NEW ISSUE **RATING: S&P: AA- (stable outlook)**
BOOK-ENTRY ONLY

In the opinion of bond counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2020B Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) interest on the Series 2020A Bonds and the Series 2020B Bonds is exempt from State of Arkansas income tax, (iv) the Series 2020A Bonds and the Series 2020B Bonds are exempt from property taxes in the State of Arkansas and (v) the Series 2020B Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. In the opinion of Bond Counsel, interest on the Series 2020A Bonds is includable in gross income for federal income tax purposes. (See LEGAL MATTERS, Tax Exemption.)

$13,390,000
NORTHWEST ARKANSAS COMMUNITY COLLEGE DISTRICT CAPITAL IMPROVEMENT REFUNDING BONDS

$8,055,000 TAXABLE SERIES 2020A	$5,335,000 TAX-EXEMPT SERIES 2020B

Dated: Date of Delivery **Due: May 15, as described herein**

The Bonds are limited tax obligations of the NorthWest Arkansas Community College District (the "District") secured on a parity with the District's Capital Improvement Refunding Bonds, Series 2015 and the District's Promissory Note, dated October 4, 2019. Interest on the Bonds is payable on May 15 and November 15, commencing November 15, 2020. The Bonds mature (on May 15 of each year), bear interest and are priced to yield as set forth on the inside front cover.

(FOR THE MATURITY SCHEDULES, SEE THE INSIDE FRONT COVER)

The Bonds of each maturity and series will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Regions Bank, Little Rock, Arkansas, as the bond registrar and paying agent, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriter named below, subject to the approval of legality by Friday, Eldredge & Clark, LLP, Bond Counsel and subject to satisfaction of certain other conditions.

Stephens Inc.

Official Statement dated June 30, 2020.

MATURITY SCHEDULE

Series 2020A Bonds

$2,680,000 Serial Bonds

Maturity	Amount	Rate(%)	Yield(%)	Maturity	Amount	Rate(%)	Yield(%)
2024	$ 65,000	1.350	1.350	2028	$440,000	1.950	1.950
2025	415,000	1.470	1.470	2029	450,000	2.070	2.070
2026	425,000	1.670	1.670	2030	455,000	2.170	2.170
2027	430,000	1.780	1.780				

$2,095,000 2.350% Term Bonds due May 15, 2032 to Yield 2.350%
$3,280,000 2.600% Term Bonds due May 15, 2035 to Yield 2.600%

Series 2020B Bonds

$2,040,000 2.000% Term Bonds due May 15, 2032 to Yield 1.550%*
$3,295,000 2.000% Term Bonds due May 15, 2035 to Yield 1.850%*

* Priced to first optional redemption date, November 15, 2025

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any offer, solicitation or sale of the Bonds by or to any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

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$13,390,000
NORTHWEST ARKANSAS COMMUNITY
COLLEGE DISTRICT
CAPITAL IMPROVEMENT
REFUNDING BONDS

$8,055,000 **TAXABLE SERIES 2020A**	**$5,335,000** **TAX-EXEMPT SERIES 2020B**

INTRODUCTION TO THE OFFICIAL STATEMENT

This introduction to the Official Statement is only a brief description and is subject in all respects to the more complete information contained in the Official Statement. The offering of the bonds to potential investors is made only by means of the entire Official Statement, including the cover page and appendices.

<u>Purpose of Official Statement</u>. This Official Statement is provided to furnish certain information in connection with the issuance by the NorthWest Arkansas Community College District (the "District") of its Capital Improvement Refunding Bonds, Taxable Series 2020A, in the aggregate principal amount of $8,055,000 (the "Series 2020A Bonds") and its Capital Improvement Refunding Bonds, Tax-Exempt Series 2020B, in the aggregate principal amount of $5,335,000 (the "Series 2020B Bonds").

<u>The District</u>. The District is a community college district duly established and existing under the Constitution and laws of the State of Arkansas (the "State") for the purpose of providing post-secondary education. The District owns and operates NorthWest Arkansas Community College (the "College"). See **DESCRIPTION OF THE DISTRICT**.

<u>Security and Source of Payment</u>. The Bonds will be limited tax obligations of the District, secured by a pledge of revenues from a continuing annual tax described below. See **BONDS BEING OFFERED**, <u>Security and Source of Payment</u>. The Bonds are on a parity of pledge and security with the Prior Obligations (hereinafter described).

<u>Purpose</u>. The Series 2020A Bonds are being issued to advance refund the District's Capital Improvement Bonds, Series 2010A (the "Series 2010A Bonds"). The Series 2020B Bonds are being issued to advance refund the District's Capital Improvement Bonds, Series 2010B, Federally Taxable Build America Bonds-Direct Payment (the "Series 2010B Bonds"). See **BONDS BEING OFFERED**, <u>Purpose</u>.

<u>Redemption</u>. The Series 2020A Bonds and the Series 2020B Bonds (collectively, the "Bonds") are subject to optional redemption, in whole or in part, on and after November 15, 2025. The Series 2020A Bonds maturing on May 15 in the years 2032 and 2035 and the Series 2020B Bonds maturing on May 15 in the years 2032 and 2035 are also subject to mandatory sinking fund redemption as described herein. See **BONDS BEING OFFERED**, <u>Mandatory Sinking Fund Redemption</u> and <u>Optional Redemption</u>.

<u>Denominations and Registration</u>. The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or an integral multiple thereof. Interest is payable November 15, 2020, and semiannually thereafter on each May 15, and November 15. Principal is payable at the principal office of Regions Bank, Little Rock, Arkansas (the "Trustee"). Interest is payable by the Trustee to the registered owners as of the Record Date (herein defined) for each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **BONDS BEING OFFERED**, <u>Generally</u>.

<u>Book-Entry</u>. The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **BONDS BEING OFFERED**, <u>Book-Entry Only System</u>. The Bonds will contain such other terms and provisions as described herein. See **BONDS BEING OFFERED**, <u>Generally</u>.

Tax Matters. In the opinion of Bond Counsel, Friday, Eldredge & Clark, LLP, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2020B Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) interest on the Bonds is exempt from State of Arkansas income tax (iv) the Bonds are exempt from property taxes in the State of Arkansas, (v) the Series 2020B Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code") and (vi) interest on the Series 2020A Bonds is includable in gross income for federal income tax purposes (see **LEGAL MATTERS**, Tax Matters).

Authority. The Bonds are being issued under the authority of the Constitution and laws of the State, including particularly A.C.A. §§ 6-61-1001 et. seq., and a resolution of the Board of Trustees of the College, governing body of the District (the "Resolution"). See **BONDS BEING OFFERED**, Authority, and **THE RESOLUTION**.

Continuing Disclosure. The Board and Regions Bank, as dissemination agent, will enter into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See **CONTINUING DISCLOSURE AGREEMENT**.

Delivery of Bonds. It is expected that the Bonds will be available for delivery on or about July 28, 2020 through the facilities of The Depository Trust Company in New York, New York.

Limitation. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Descriptions of the District, the Bonds, the College, the Resolution and other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Resolution or other documents are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Resolution.

BONDS BEING OFFERED

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity and series will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Closing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the District make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Resolution. The District and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

<u>Generally</u>. The Bonds will be dated, mature and bear interest as set out on the inside front cover page hereof. The Trustee will maintain books for the registration and transfer of ownership of the Bonds. Interest due on a bond on each interest payment date will be paid to the person in whose name the bond was registered at the close of business on the fifteenth day of the month (whether or not a business day) next preceding the interest payment date (the "Record Date"), irrespective of any transfer of the bond subsequent to the Record Date and prior to the interest payment date. Payment of interest shall be made by check mailed to such registered owner.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity and series, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

<u>Authority</u>. The District was established under the authority of the Constitution and laws of the State of Arkansas, including particularly Constitutional Amendment No. 52 and Title 6, Chapter 61, Subchapters 5, 6 and 10 of the Arkansas Code of 1987 Annotated (collectively, the "Act"). The Bonds are being issued under the authority of the Act, including particularly A.C.A. §§ 6-61-1001 <u>et. seq.</u> and the Resolution. See **BONDS BEING OFFERED**, <u>Authority</u>, and **THE RESOLUTION**.

