allowed to continue participation in this plan when the College converted from a vocational-technical school to an institution of higher education.

Funding Policy. The participants' contributions are tax-sheltered and amount to a minimum of 6 percent of compensation. The College's contribution rate is 14 percent. Participants become vested after one year. The participants' and the College's contributions for the year ended June 30, 2017 were $297,794 and $569,764, respectively.

NOTE 7: Natural Classification by Function

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

	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation & Amortization	Total
Instruction	$ 6,452,552		$ 1,361,874		$ 7,814,426
Public service	390,604		62,579		453,183
Academic support	829,687		121,212		950,899
Student services	1,348,159		291,970		1,640,129
Institutional support	1,757,351		559,565		2,316,916
Scholarships and fellowships		$ 1,557,048			1,557,048
Operation and maintenance of plant	892,772		935,107		1,827,879
Auxiliary enterprises	191,474		769,171		960,645
Depreciation and amortization				$ 2,254,184	2,254,184
Totals	$ 11,862,599	$ 1,557,048	$ 4,101,478	$ 2,254,184	$ 19,775,309

NOTE 8: Disaggregation of Receivable and Payable Balances

Accounts receivable from students and responsible third parties were $135,776 at June 30, 2017. This amount was reduced by an allowance for doubtful accounts of $63,337.

Other receivables of $279,122 at June 30, 2017 consisted of $93,781 due from various grantors for the Career Pathways, Carl Perkins, BAT, ACE Career Coach, and ACE TOPSS programs as well as the Trauma, Childcare, and TRIO grants. Vendor credit memos totaled $69,582 and the remaining $115,759 was due from various vendors.

NOTE 8: Disaggregation of Receivable and Payable Balances (Continued)

The accounts payable and accrued liabilities of $944,370 at June 30, 2017 consisted of $216,311 due to various vendors and $728,059 for accrued salaries and benefits, which includes the accrual for the voluntary separation payment.

NOTE 9: Operating Leases

The College has executed various operating leases. It is expected that in the normal course of business, such leases will continue to be required. Expenditures for lease payments, for the year ended June 30, 2017, were approximately $96,084.

Operating leases includes rental equipment, the Math Center on the Paragould campus, and the land at the Walnut Ridge airport. They have various expiration dates. Following is a schedule of minimum operating lease payments for lease agreements with lease terms in excess of one year.

Future Operating Lease Payments Due:

Fiscal Year	Amount
2018	$ 93,951
2019	67,649
2020	46,021
2021	40,547
2022	33,516
2023-2027	150,005
2028-2032	150,005
2033-2037	57,505
2038	1
Total future lease payments	$ 639,200

NOTE 10: Black River Technical College Foundation, Inc.

The financial statements of the College do not include assets, liabilities, net assets, and changes in net assets, relating to the Black River Technical College Foundation, Inc. The Black River Technical College Foundation, Inc. operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's financial condition as of June 30, 2017, follows:

Black River Technical College Foundation

ASSETS	
Cash and investments	$ 623,789
Other	1,622
TOTAL ASSETS	$ 625,411
LIABILITIES AND NET ASSETS	
Net assets:	
Unrestricted	$ 354,283
Temporarily restricted	146,033
Permanently restricted	125,095
Total net assets	625,411
TOTAL LIABILITIES AND NET ASSETS	$ 625,411

Major components of the changes in net assets during 2016-17 consisted of:

Donations	$ 221,358
Other revenue	754
Increase in temporarily restricted net assets	21,020
Total	243,132
Expenditures	198,341
Net increase (decrease) in net assets	$ 44,791

The College applied the guidelines established by Governmental Accounting Standards Board Statement no. 39, *Determining Whether Certain Organizations are Component Units* to the Black River Technical College Foundation, Inc. The College determined the Foundation did not meet all of the criteria to be reported as a component unit in the accompanying financial statements.