<u>Purpose</u>. The Series 2020A Bonds are being issued to refund the Series 2010A Bonds and to pay costs of issuing the Series 2020A Bonds and accomplishing such refunding. The Series 2020B Bonds are being issued to advance refund the Series 2010B Bonds and to pay costs of issuing the Series 2020B Bonds and accomplishing such refunding.

The refunding of the Series 2010A Bonds will be accomplished by the defeasance method. A portion of the proceeds of the Series 2020A Bonds will be held by the trustee for the Series 2010A Bonds and invested in United States Treasury Obligations that will mature and bear interest at such times and in such amount as will, together with any uninvested cash, provide a cash flow sufficient to pay scheduled principal and interest on the Series 2010A Bonds to and including May 15, 2021 and to redeem the Series 2010A Bonds maturing on and after May 15, 2022 on May 15, 2021.

The refunding of the Series 2010B Bonds will be accomplished by the defeasance method. A portion of the proceeds of the Series 2020B Bonds will be held by the trustee for the Series 2010B Bonds and invested in United States Treasury Obligations that will mature and bear interest at such times and in such amount as will, together with any uninvested cash, provide a cash flow sufficient to pay scheduled principal and interest on the Series 2010B Bonds to and including May 15, 2021 and to redeem the Series 2020B Bonds maturing on and after May 15, 2022 on May 15, 2021.

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Sources and Uses of Funds. The sources and uses of funds are estimated as follows:

	Series 2020A Bonds	Series 2020B Bonds	Total
Sources:			
Par Amount of Bonds	$8,055,000	$5,335,000	$13,390,000
Existing Funds	104,089	20,093	124,182
Net Original Issue Premium	--	71,270	71,270
Total	$8,159,089	$5,426,363	$13,585,452
Uses:			
Refunding Costs	$8,035,783	$5,342,922	$13,378,705
Costs of Issuance	52,825	36,760	89,585
Underwriter's Discount	70,481	46,681	117,162
Total	$8,159,089	$5,426,363	$13,585,452

Security and Source of Payment. The Bonds will be limited tax obligations of the District, secured by a pledge of revenues from a continuing annual tax of 0.866 mill on real property and personal property (the "Tax"). The District has heretofore issued its Capital Improvement Refunding Bonds, Series 2015 and its Promissory Note, dated October 4, 2019 (collectively, the "Parity Obligations"). The Parity Obligations are on a parity of pledge and security with the Bonds.

The Tax will continue to be collected for so long as any indebtedness payable from Tax proceeds are outstanding. The Tax is collected by the collector of Benton County at the same time as other county, municipal and school district taxes are collected.

All proceeds derived from future collections of the Tax are pledged to the payment of the principal of, interest on, and fees of the Trustee in connection with the Bonds and the Parity Obligations (the "Required Payments"). However, proceeds in excess of the amounts needed to make the Required Payments shall be released from the pledge and may be used by the District for any lawful purpose.

The Vice President for Finance and Administration of the College, on behalf of the District, shall pay to the Trustee, from annual collections of the Tax, commencing August 1, 2020 and continuing on the first day of each month thereafter, a sum equal to one-sixth (1/6) of the next installment of interest due on the Bonds plus one-twelfth (1/12) of the next installment of principal due on the Bonds, and such additional amount as necessary to pay fees and expenses of the Trustee; provided however, that payments representing principal of the Bonds shall not commence until June 1, 2023 and payments through November 1, 2020 shall be in an amount equal to 1/4 of the installment of interest on the Bonds due on November 15, 2020.

The Trustee shall deposit all Tax proceeds received from the District into the "Bond Fund" created for payment of principal of, interest on, and fees of the Trustee. Moneys in the Bond Fund in excess of that insured by the Federal Deposit Insurance Corporation must be continuously secured by bonds or other direct or fully guaranteed obligations of the United States of America or other securities authorized by State law to secure public funds, unless invested in Permitted Investments (as hereinafter defined) maturing not later than the date needed to pay debt service requirements on the Bonds. All moneys deposited into the Bond Fund will be specifically pledged to the payment of principal of, interest on and Trustee fees in connection with the Bonds.

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19, which has spread to the State. There have been significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

In an attempt to slow the spread of COVID-19 in the State, the Governor has taken numerous and wide-spread actions designed to mandate or encourage "social distancing." Developments with respect to COVID-19 and the State's responses to COVID-19 (including governmental mandates) continue to occur at a rapid pace, including on a daily basis, and the swift spread of the outbreak may continue to increase in severity for an unknown period of time.

On March 13, 2020, the College announced to employees and students it would move all College operations to online coursework and remote work for all non-essential personnel, effective March 16, 2020. The College physically closed all campus and center locations, locked down buildings, shifted employees to work remote/online-only, and shifted all students to online classes only. The College's facility services and custodial services began immediate work to fully disinfect and deep clean all buildings.

The College is a non-residential campus and converting classes from face-to-face to online was seamless. However, the College's state appropriation for the current year is reduced by $1,232,615. In response to the revenue reduction the College reduced expense budgets in the same amount by implementing a hiring freeze, suspending travel and reducing operational costs. The College received one-half of the appropriated federal funding to cover some of the COVID-19 related expenditures and disbursement to College students in the form of financial aid.

The budget cuts and reductions are carefully structured so as to not to have a negative impact on students and their education. The College has not accessed its reserves and has insurance coverage for emergencies.

During this time away from campus, the College deployed a number of resources and information out to both employees and students, which included the following:

- Free online counseling services offered for both students and employees
- Community resources for anyone in need
- Bi-weekly operation of food pantry with "drive-thru" distribution of food bags on campus
- Articles and information on how to balance work at home with family, children in the home who are also doing online coursework, and dealing with general stress and anxiety given the national crisis at hand
- Information from Human Resources to all employees regarding employee rights under the Coronavirus Aid Relief and Economic Security Act ("CARES Act")
- Information to all students regarding their rights and potential for one-time money allocations under the CARES Act
- Student Services worked to connect directly with students on a daily basis, quickly moving all their general face-to-face services such as financial aid, call center, advising, and tutoring centers to online formats
- Free Wi-Fi hot spots located in safe, open parking lot areas around the College
- Curbside distribution of technology equipment such as laptops and monitors
- COVID-19 free testing, if needed, for everyone covered under the College's health insurance.

The College is currently allowing employees to work from home and is following best practices under CDC guidelines, and under general recommendations made by the Governor. The College's Pandemic Team worked to designed a "phased return to work" for employees, starting with Phase One on May 27, 2020, with approximately 10% of employees returning to work on campus. The College will continue allowing employees to work from home or remote if they are able to fully complete their work. Phase One employees include some additional essential personnel, plus employees who need to access campus/their offices in order to successfully complete work tasks.

Listed below are a few of the measures taken by the College in response to COVID-19:

1. Deep cleaning and disinfecting of all buildings, offices, and interior public spaces at all College locations

2. Removal of "lounge area" seating

3. Controlled access at select doors, allowing assigned personnel to enter, but not open to students or the public

4. Increased daily rounds of custodial services for disinfecting and cleaning

5. Distribution of disinfecting solution and wipes for all areas of the College; employees can assist with disinfecting their offices and any shared space or technology (such as printers)

6. Mandatory requirement that all essential personnel working on campus wear masks and, where needed, gloves

7. Additional hand sanitizer units distributed to all main entry points and high traffic areas on campus

8. Purchase of a Clorox 360 machine for additional disinfecting efforts at all building locations

9. Continued communications and updating of the College's COVID-19 webpage which provides up-to-date information on current situation in the State, local counties, and any current campus reports

The College has taken a very strong and well-planned "phased-return" approach for both the summer and fall semesters. The College is finalizing plans to mandate that appropriate social and physical distancing protocols are followed and is developing standard operating procedures for the use of personal protective equipment to protect the college community.

The College will have a mixture of in person, hybrid, and online courses similar to what is done under normal circumstances in the fall 2020 semester. Social distancing will be incorporated in the classrooms according to State and CDC guidelines. Barriers in common use areas and personal protective equipment usage are currently being discussed.

The College continues to monitor the situation utilizing its internal Pandemic Task Force and the Pandemic Task Force Academic Subcommittee and will make changes to operational practices if needed based on recommendations from these multidisciplinary groups, State guidance, and CDC guidelines.

It is uncertain if COVID-19 will negatively impact the College's fall 2020 enrollment. Early indicators, such as new freshman applications, suggest the College is poised to meet and possibly exceed its current enrollment projection. The College does not currently expect to increase tuition or fees as a result of COVID-19.

The impact of COVID-19 on collections of the Tax is not known. The Tax is due and payable between the first business day in March and October 15. The continued spread of COVID-19 could have a material adverse effect on collections of the Tax.

<u>Mandatory Sinking Fund Redemption</u>. (a) The Series 2020A Bonds maturing on May 15 in the years 2032 and 2035 shall be redeemed prior to maturity, in part, on May 15 of each year, in increments of $5,000, selected by lot by the Trustee in such manner as it may determine, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption, as follows:

Series 2020A Bonds Maturing May 15, 2032

Year (May 15)	Principal Amount
2031	$1,040,000
2032 (maturity)	1,055,000

Series 2020A Bonds Maturing May 15, 2035

Year (May 15)	Principal Amount
2033	$1,070,000
2034	1,095,000
2035 (maturity)	1,115,000

(b) The Series 2020B Bonds maturing on May 15 in the years 2032 and 2035 shall be redeemed prior to maturity, in part, on May 15 of each year, in increments of $5,000, selected by lot by the Trustee in such manner as it may determine, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption, as follows:

Series 2020B Bonds Maturing May 15, 2032

Year (May 15)	Principal Amount
2031	$ 985,000
2032 (maturity)	1,055,000

Series 2020B Bonds Maturing May 15, 2035

Year (May 15)	Principal Amount
2033	$1,080,000
2034	1,100,000
2035 (maturity)	1,115,000

Optional Redemption. The Bonds of each series are subject to redemption prior to maturity, at the option of the District, in increments of $5,000, on and after November 15, 2025, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The District shall select the maturities and series to be redeemed. Less than all of the Bonds of a single maturity of a series called for redemption shall be selected by lot by the Trustee in such manner as it may determine.

If the Bonds are redeemed in part pursuant to the optional redemption provisions, the amount so redeemed shall be credited against mandatory sinking fund redemption installments for the maturity as directed by the District, in either inverse order of due dates or on a pro rata basis among due dates, in each case rounded to the nearest $5,000.

Notice of Redemption. Notice of redemption, identifying the Bonds or portions thereof to be redeemed and the date fixed for redemption shall be given as follows:

The Trustee shall mail a copy by first-class mail, postage prepaid, or send a copy via other standard means, including electronic or facsimile communication, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of any Bond to be redeemed in whole or in part. Failure to send an appropriate notice or any such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given and in proper and timely fashion.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Additional Parity Bonds. Additional bonds payable from the Tax may be issued on a parity of security with the Bonds. Prior to the issuance of any additional parity bonds, the District shall file its certificate, signed by the Chair of the Board of Trustees of the College or the President of the College, with the Trustee setting forth annual rates of collection of the Tax for the then preceding five years and reflecting coverage of Tax collections over maximum annual debt service for all outstanding Bonds, outstanding additional parity bonds and the additional parity bonds then to be issued of not less than 115%, assuming the assessed value of the taxable real and personal property in the District is an amount equal to that for the then preceding year and collection at a rate equal to the average rate of collection for the then preceding five years.

Subordinate Bonds. Without complying with the requirements for additional parity bonds, the District may from time to time in accordance with law issue additional bonds payable from the Tax which are subordinate to the Bonds and any additional parity bonds then outstanding and the pledge of revenues to the Bonds and any additional parity bonds.

DESCRIPTION OF THE DISTRICT

Area. The District comprises most of the eastern half of Benton County, being those portions of Rogers School District No. 30 and Bentonville School District No. 6 located in Benton County, an area of approximately 847 square miles. The principal cities located within the District are Rogers and Bentonville. The majority of the population of Benton County resides within the boundaries of the District.

Formation. Amendment No. 52 to the Arkansas Constitution, approved by a majority of the Arkansas electorate at the November 1964 general election, authorized the General Assembly to provide by law for the establishment of districts for the purpose of providing community college instruction and technical training. An enabling act was passed by the General Assembly early in 1965, permitting municipalities, counties or groups of counties, to create community college districts by popular referendum.

The initial enabling legislation was subsequently amended and the 1973 General Assembly completely rewrote the community college law (by Act No. 103) to provide for state financing of the general operations of community colleges. Act No. 103 was repealed by Act No. 560 of 1977 (as amended and supplemented, the present Act), which has substantially the same provisions as Act No. 103, including particularly the provision for state financing of general operations for community colleges. This legislation was further amended by Act No. 1114 of 1997 which created the Arkansas Higher Education Coordinating Board. This Board functions as a coordinating body for all community colleges and also facilitates all requests and recommendations for funding of two year post-secondary institutions in the system.

At a special election held on August 15, 1989, voters approved the formation of the District. At the same time, the voters approved a three mill ad valorem tax on real and personal property within the District. The voters authorized one mill thereof to be pledged as security and as a source of repayment for bond issues of the District. Pursuant to Amendment 59 to the Arkansas Constitution, the millage collected within the District has been rolled back to 2.6 mills, resulting in a pledge of 0.866 mill (i.e. 1/3 of the mills) to the repayment of bonds.

Governmental Organization. The Board of Trustees of the College is the governing body of the District. The Board consists of nine members which are elected by the voters of the District in groups of three each for six-year terms. The elections are held in even numbered years at the general election. Should a vacancy occur prior to an election, the Governor of the State appoints a new member to fill the vacancy until the next general election. The present members of the Board are as follows:

Name	Business or Profession	Term Expires (December 31)
Todd Schwartz, Chairman	Grace Lutheran Academy	2024
Ron Branscum, Vice Chairman	Arvest Bank	2022
Mark Scott, Secretary	Ozarks Community Hospital	2020
Lucas Pointer	First Western Bank	2020
DeAnne Witherspoon	Retired	2022
Rachel Harris	Sightline Retail	2024
Jerry Vest	Regions Bank	*
Mauricio Herrera	Herrera Law Group	2020
Joe Spivey	First National Bank	2022

*Jerry Vest was appointed by Governor Hutchinson to fill a vacancy on the Board created by the resignation of Michael Pearce. Mr. Vest's appointment expires on December 31, 2020. At the general election in November 2020, a replacement for Mr. Pearce will be elected, whose term will expire in 2024.

Executive Officials: The Board of Trustees of the College employs all employees of the College. The chief executive officer is the President of the College. The principal executive officers of the College are as follows:

Name	Title
Dr. Evelyn Jorgenson	President
Dr. Ricky Tompkins	Vice President of Learning/Chief Academic Officer
Al Massri	Vice President of Finance and Administration/Chief Financial Officer
Dr. Todd Kitchen	Vice President of Student Services
Tim Cornelius, JD	Vice President of Career and Workforce Education

Services Provided. The College is a comprehensive, learning-centered two-year public college dedicated to meeting the educational needs of its service area. The College offers a comprehensive educational program, including technical occupational programs, freshman and sophomore programs for students to transfer to four-year colleges, specialty courses, professional continuing education courses, community enrichment classes, and business and industry training to meet the needs of the emerging and existing workforce. Part-time and full-time students are valued equally.