NOTE 11: Pledged Revenues

The College had pledged revenues at June 30, 2017 as follows:

Series 2010 Student Fee—*Issue Date*: 9-15-2010; *Maturity Date*: 06-15-2028; *Purpose*: Refund Series 2003 Bonds for Renovation and Construction of Classroom Facilities, Pocahontas Campus: *Type of Revenue Pledged*: Tuition and Fees; *2017 Gross Revenue*: $5,103,976; *Amount Issued*: $2,665,000; *2017 Principal Paid*: $140,000; *Interest Paid*: $61,550; *Principal Outstanding*: $1,735,000; *Interest Outstanding*: $373,560; *Percent of Revenue Pledged in 2017*: 3.95%

NOTE 11: Pledged Revenues (Continued)

Student Fee Revenue Bond 2016– *Issue Date:* 2-26-2016: *Maturity Date:* 2-26-2044; *Purpose:* To provide permanent financing for a portion of the costs of acquiring, constructing, equipping, and furnishing a new health and science facility, Pocahontas campus; *Type of Revenue Pledged:* Tuition and Fees; *2017 Gross Revenue:* $5,103,976; *Amount Issued:* $8,475,000; *2017 Principal Paid:* $193,823; *Interest Paid:* $264,844; *Principal Outstanding:* $8,281,176; *Interest Outstanding:* $4,099,475; *Percent of Revenue Pledged in 2017:* 8.99%

NOTE 12: Risk Management

The College is exposed to various risks of loss including, but not necessarily limited to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters.

The College participates in the Self-Insured Fidelity Bond Program administered by The Arkansas Governmental Bonding Board. The blanket dishonesty bond provides coverage of actual losses incurred as a result of fraudulent or dishonest acts committed by state officials or employees. Each loss is limited to $300,000 with a $2,500 deductible. Premiums for coverage are remitted by the Arkansas Department of Finance and Administration from funds deducted from the College's state treasury funds.

The College participates in the Arkansas Multi-Agency Insurance Trust Fund (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 also participates in the workers' compensation program which is administered by Public Employee Claims Division of the Arkansas Insurance Department. 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.

Additional information related to the State's risk management program is available in the Comprehensive Annual Financial Report of the State of Arkansas.

The College carries Directors and Officers Liability through Arthur J. Gallagher Risk Management Services. Losses carry a $1,000,000 limit with a $25,000 deductible. An annual premium is paid for this coverage.

In compliance with requirements of a federal grant, Black River Technical College purchased an additional $1,000,000 Crime and Employee Dishonesty coverage as part of the Participating Municipalities of the State of Arkansas policy with The Cincinnati Insurance Company. This policy has a $300,000 deductible.

During the past three fiscal years, no claims have exceeded the amount of coverage. There have been no significant reductions in insurance coverage from the prior year in the major categories of risk.

NOTE 13: Other Postemployment Benefits (OPEB)

The College adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* during fiscal year 2008. The Statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The College participates in an agent multi-employer defined benefit postretirement medical plan, which is administered by the Arkansas Higher Education Consortium (AHEC). The authority under which the Plan's benefit provisions are established or amended is the College's Board of Trustees. The statement has been implemented prospectively.

The College offers postemployment health care benefits to all employees who officially retire from the College and meet certain age- and service-related requirements. Health care benefits are offered through the Black River Technical College Health Insurance Plan.

NOTE 13: Other Postemployment Benefits (OPEB) (Continued)

Employees between the ages of 55 and 60 shall become eligible for retirement benefits in the calendar year in which the sum of the ages and the number of years of continuous full-time service to the College total 70. Employees 60 years and older are eligible for retirement benefits in the calendar year in which they have at least 10 years continuous full-time service to the College. Employees who meet these requirements have the opportunity to continue health insurance coverage upon retirement at no cost to the retiree until the retiree reaches the age 65 or becomes eligible for Medicare coverage. After age 65, a retiree can continue coverage, but must pay the same premium as an active employee. Eligible employees may elect single or family coverage; however, the retiree will be entirely responsible for total cost of insurance premium for spouse and any unmarried dependents. Eligible employees may also choose to buy up to a plan with a lower deductible. The employee is responsible for the differences in the premium.