The College offers the following degree programs:

Associate of Applied Science

Accounting Technology	Environmental Management
Banking and Finance	Safety, Health & HazMat Management
Entrepreneurship	Safety, Health & HazMat (Online)
General Business	Fire Science
Logistics Management	Artisanal Foods
Retail	Baking and Pastry Arts
Architecture	Beverage Arts
Mechanical Design	Culinary Arts
Computer Programming Application	Graphic Design
Information Management and Application	Health Information Management
Networking	Paralegal
Construction Technology	Nursing
Criminal Justice	Physical Therapist Assistant
Early Childhood Education	Respiratory Therapist
Electronics Technology	Crime Scene Investigation
EMT-Paramedic	Law Enforcement

Associate of Fine Arts

Creative Writing Option
Music Option
Theatre Option
Visual Art Option

Associate of General Studies

General Studies

Associate of Science

Library Arts and Science-Non-STEM
Library Arts and Science – STEM
Business-General Transfer
Business-Walton College Transfer (University of Arkansas)
Business-Information System-Walton College Transfer (University of Arkansas)
Agriculture, Food and Life Sciences

Certificates

Crime Scene Investigation
Law Enforcement Administration
Crime Scene Investigation
Law Enforcement Administration
Certificate of General Studies
Accounting Technology
Artisanal Foods
Baking Arts
Beverage Arts
CAD-Architectural Design
CAD-Mechanical Design
Child Advocacy Studies
Construction Technology
Criminal Justice
Culinary Arts
Cyber Technician Option
Dental Assistant
Early Childhood Education
EMT Paramedic
Entrepreneurship
Environmental Management and Regulatory Science
Environmental Regulatory Science
Funeral Science
General Business
Graphic Design
Health Information Management
Logistics Management
Media
Pre-Health Care Studies
Retail Management
Child Development
Cinematic Studies
Community Paramedicine
Crime Prevention and Corrections
ECE - Nursing Aide
Electrical Apprentice
Electronics Technology
EMT Basic
Environmental Management/GIS Tech
Fire Protection
Forensic Science
HVAC Apprentice
Law Enforcement
Nursing Assistant
Plumbing Apprentice
Pre-Health Sciences
Pre-Radiologic Imaging Services
Safety and Health
Safety and Health-Online
Workforce Readiness

Accreditation and Federal Financial Aid. The College is accredited by The Higher Learning Commission, which granted the College continued accreditation through 2019-2020. The College was also reaffirmed in 2012 as one of the Higher Learning Commission's Academic Quality Improvement Program (AQIP) institutions. In addition to institutional accreditation, the Physical Therapy Assistant Program, the Respiratory Care Technician Program, the EMS Programs, and the Nursing Program have received accreditation from professional organizations. The College is eligible to award the Federal Pell Grant, the Federal Supplemental Educational Opportunity Grant, the Federal Work Study Program, and Direct Student loans. In addition to the Federal financial aid programs, State and institutional scholarship programs are available to students who qualify.

Enrollment. The College enrollment has been as follows for the years shown:

Year	Fall	Spring	Annual FTE (Full Time Equivalent)
2014-15	8,098	7,217	5,133
2015-16	7,744	7,027	4,883
2016-17	7,761	7,156	4,985
2017-18	7,715	7,079	4,951
2018-19	7,979	7,351	4,445
2019-20	8,383	N/A	4,552

Students. 29.5% of all students at the College attend full time and 22.76% are dual-enrolled high school/college students. Approximately 74% receive some form of financial aid. The average age of the College's graduates is 24.

College Employees. The College currently has 411 full-time employees, which includes faculty (157) and staff (254) and 390 part-time employees, which includes faculty (314) and staff (76).

College Facilities. The major facilities owned or operated by the District are as follows:

Building Name and Location	Use	Owned/Leased	Total Square Feet	Lease Expires
Burns Hall Bentonville Campus Bentonville, Arkansas	Classrooms Administration Faculty Offices	Owned	181,000	N/A
Becky Paneitz Student Center Bentonville Campus Bentonville, Arkansas	Classrooms Administration Faculty Offices	Owned	81,799	N/A
Shewmaker Center for Workforce Technology Bentonville Campus Bentonville, Arkansas	Classrooms Faculty Offices	Owned	42,000	N/A
Shewmaker Center for Global Business Development Bentonville Campus Bentonville, Arkansas	Classrooms	Leased (Building owned by NWACC Foundation; Land is owned by College)	42,763	May 31, 2033
Center for Health Professions Bentonville Campus Bentonville, Arkansas	Classrooms Faculty Offices	Owned	79,926	NA
NWACC Maintenance Facility Bentonville Campus Bentonville, Arkansas	Maintenance Shop	Owned	12,217	N/A
NWACC Parking Garage Bentonville Campus Bentonville, Arkansas	Parking	Leased (Building owned by NWACC Foundation; Land is owned by College)	277,104	May 31, 2033
Central Energy Plant Bentonville Campus Bentonville, Arkansas	HVAC	Owned	3,200	N/A
National Child Protection Training Center Bentonville Campus Bentonville, Arkansas	Training Facility	Leased (Building owned by NWACC Foundation)	17,285	May 31, 2033

Integrated Design Lab Bentonville Campus Bentonville, Arkansas	Classrooms Faculty Offices	Owned	18,852	N/A
NWACC Culinary Brightwater Facility Bentonville, Arkansas	Classrooms Faculty Offices	Leased	27,500	June 30, 2024
Washington County Center Springdale Off-Campus Center Springdale, Arkansas	Classrooms Faculty Offices	Leased (Building owned by NWACC Foundation; Land is owned by College)	12,922	May 31, 2033
Regional Technology Center Fayetteville Off-Campus Center Fayetteville, Arkansas	Classrooms	Leased	2,765	June 30, 2021

Assessed Valuation. Taxable property is valued for tax purposes as of January 1 of each year. However, the assessment process is not completed until November of the year of assessment. See **FINANCIAL INFORMATION**, Assessment of Property and Collection of Property Taxes. The assessed valuation of taxable property located within the boundaries of the District (as of January 1) has been as follows:

Year	Real Property	Personal Property	Utilities and Regulated Carriers	Total
2015	$2,820,351,650	$716,763,845	$ 95,567,860	$3,632,683,355
2016	3,039,349,230	765,272,095	100,115,785	3,904,737,110
2017	3,243,104,550	757,866,240	102,566,870	4,103,537,660
2018	3,446,367,100	799,972,810	103,623,755	4,349,963,655
2019	3,629,314,910	826,748,770	108,156,380	4,564,220,060

Major Employers. Set forth below are the major employers in the District:

Company	Business or Product	Approximate Number of Employees
Walmart	Retail	29,000
J.B. Hunt Transport Services	Motor Freight Carrier	3,000
Mercy Health System NWA	Healthcare	2,835
Northwest Health System	Healthcare	2,740
Bentonville School District	Education	2,306
Rogers School District	Education	2.043
Serco	Back Office Operations	1,600

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Unemployment Rates. Set forth below are the annual average unemployment rates for the State and Benton County since 2015 according to the Arkansas Department of Workforce Services:

	Annual Average Unemployment Rate(%)	
Year	County	State
2015	4.6	5.0
2016	3.8	4.0
2017	2.9	3.7
2018	3.0	3.6
2019	2.6	3.5
2020*	3.4	4.1

*As of March 2020

Population. The following table sets forth the population trends for Benton County since 1970:

Year	Population
1970	50,476
1980	78,115
1990	97,499
2000	153,406
2010	221,339
2018 (Estimate as of July 1)	272,608

Medical Facilities. The District is served by Mercy Medical Center in Rogers and Northwest Medical Center in Bentonville.

Financial Institutions. The District is served by the following banks: Arvest Bank, Bank of America, NA, Bank of Arkansas, Bank OZK, Centennial Bank, Central Bank, The Farmers & Merchants Bank, First National Bank, First National Bank of NWA, First Security Bank, First Western Bank, Grand Savings Bank, IBERIABANK, Legacy National Bank, Regions Bank, Signature Bank of Arkansas, Simmons Bank, BancorpSouth Bank, Chambers Bank, The Citizens Bank, Generations Bank, INTRUST Bank, NA, Signature Bank of Arkansas and United Bank.

Economic Data. Per capita personal income estimates for Benton County are as follows:[(1)]

Year	Per Capita Personal Income
2014	$74,292
2015	78,852
2016	82,031
2017	84,658
2018	88,890

Total personal income estimates for Benton County are as follows:[(1)]

Year	Total Personal Income
2014	$18,192,850,000
2015	19,844,978,000
2016	21,265,196,000
2017	22,561,813,000
2018	24,232,084,000

(1)Source: Bureau of Economic Analysis.

DEBT STRUCTURE

General. At the election creating the District, held August 15, 1989, a levy of three mills and the pledging of one mill thereof to bonded debt was approved. After reassessment of property in the District pursuant to Amendment No. 59 to the Arkansas Constitution, the millage collected within the District has been reduced to 2.60 mills and the Tax was reduced to 0.866 mill. The Tax is computed by multiplying the then current assessed value by 0.866 mill.

Collection of Taxes. Collections of the Tax (net of County administration and collection charges) are shown in the following table.

Year of Levy	Amount Levied	Year of Collection	Amount Collected*	Rate of Collections (net of collection fees)
2014	$3,074,426	2015	$2,991,444	97.30%
2015	3,153,005	2016	3,079,648	97.67
2016	3,387,688	2017	3,291,429	97.15
2017	3,556,399	2018	3,441,755	96.77
2018	3,769,968	2019	3,785,578	100.41

5-year average rate of collections – 97.86%

*Includes collections of delinquent taxes.

Estimated Coverage. The current (2019) assessed value of taxable property in the District is as follows:

Real Property	$3,629,314,910
Personal Property	826,748,770
Utilities and Regulated Carriers	108,156,380
Total	$4,564,220,060

The Tax as levied for collection in 2020 is computed as follows: the 2019 assessed value ($4,564,220,060) is multiplied by the Tax rate of 0.000866 to obtain the total Tax levy of $3,952,614.

The total property taxes levied for collection in 2020 is $3,952,614. Assuming the five year average collection rate of 97.86% applies in 2020, the projected 2020 Tax receipts will be $3,868,028.

For purposes of the following coverage computation, it is assumed that the Tax receipts in 2020 and each subsequent year will be the same and that each year's receipts will be available for payment of debt service in the annual period ending on June 30 of the following year.

On the basis of the 2019 assessment ($4,564,220,060), coverage of Tax collections over maximum annual debt service for the Bonds and the Parity Obligations may be estimated as follows:

Estimated Collections:	$3,868,028(1)	$3,952,614(2)
Maximum Annual Debt Service:(3)	2,811,945	2,811,945
Coverage:	1.38X	1.41X

(1)Assuming collection rate of 97.86% (5-year average rate of collections).
(2)Assuming collection rate of 100%.
(3)Using a fiscal year ending June 30.

THE IMPACT OF COVID-19 ON THE DISTRICT IS NOT YET KNOWN. COLLECTIONS OF THE TAX COULD BE NEGATIVELY AFFECTED. See BONDS BEING OFFERED, Security and Source of Payment. NO REVENUES OF THE COLLEGE ARE PLEDGED TO THE BONDS.

Computation of Dollar Amount of Debt Service Tax Levied. The most recent county-wide reassessment of taxable property was completed in Benton County in 2016. The next county-wide reassessment for Benton County is scheduled to be completed in 2021. For purposes of Amendment 59, the year in which the reassessment is completed is known as the "Base Year." For a general discussion of the reassessment requirement and its effect on assessed value and tax rate, see **FINANCIAL INFORMATION**, Constitutional Amendment Nos. 59 and 79, infra.

Constitutional Amendment No. 79 provides for an annual state credit against ad valorem property tax on a homestead in an amount not less than $300. Effective with the assessment year 2019, the amount of the credit was increased to $375. The tax reduction is reflected on the tax bill sent to the property owner by the county collector. Amendment No. 79 provides that the credit shall be applied in a manner that would not impair a bondholder's interest in ad valorem debt service revenue. In addition, Amendment No. 79 provides that the "General Assembly shall, by law, provide for procedures to be followed with respect to adjusting ad valorem taxes or millage pledged for bonded indebted purposes, to assure that the tax or millage levied for bonded indebtedness purposes will, at all times, provide a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves, and other requirements of the bond indenture."

The taxing units within the county are entitled to reimbursement of the reduction from the annual state credit. Pursuant to legislation, the state sales tax was increased by 0.5%. The purpose of the legislation is to raise revenues that the State sends back to replace the money lost as a result of the state credit. Therefore, for purposes of calculating projected revenues available for debt service, the District has assumed that it will receive revenues equal to the debt service revenues it would have received prior to the adoption of Amendment No. 79.

Debt Service Schedule. Set forth below are the debt service requirements for the Bonds and the Parity Obligations:

Fiscal Year Ending June 30	Parity Obligations Debt Service	Bonds Principal	Bonds Interest	Total
2021	$ 1,474,845.00	--	$ 231,760.87	$ 1,706,605.87
2022	1,507,505.00	--	290,710.50	1,798,215.50
2023	1,530,335.00	--	290,710.50	1,821,045.50
2024	2,099,734.00	$ 65,000.00	290,710.50	2,455,444.50
2025	2,099,530.25	415,000.00	289,833.00	2,804,363.25
2026	2,097,123.00	425,000.00	283,732.50	2,805,855.50
2027	2,102,445.00	430,000.00	276,635.00	2,809,080.00
2028	2,102,796.25	440,000.00	268,981.00	2,811,777.25
2029	2,101,544.00	450,000.00	260,401.00	2,811,945.00
2030	2,101,958.50	455,000.00	251,086.00	2,808,044.50
2031	--	2,025,000.00	241,212.50	2,266,212.50
2032	--	2,110,000.00	197,072.50	2,307,072.50
2033	--	2,150,000.00	151,180.00	2,301,180.00
2034	--	2,195,000.00	101,760.00	2,296,760.00
2035	--	2,230,000.00	51,290.00	2,281,290.00
TOTAL	$19,217,816.00	$13,390,000.00	$3,477,075.87	$36,084,891.87

Defaults. No debt obligations of the District have been in default as to principal or interest payments or in any other material respect at any time.

THE RESOLUTION

Set forth below is a summary of certain provisions of the Resolution. This summary does not purport to be comprehensive and reference is made to the full text of the Resolution for a complete description of its provisions.

Bond Fund. The Resolution creates the "2020 NorthWest Arkansas Community College District Bond Fund" (the "Bond Fund") which will be held by, or under the direction of, the Trustee. The Vice President for Finance and Administration of the College, on behalf of the District, shall pay to the Trustee for deposit into the Bond Fund, from annual collections of the Tax, commencing August 1, 2020 and on the first day of each month thereafter, a sum equal to 1/6 of the next installment of interest due on the Bonds plus 1/12 of the next installment of principal due on the Bonds, and such additional amount as necessary to pay fees and expenses of the Trustee; provided however, that payments representing principal of the Bonds shall not commence until June 1, 2023 and payments through November 1, 2020 shall be in an amount equal to 1/4 of the installment of interest on the Bonds due on November 15, 2020.

The deposit into the Bond Fund shall be made contemporaneously with any required payments into the bond funds for the Parity Obligations. All other revenues derived from the Tax will be released from the pledge and may be used for any lawful purposes. See **BONDS BEING OFFERED**, Security and Source of Payment. Moneys in the Bond Fund will be used solely for the payment of principal of, interest on, and fees of the Trustee in connection with the Bonds. The Trustee will withdraw from the Bond Fund, on or before the due date of any Bond, on or before each interest payment date, and on or before the due date of any fees of the Trustee, moneys in an amount equal to the amount of such principal, interest, or fees for the sole purpose of paying the same, and shall apply such moneys for such purpose. Moneys held for the credit of the Bond Fund which are in excess of the amount needed for payment of principal, interest and fees of the Trustee shall be withdrawn from the Bond Fund and paid to the District.