At June 30, 2017 the number of retired employees enrolled in the Black River Technical College Health Insurance Plan was three. Expenditures for post-retirement health care benefits are recognized monthly and financed on a pay-as-you-go basis. For fiscal year ended June 30, 2017,
the College contributions (benefit payments) were $25,682, which includes 100% of total premiums paid of $17,820 and implicit subsidies of $7,862. Plan members receiving benefits paid $0 towards current premiums (0% of total premiums). As part of the provisions of GASB Statement no. 45, the College accrued an additional $136,250 in retiree healthcare expense
during fiscal year 2017. The total amount accrued at June 30, 2017 was $663,001 and is reported on the Statement of Net Position as a noncurrent liability.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Black River Technical College Office of Finance, P.O. Box 468, Pocahontas, Arkansas 72455.

The required schedule of funding progress contained in the Required Supplementary Information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The College's annual other postemployment benefit (OPEB) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement no. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 years.

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

Cost Element

Unfunded Actuarial Accrued Liability (UAAL) at July 1, 2016	$982,533		
Annual Required Contribution (ARC)			
Normal Cost			$103,200
Amortization of the UAAL over 30 years		59,289	
Interest			7,718
Annual Required Contribution (ARC)		$170,207	
Annual OPEB Cost (Expense)			
ARC			$170,207
Interest on Net OPEB Obligation		25,021	
Adjustment to ARC			(33,296)
Annual OPEB Cost			$161,932
End of Year Accrual (Net OPEB Obligation)			
Annual OPEB cost			$161,932
Employer contribution (benefit payments)		(25,682)	
Increase in Net OPEB Obligation		136,250	
Net OPEB obligation – beginning of year		526,751	
Net OPEB accrual – end of year		$ 663,001	

Black River Technical College
Notes to Financial Statements
June 30, 2017

NOTE 13: Other Postemployment Benefits (OPEB) (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[1]	Percentage Contributed
6/30/08	$ 52,879	$ 12,267	23.20%
6/30/09	52,691	17,070	32.40%
6/30/10	52,525	19,368	36.87%
6/30/11	97,754	25,230	25.81%
6/30/12	98,292	24,042	24.46%
6/30/13	97,947	42,483	43.37%
6/30/14	127,021	61,564	48.47%
6/30/15	125,993	72,623	57.64%
6/30/16	125,155	28,858	23.06%
6/30/17	161,932	25,682	15.86%

[1]Since there is no funding, these are actual benefit payments.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actual value of plan assets to actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll[2] (c)	UAAL as a Percentage of Covered Payroll [2] [(b)-(a)/(c)]
6/30/08	$ -	$453,623	$ 453,623	- %	$4,948,255	9.16%
6/30/09	-	453,623	456,623	- %	4,365,142	10.40%
6/30/10	-	453,623	456,623	- %	5,443,955	8.33%
6/30/11	-	571,586	571,586	- %	5,608,159	10.19%
6/30/12	-	571,586	571,586	- %	5,968,484	9.58%
6/30/13	-	571,586	571,586	- %	7,039,898	8.12%
6/30/14	-	818,764	818,764	- %	7,284,287	11.24%
6/30/15	-	818,764	818,764	- %	7,504,992	10.91%
6/30/16	-	818,764	818,764	- %	7,625,982	10.74%
6/30/17	-	982,533	982,533	- %	7,709,600	12.74%

[2]Payroll includes only plan participants.

Note: The annual OPEB cost of $161,932 for fiscal year 2017 and accrual of $663,001 as of June 30, 2017, are based on a current decision not to fund in a segregated GASB qualified trust.

Schedule of Percentage of OPEB Cost Contributed

Black River Technical College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for current fiscal year and the two preceding fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$125,993	57.64%	$430,454
6/30/16	125,155	23.06%	526,751
6/30/17	161,932	15.86%	663,001

NOTE 13: Other Postemployment Benefits (OPEB) (Continued)

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2016 – June 30, 2017
Actuarial cost method	Projected Unit Credit
Amortization method	30 years
Asset valuation method	N/A
Discount rate	4.75%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	10% in fiscal year 2017, 9% the second year, 8% the third year, and then decreasing by one-half percentage point per year, to an ultimate 5% in ninth year.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The College provided actual per-participant premiums for 2017.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs to the employer at that point.

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

Valuation year	July 1, 2016 – June 30, 2017
Date of Census Data	July 1, 2016
Actuarial Cost Method	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized over 30 years

Retiree Premiums

Health (monthly rate)	Employee Cost	Employer Cost	Total
Single (Base Plan)	$ 0	$ 495	$ 495

Annual Heath Care Trend Rate: Medical and Fiscal Rx Combined

Year	Rate
2017	10.0%
2018	9.0
2019	8.0
2020	7.5
2021	7.0
2022	6.5
2023	6.0
2024	5.5
2025+	5.0

Discount rate: 4.75% per annum

NOTE 13: Other Postemployment Benefits (OPEB) (Continued)

Mortality: RP 2014 Mortality Table

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

Participation Rates: Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate Per 100 Members
55-59	5.0
60	15.0
61	14.0
62	25.0
63	15.0
64	15.0
65	35.0
66	30.0
67	30.0
68	30.0
69	100.0

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule:

Age	Retirement Rate Per 100 Members
20	.10
25	.10
30	.08
35	.08
40	.14
45	.24
50	.53
55	.88
60	1.00

Note 14: Extraordinary Event

On May 2, 2017, the College sustained significant flood damage due to breaches in the levee on the Black River. Eight buildings suffered water damage, with six having significant damage. This loss (less the $100,000 deductible) is covered by the Arkansas Multi-Agency Insurance Trust Fund. The cost of the mitigation, remediation, and restoration was $4,270,000 with an estimated additional cost for contents of over $256,000.

The College followed GASB Statement no. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* in accounting for the impairment to the assets. The impairment loss of $697,829 was reported net of insurance recoveries in the amount of $193,792 on the Statement of Revenue, Expenses, and Changes in Net Position as an extraordinary item of $504,037.

The insurance proceeds not netted against the impairment in the amount of $806,208 and the expenditures directly related to the mitigation and remediation in the amount of $802,854 are also shown on the Statement of Revenue, Expenses, and Changes in Net Position as extraordinary items.

Note 15: Termination Benefits

In accordance with GASB Statement no. 47, *Accounting for Termination Benefits,* the College recognized a liability and expense at June 30, 2017, based on actual costs for the voluntary separation incentive agreements offered and accepted. In an effort to reduce personnel costs, the College offered the Voluntary Separation Incentive Program ("VSIP") to eligible employees. Two tiers of the incentive were offered as follows:

One Half Annual Salary Payout Eligibility

1. Employees who have been employed by the College on or before July 1, 2002, and
2. Employees who have attained the age of fifty years old on or before June 30, 2017.

One Third Annual Salary Payout Eligibility

1. Employees who have been employed by the College on or before July 1, 2007, and
2. Employees who have attained the age of at least fifty-five years old on or before June 30, 2017.

Twelve employees accepted the offer. The VSIP payment was subject to appropriate tax withholdings and other deductions required by law and was not counted as compensation for the purpose of retirement contributions. The cost of the lump sum payments and benefits paid on July 15, 2017, was $284,647.

In accordance with GASB Statement no. 47, *Accounting for Termination Benefits,* the College recognized an expense at June 30, 2017, based on actual costs for lump sum severance payments due to the action taken to outsource custodial services and exercise Board policy 6111, Reduction in Force, effective at June 30, 2017. The agreement with the contracting company included their employment of the existing custodial staff, if the employee so chose. Of the ten employees affected by the action, only four chose to fulfill their obligations and remain employed until the separation date. The cost of the lump sum severance payments and benefits paid on June 30, 2017, was $4,737.