Deposit of Sale Proceeds. The Series 2020A Bonds will be delivered to the Underwriter upon payment by the Underwriter of the purchase price. Certain expenses of issuing the Series 2020A Bonds shall be paid. The amount necessary to accomplish the refunding of the Series 2010A Bonds will be deposited with the trustee for the Series 2010A Bonds.

The Series 2020B Bonds will be delivered to the Underwriter upon payment by the Underwriter of the purchase price. Certain expenses of issuing the Series 2020B Bonds shall be paid. The amount necessary to accomplish the refunding of the Series 2010B Bonds will be deposited with the trustee for the Series 2010B Bonds.

Investments. Moneys held for the credit of the Bond Fund may be invested in Permitted Investments. "Permitted Investments" are defined as (i) direct obligations of the United States of America or obligations the principal of and interest on which are fully guaranteed by the United States of America ("Government Obligations"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) bank certificates of deposit to the extent insured by the Federal Deposit Insurance Corporation, or if in excess of insurance coverage, collateralized by Government Obligations or other securities authorized by State law to secure public funds or (iv) money market funds invested exclusively in Government Obligations and the obligations described in (ii) above.

Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee is not required to take any action for the protection of Bondholders unless it has been requested to do so in writing by the holders of not less than 10% in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the cost, expenses and liabilities to be incurred therein or thereby.

The Trustee may resign by giving notice in writing to the President of the College. Such resignation shall be effective upon the appointment of a successor Trustee by the District and acceptance of appointment by the successor. If the District fails to appoint a successor Trustee within 30 days of receiving notice of resignation, the Trustee may apply to a court of competent jurisdiction for appointment of a successor. The District, so long as it is not in default under the Resolution, or the holders of a majority in principal amount of outstanding Bonds may at any time, with or without cause, remove the Trustee and the District shall appoint a successor. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to execute trust powers and subject to examination by federal or state authority, having reported capital and surplus of not less than $10,000,000.

Modification of Terms of Bonds. The terms of the Bonds and the Resolution will constitute a contract between the District and the registered owners of the Bonds. The Trustee may consent to any supplement or amendment to the Resolution in order to cure any ambiguity, defect or other change that the Trustee determines is not to the material prejudice of the owners of the Bonds without the consent of the owners of the Bonds. The owners of not less than 75% in aggregate principal amount of the Bonds then outstanding have the right, from time to time, to consent to the adoption by the District of resolutions modifying any of the terms or provisions contained in the Bonds or the Resolution; provided, however, that without the consent of 100% of the owners of outstanding Bonds there shall not be permitted (a) any extension of the due date of the principal of or interest on any bond, or (b) a reduction in the principal amount of any bond or the rate of interest thereon, or (c) the creation of any additional pledge on the revenues pledged to the Bonds other than as authorized in the Resolution, or (d) a privilege or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for such consent.

Defeasance. When all of the Bonds shall have been paid or deemed paid, the pledge in favor of the Bonds (see **BONDS BEING OFFERED**, Security and Source of Payment, supra) shall be discharged and satisfied. A Bond shall be deemed paid when there shall have been deposited in trust with the Trustee, cash or Government Obligations sufficient to pay when due the principal of and interest on the Bond. If the principal of the Bond is to become due by redemption prior to maturity, notice of such redemption must have been duly given or provided for. In determining the sufficiency of a deposit there shall be considered the principal amount of such Government Obligations and interest to be earned thereon until their maturity

Defaults and Remedies. (a) If there is any default in the payment of the principal of or interest on any Bond, or if the District defaults in the performance of any other covenant in the Resolution, the Trustee may, and upon the written request of the owners of not less than 10% in principal amount of the Bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the District under the Constitution and laws of the State and under the Resolution and protect and enforce the rights of the owners by instituting appropriate proceedings at law or in equity or by other action deemed necessary or desirable by the Trustee. If any default in the payment of principal or interest continues for 30 days, the Trustee may declare all outstanding Bonds immediately due and payable together with accrued interest thereon. And, if directed to do so by the owners of not less than 25% in principal amount of the then outstanding Bonds and not directed otherwise by the owners of a larger percentage of outstanding Bonds, the Trustee shall declare all outstanding Bonds immediately due and payable together with accrued interest thereon.

(b) The Trustee shall be under no obligation to institute any suit or take any remedial proceeding under the Resolution, or to enter any appearance or in any way defend any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability.

(c) No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Bonds or the Resolution or under the Constitution and laws of the State, unless the owners of not less than 25% in principal amount of the then outstanding Bonds shall have made written request of the Trustee to take action, shall have afforded the Trustee a reasonable opportunity to take such action, and shall have offered to the Trustee reasonable security and indemnity against the cost, expenses and liabilities to be incurred and the Trustee shall have refused or neglected to comply with such request within a reasonable time. No one or more owners of the Bonds shall have any right in any manner by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right thereunder except in the manner provided in the Resolution. All proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit of all owners of outstanding Bonds. Any individual rights of action are restricted by the Resolution to the rights and remedies therein provided. Nothing shall, however, affect or impair the right of any owner to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof.

(d) No delay or omission of the Trustee or any owner of a Bond to exercise any right or power accrued upon any default shall impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given to the Trustee and to the owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

(e) The Trustee may, and upon the written request of the owners of not less than 10% in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding or before the completion of the enforcement of any other remedy. No such waiver shall extend to or affect any other existing or subsequent default or defaults or impair any rights or remedies consequent thereon.

FINANCIAL INFORMATION

Overlapping Ad Valorem Taxes. The ad valorem taxing entities in the State are municipalities, counties, school districts and community college districts. All taxable property located within the boundaries of a taxing entity is subject to taxation by that entity. Thus property within the District is also subject to county ad valorem taxes and ad valorem taxes of the school district in which located. Property located within a municipality is also subject to taxation by that entity. The ad valorem tax entities whose boundaries overlap the District and their current ad valorem tax rates are as follows:

Name of Overlapping Entity	Total Tax Rate (in mills)
Benton County	9.7
Bentonville School District	48.5
Rogers School District	41.9
City of Rogers	3.8
City of Bentonville	5.5

Assessment of Property and Collection of Property Taxes. (a) Under Amendment No. 59 to the Arkansas Constitution, all property is subject to taxation except for the following exempt categories: (i) public property used exclusively for public purposes; (ii) churches used as such; (iii) cemeteries used exclusively as such; (iv) school buildings and apparatus; (v) libraries and grounds used exclusively for school purposes; (vi) buildings, grounds and materials used exclusively for public charity; and (vii) intangible personal property to the extent the General Assembly has exempted it from taxation, provided that it be taxed at a lower rate, or provided for its taxation on a basis other than ad valorem. Amendment No. 59 also authorizes the General Assembly to exempt from taxation the first $20,000 of value of a homestead of a taxpayer 65 years of age or older.

Amendment No. 59 provides that, except as otherwise provided therein in connection with the transition period following a county-wide reassessment (see Constitutional Amendment Nos. 59 and 79, infra), (1) residential property used solely as the principal place of residence of the owner shall be assessed in accordance with its value as a residence, (2) land (but not improvements thereon) used primarily for agricultural, pasture, timber, residential and commercial purposes shall be assessed upon the basis of its value for such use, and (3) all other real and tangible personal property subject to taxation shall be assessed according to its value (the Arkansas Supreme Court has held that the unqualified word "value," as used in a prior, substantially identical, constitutional provision, means "current market value").