NOTE 16: Subsequent Events

The restoration of the buildings impaired by the flood was substantially complete by the beginning of the fall semester in August 2017. Any remaining restoration was completed by March 12, 2018. Equipment and furniture purchases as well as other purchases of lost contents were completed by early 2018. The total final insurable loss of $4,566,177 and insurance recovery of $4,446,586 were determined in the spring of 2018.

BLACK RIVER TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Postemployment Benefits Other Than Pensions (OPEB)

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

Cost Element

Unfunded Actuarial Accrued Liability (UAAL) at July 1, 2016	$ 982,533		
Annual Required Contribution (ARC)			
Normal Cost			$ 103,200
Amortization of the UAAL over 30 years		59,289	
Interest			7,718
Annual Required Contribution (ARC)		$ 170,207	
Annual OPEB Cost (Expense)			
ARC			$ 170,207
Interest on Net OPEB Obligation		25,021	
Adjustment to ARC			(33,296)
Annual OPEB Cost			$ 161,932
End of Year Accrual (Net OPEB Obligation)			
Annual OPEB cost			$ 161,932
Employer contribution (benefit payments)		(25,682)	
Increase in Net OPEB Obligation		136,250	
Net OPEB obligation – beginning of year		526,751	
Net OPEB accrual – end of year		$ 663,001	

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[1]	Percentage Contributed
6/30/08	$ 52,879	$ 12,267	23.20%
6/30/09	52,691	17,070	32.40%
6/30/10	52,525	19,368	36.87%
6/30/11	97,754	25,230	25.81%
6/30/12	98,292	24,042	24.46%
6/30/13	97,947	42,483	43.37%
6/30/14	127,021	61,564	48.47%
6/30/15	125,993	72,623	57.64%
6/30/16	125,155	28,858	23.06%
6/30/17	161,932	25,682	15.86%

[1]Since there is no funding, these are actual benefit payments.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actual value of plan assets to actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll[2] (c)	UAAL as a Percentage Of Covered Payroll[2] [(b)-(a)/(c)]
6/30/08	$ -	$ 453,623	$ 453,623	- %	$4,948,255	09.16%
6/30/09	-	453,623	453,623	- %	4,365,142	10.40%
6/30/10	-	453,623	453,623	- %	5,443,955	08.33%
6/30/11	-	571,586	571,586	- %	5,608,159	10.19%
6/30/12	-	571,586	571,586	- %	5,968,484	09.58%
6/30/13	-	571,586	571,586	- %	7,039,898	08.12%
6/30/14	-	818,764	818,764	- %	7,284,287	11.24%
6/30/15	-	818,764	818.764	- %	7,504,992	10.91%
6/30/16	-	818,764	818,764	- %	7,625,982	10.74%
6/30/17	-	982,533	982,533	- %	7,709,600	12.74%

[2]Payroll includes only plan participants.

Note: The annual OPEB cost of $161,932 for fiscal year 2017 and accrual of $663,001 as of June 30, 2017, are based on a current decision not to fund in a segregated GASB qualified trust.

Three-Year Schedule of Percentage of OPEB Cost Contributed

Black River Technical College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for current fiscal year and the two preceding fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$125,993	57.64%	$430,454
6/30/16	125,155	23.06%	526,751
6/30/17	161,932	15.86%	663,001

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2016 – June 30, 2017
Actuarial cost method	Projected Unit Credit
Amortization method	30 years
Asset valuation method	N/A
Discount rate	4.75%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	10% in fiscal year 2017, 9% the second year, 8% the third year, and then decreasing by one-half percentage point per year, to an ultimate 5% in ninth year.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The College provided actual per-participant premiums for 2017.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs to the employer at that point.

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

Valuation year	July 1, 2016 – June 30, 2017
Date of Census Data	July 1, 2016
Actuarial Cost Method	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized over 30 years

Retiree Premiums

Health (monthly rate)	Employee Cost	Employer Cost	Total
Single (Base Plan)	$ 0	$ 495	$ 495

Annual Heath Care Trend Rate Medical and Fiscal Rx Combined

Year	Rate
2017	10.0%
2018	9.0
2019	8.0
2020	7.5
2021	7.0
2022	6.5
2023	6.0
2024	5.5
2025+	5.0

Discount rate 4.75% per annum

Mortality RP 2014 Mortality Table

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

Participation Rates Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.

Retirement Rates
Employees are assumed to retire according to the following schedule:

Age	Retirement Rate Per 100 Members
55-59	5.0
60	15.0
61	14.0
62	25.0
63	15.0
64	15.0
65	35.0
66	30.0
67	30.0
68	30.0
69	100.0

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule:

Age	Retirement Rate Per 100 Members
20	.10
25	.10
30	.08
35	.08
40	.14
45	.24
50	.53
55	.88
60	1.00

BLACK RIVER TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Pension Plans

Arkansas Public Employees Retirement System

Black River Technical College
Schedule of the College's Proportionate Share of the Net Pension Liability - APERS

	2017*	2016*	2015*
BRTC's proportion of net pension liability (NPL)	0.0412%	0.0427%	0.0376%
BRTC's proportionate share of net pension liability	$ 984,291	$ 785,596	$ 533,909
BRTC's covered payroll	$ 749,447	$ 756,807	$ 665,272
BRTC's proportionate share of the NPL as a percentage of it's covered payroll	131.34%	103.80%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%	84.15%

*The amounts presented w ere determined as of June 30 of the previous year.

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

Black River Technical College
Schedule of the College's Contributions - APERS

	2017	2016	2015
Contractually required contributions	$ 124,776	$ 108,669	$ 111,775
Contributions in relation to the contractually required contributions	124,776	108,669	111,775
Contribution deficiency (excess)	$ 0	$ 0	$ 0
BRTC's covered payroll	$ 860,524	$ 749,447	$ 756,807
Contributions as a percentage of covered payroll	14.50%	14.50%	14.76%

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

BLACK RIVER TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Arkansas Teacher Retirement System

Black River Technical College
Schedule of the College's Proportionate Share of the Net Pension Liability - ATRS

	2017*	2016*	2015*
BRTC's proportion of net pension liability (NPL)	0.0425%	0.0436%	0.0448%
BRTC's proportionate share of net pension liability	$ 1,875,607	$ 1,421,451	$ 1,176,003
BRTC's covered payroll	$ 1,245,685	$ 1,271,812	$ 1,299,304
BRTC's proportionate share of the NPL as a percentage of it's covered payroll	150.57%	111.77%	90.51%
Plan fiduciary net position as a percentage of the total pension liability	76.75%	82.20%	84.98%

*The amounts presented w ere determined as of June 30 of the previous year.

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

Black River Technical College
Schedule of the College's Contributions - ATRS

	2017	2016	2015
Contractually required contributions	$ 179,364	$ 174,396	$ 178,054
Contributions in relation to the contractually required contributions	179,364	174,396	178,054
Contribution deficiency (excess)	$ 0	$ 0	$ 0
BRTC's covered payroll	$ 1,281,170	$ 1,245,685	$ 1,271,812
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%

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

Schedule 1

BLACK RIVER TECHNICAL COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets and Deferred Outflows	$ 43,158,429	$ 46,562,035	$ 46,746,322	$ 42,941,395	$ 42,683,389
Total Liabilities and Deferred Inflows	15,366,390	15,822,309	12,018,095	3,887,299	3,829,631
Total Net Position	27,792,039	30,739,726	34,728,227	39,054,096	38,853,758
Total Operating Revenues	5,570,038	4,337,975	5,210,014	5,488,166	5,295,302
Total Operating Expenses	19,775,309	20,421,013	20,298,661	20,645,514	20,269,230
Total Net Non-Operating Revenues	11,832,173	12,283,046	13,346,856	14,419,821	15,386,121
Total Other Revenues, Expenses, Gains or Losses	(574,589)	(188,509)	(323,178)	937,865	(20,367)