(b) Property owned by public utilities and common carriers and "used and/or held for use in the operation of the company . . ." is assessed for tax purposes by the Tax Division of the Arkansas Public Service Commission. A.C.A. § 26-26-1605 provides that the Tax Division "shall assess the property at its true and full market or actual value" and that all utility property of a company, whether located within or without the State of Arkansas, is to be valued as a unit. Annually, the company files a report with the Tax Division. The Tax Division reviews these reports, along with other reports (such as reports to shareholders, the Federal Communications Commission, the Federal Energy Regulatory Commission and the Interstate Commerce Commission), to determine the value of the property. Valuation is currently made on the basis of a formula, as set forth in A.C.A. § 26-26-1607. with consideration given to (i) original cost less depreciation, replacement cost less depreciation or reconstruction cost less depreciation; (ii) market value of capital stock and funded debt; and (iii)

capitalization of income. As provided in A.C.A. § 26-26-1611, once the value of a company's property as a unit is determined, the Tax Division removes the value allocable to out-of-state property and assigns the remainder among Arkansas taxing units on the basis of value within each jurisdiction. The Tax Division certifies the assessment to the county assessor who enters the assessment as certified on the county assessment roll. County officials have no authority to change such assessment.
All other property is assessed by the elected assessor of each Arkansas county (or other official or officials designated by law). This includes both real and tangible personal property. Amendment No. 79 to the Arkansas Constitution requires each county to appraise all market value real estate normally assessed by the county assessor at its full and fair value at a minimum of once every five (5) years.

(c) Amendment No. 79 requires the county assessor (or other official or officials designated by law), after each county-wide reappraisal, to compare the assessed value of each parcel of real property reappraised or reassessed to the prior year's assessed value. If the assessed value of the parcel increased, then the assessed value of that parcel must be adjusted as provided below.

Subject to subsection (e) below, if the parcel is not the homestead and principal place of residence ("homestead") of a taxpayer, then any increase in the assessed value in the first year after reappraisal cannot be greater than 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the previous year. For each year thereafter, the assessed value shall increase by an additional 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the year preceding the first assessment resulting from reappraisal; however, the increase cannot exceed the assessed value determined by the reappraisal prior to adjustment under Amendment No. 79.

For property owned by public utilities and common carriers, any annual increase in the assessed value cannot exceed more than 10% of the assessed value for the previous year. The provisions of this subsection (c) do not apply to newly discovered real property, new construction or substantial improvements to real property.

(d) If a homestead is purchased or constructed on or after January 1, 2001 by a disabled person or by a person over age 65, then that parcel will be assessed based on the lower of the assessed value as of the date of purchase (or construction) or a later assessed value. If a person is disabled or is at least 65 years of age and owns a homestead on January 1, 2001, then the homestead will be assessed based on the lower of the assessed value on January 1, 2001 or a later assessed value. When a person becomes disabled or reaches age 65 on or after January 1, 2001, that person's homestead should thereafter be assessed based on the lower of the assessed value on the person's 65th birthday, on the date the person becomes disabled or a later assessed value. This subsection (d) does not apply to substantial improvements to real property. For real property subject to subsection (e) below, the applicable date in this subsection (d), in lieu of January 1, 2001, is January 1 of the year following the completion of the adjustments to assessed value required in subsection (e).

(e) If, however, there has been no county-wide reappraisal and resulting assessed value of property between January 1, 1986 and December 1, 2000, then real property in that county is adjusted differently. In that case, the assessor (or other official or officials designated by law) compares the assessed value of each parcel to the assessed value of the parcel for the previous year. If the assessed value of the parcel increases, then the assessed value of the parcel for the year in which the parcel is reappraised or reassessed is adjusted by adding one-third (l/3) of the increase to the assessed value for the year prior to appraisal or reassessment. An additional one-third (1/3) of the increase is added in each of the next two (2) years.

The adjustment contemplated by subsection (e) does not apply to the property of public utilities or common carriers. No adjustment will be made for newly discovered real property, new construction or substantial improvements to real property.

(f) Property is currently assessed in an amount equal to 20% of its value. The percentage can be increased or decreased by the General Assembly.

The total of the millage levied by each taxing entity (municipalities, counties, school districts and community college districts) in which the property is located is applied against the assessed value to determine the tax owed. The assessed value of taxable property is revised each year and the total millage levied in that calendar year is applied against the assessed value for the calendar year. Assessed value for each year is determined as of January 1 of that year. Tangible personal property, including automobiles, initially acquired after January 1 and before June 1 is required to be assessed in the year of acquisition. Otherwise, only property owned by a taxpayer on January 1 is assessed for that calendar year.

The total taxes levied by all taxing authorities are collected together by the county collector of the county in which the property is located in the calendar year immediately following the year in which levied. Taxes are due and payable between the first business day in March and October 15, inclusive. Taxes not paid by October 15 are delinquent and subject to a 10% penalty. Real estate as to which taxes are delinquent for two successive years is certified to the State Land Commissioner, who offers the property for sale. The proceeds of such sale are distributed among the taxing authorities. Delinquent real property may be redeemed by the taxpayer within two years of the delinquency. Delinquent personal property taxes may be collected by distraint and public sale of the taxpayer's property.

<u>Constitutional Amendment Affecting Personal Property Taxes</u>. At the 1992 general election, a Constitutional amendment was approved which exempts from all personal property taxes items of household furniture and furnishings, clothing, appliances and other personal property used within the home. The effective date of the amendment was January 1, 1993.

<u>Constitutional Amendment Nos. 59 and 79</u>. Prior to the adoption of Amendment No. 59 to the Arkansas Constitution, the Constitution mandated that:

> "All property subject to taxation shall be taxed according to its value, that value to be ascertained in such manner as the General Assembly shall direct, making the same equal and uniform throughout the State. No one species of property from which a tax may be collected shall be taxed higher than other species of property of equal value."

In the case of <u>Arkansas Public Service Commission v. Pulaski County Board of Equalization</u>, 266 Ark. 64, 582 S.W.2d 942 (June 25, 1979), the Supreme Court of Arkansas held that the then current assessment process, as prescribed by certain legislation and administrative regulations, was in violation of the Constitutional mandate in that (1) it provided for the assessment of certain property on the basis of "use value" as opposed to market value, (2) it did not provide for equal and uniform assessments throughout the State and (3) it provided for assessments based on past, as opposed to current, market values. The Court ordered a statewide reassessment to bring the assessments into conformity with the constitutional requirements. It was provided that the reassessment would be completed over a five year period, with 15 of the 75 counties in the State to be reassessed each year. The reassessment was accomplished in calendar years 1981 through 1985.

Legislative studies indicated that the effect of the Court-ordered reassessment would be to substantially increase real estate assessments in most or all counties of the State, with the result being, if tax rates remained the same, to substantially increase real estate taxes. The Arkansas General Assembly submitted to the electors of the State a proposed Constitutional amendment designed to prevent the substantial tax increase that would otherwise result from the reassessment. The proposed Amendment was approved at the 1980 General Election and is now Amendment No. 59 to the Arkansas Constitution.

At the 2000 general election, Constitutional Amendment No. 79 was adopted by a majority of the voters and went into effect on January 1, 2001. Amendment No. 79 allows for an annual state credit against ad valorem property tax on a homestead in the amount of not less than $300.

Amendment No. 59 provides that whenever a county-wide reassessment results in an increase of assessed value of 10% or more, the tax rate of each taxing unit on property located in that county is to be adjusted as provided in the Amendment. The year in which the reassessment is completed is designated the "Base Year". The assessed valuation for the Base Year is based on the reassessment. Amendment No. 79 requires that rollback adjustments under Amendment No. 59 be determined after the adjustments are made to assessed value under Amendment No. 79. See **FINANCIAL INFORMATION**, <u>Assessment of Property and Collection of Property Taxes</u>.

The tax rate applicable to other real property is computed by (1) deducting from the Base Year assessed value of the real estate the assessed value of newly-discovered real estate and new construction and improvements to real property to arrive at the reassessed value of previously assessed real property, (2) determining the tax rate necessary to produce from the previously assessed real property (on the basis of the Base Year assessment) the same amount of revenues produced from such property in the Base Year (on the basis of the last previous assessed value and the tax rate applicable to collections in the Base Year), and (3) either (a) fixing the tax rate determined in (2) as the tax rate for the real property, including newly-discovered real property and new construction and improvements to real estate, or (b) if the tax rate so fixed would produce less than 110% of the revenues from real estate produced in the Base Year, increasing the tax rate in an amount sufficient to produce such 110% of revenues.

The General Assembly, in Act No. 848 of 1981, implemented the procedures of Amendment No. 59. A.C.A. § 26-26-404 provides that the computation is to be made separately for each tax source or millage levy, with the new tax rate for each millage levy to be rounded up to the nearest 1/10 mill. In the case of debt service millage, the tax rate as so adjusted will continue as the continuing annual tax rate until retirement of the bonds to which pledged.

Amendment No. 79 provides that the tax rate for personal property and property of public utilities and regulated carriers should be the same as that for real property. Personal property rates currently not equal to real property rates should be reduced to the level of the real property rate unless a higher rate is "necessary to provide a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves, and other requirements" of a bond issue.

Amendment No. 59 contains the following specific provision in regard to debt service millage:

> "The General Assembly shall, by law, provide for procedures to be followed with respect to adjusting ad valorem taxes or millage pledged for bonded indebtedness purposes, to assure that the adjusted or rolled-back rate of tax or millage levied for bonded indebtedness purposes will, at all times, provide a level of income sufficient to meet the current requirements of all principal, interest, paying agent's fees, reserves, and other requirements of the bond indenture."

A.C.A. § 26-26-402(b) provides:

> "If it is determined that the adjustment or rollback of millages as provided for herein will render income from millages pledged to secure any bonded indebtedness insufficient to meet the current requirements of all principal, interest, paying agent fees, reserves and other requirements of a bond indenture any such pledged millage shall be rolled back or adjusted only to a level which will produce at least a level of income sufficient to meet the current requirements of all principal, interest, paying agent's fees, reserves, and other requirements of the bond indenture."

Other Financial Information. In addition to the Tax pledged to the payment of the Bonds and the two additional mills collected by the District, but not pledged to the Bonds, the District receives substantially all of its operating funds from State appropriations, from tuition and fees charged to students of the College and from federal grants. The finances of the District and the College are audited by the Division of Legislative Audit of the Legislative Joint Auditing Committee of the Arkansas General Assembly. A copy of the audited financial statements of the College for the fiscal year ended June 30, 2018 is attached as Appendix A. A copy of the unaudited financial statements of the College for the fiscal year ended June 30, 2019 is attached as Appendix B.

Major Taxpayers. For taxes levied for collection in 2020 (based on the 2019 assessed valuation), no taxpayer is paying more than 5% of District taxes.

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. The District is a party to three continuing disclosure agreements for its various outstanding bond issues. The District has been obligated to file certain information with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within various time periods set forth in the agreements. While the District has not made any determinations as to materiality, the following paragraphs, while not exhaustive, summarize the results of the District's review of compliance with prior continuing disclosure obligations over the last five years.

As part of its annual reports, the District has been obligated to file annual audited financial statements on EMMA. If the audited financial statements were not available by the due date of the annual report, the District was required to provide unaudited financial statements and to then file the audited financial statements within certain time periods after becoming available. For the fiscal years ended June 30, 2015, 2016, 2017 and 2018, the District timely complied with these requirements. The annual audited financial statements for the fiscal year ended June 30, 2019 are not yet available but unaudited financial statements have been timely filed.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided and the date it was required to be provided to EMMA varies depending on the bond issue. For the fiscal years ended June 30, 2016, 2017, 2018 and 2019, the District timely filed on EMMA all required supplemental financial and operating data. For the fiscal year ended June 30, 2015, the annual report was timely filed; however, the District failed to file all of the required supplemental financial and operating data for two of its bond issues. The District submitted supplemental filings on January 10, 2017 which contained the required financial and operating data for the fiscal year ended June 30, 2015.

The District failed to file notices of rating changes (upgrades in ratings) for outstanding bond issues. Notices concerning the District's failure to timely file such notices were also not filed on EMMA.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Generally. The District will enter into a Continuing Disclosure Agreement with respect to the Bonds.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the District and Regions Bank, as dissemination agent, for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean an Annual Report provided by the District pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bond (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Regions Bank, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the District.

"EMMA" shall mean the Electronic Municipal Market Access System as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

(A) debt obligation;

(B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports. (a) The District shall, or cause the Dissemination Agent to, not later than 270 days after the end of the College's fiscal year (presently June 30) commencing with the report after the end of the 2020 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days of becoming available. If the fiscal year changes, the District shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB.

Content of Annual Reports. Each of the District's Annual Reports shall contain or incorporate by reference the following:

(1) Information of the type set forth in the Official Statement under the captions **DESCRIPTION OF THE DISTRICT,** Assessed Valuation and **DEBT STRUCTURE**, Collection of Taxes; and (2) the annual audited financial statements of the District (or the audited financial statements of the College if separate audited financial statements of the District are not prepared) prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. Modification to rights of security holders, if material.

8. Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the District shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any other similar system that is acceptable to the Securities and Exchange Commission. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Dissemination Agent, without instruction from the District, shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

<u>Termination of Reporting Obligations</u>. The District's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Bonds.

<u>Dissemination Agents</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under a Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to a Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be Regions Bank.

Amendment; Waiver. Notwithstanding any other provision of a Continuing Disclosure Agreement, the District and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Bonds in the same manner as provided in the Resolution for the affected Bonds for amendments to the Resolution with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Dissemination Agent, in reliance on the advice of counsel (who may be counsel for the District) and/or such other certificates or reports delivered to the Dissemination Agent in connection therewith, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the District shall describe such amendment in the next Annual Report with respect to that issue, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the District shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the District or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Dissemination Agents and Rights of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and the Beneficial Owners of the affected Bonds and shall create no rights in any other person or entity.

LEGAL MATTERS

Legal Proceedings. No litigation is pending, or to the best knowledge of the District threatened, questioning the existence of the District, its boundaries, the assessed value of taxable property located within the District, any taxes levied by the District, the title of any member of the Board of Trustees to his or her office, or questioning the authority of the District to issue the Bonds or any proceedings relating thereto.

In addition, there is no litigation pending or threatened against the District in which an adverse decision or decree will have a material adverse effect on the financial condition of the District.

Legal Opinion. Issuance of the Bonds is subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, to the effect that the Bonds have been lawfully issued under the Constitution and laws of the State of Arkansas and constitute valid, binding and enforceable obligations of the District.

Tax Matters. (a) In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Bonds is exempt from State of Arkansas income tax and the Bonds are not subject to property taxes in the State of Arkansas.

(b) The information in this subsection (b) is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2020A Bonds under the Code, regulations and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Series 2020A Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2020A Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Series 2020A Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2020A Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2020A Bonds, Bond Counsel has advised that the Series 2020A Bonds will be treated for federal income tax purposes as evidences of indebtedness of the District and not as an ownership interest in the trust estate securing the Series 2020A Bonds or as an equity interest in the District or any other party, or in a separate association taxable as a corporation. Although the Series 2020A Bonds are issued by the District, interest on the Series 2020A Bonds (including original issue discount, if any) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Series 2020A Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2020A Bonds generally must include interest (including any original issue discount) on the Series 2020A Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 2020A Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2020A Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount) will be treated as a return of capital.

Market Discount. An investor that acquires a Series 2020A Bond for a price less than the adjusted issue price of such Series 2020A Bond (or an investor who purchases a Series 2020A Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the regulations, "market discount" means (i) in the case of a Series 2020A Bond originally issued at a discount, the amount by which the issue price of such Series 2020A Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (ii) in the case of a Series 2020A Bond not originally issued at a discount, the amount by which the stated redemption price of such Series 2020A Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2020A Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described at "Sale or Other Dispositions" under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in legislative history will apply. Under those rules, market discount will be included in income, in the case of a Series 2020A Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2020A Bond who acquired a Series 2020A Bond at a market discount also may be required to defer, until the maturity date of such Series 2020A Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2020A Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2020A Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020A Bond for the days during the taxable year on which the owner held the Series 2020A Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction to be taken into account in the taxable year in which the Series 2020A Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Series 2020A Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2020A Bond. The adjusted basis of a Series 2020A Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2020A Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2020A Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Series 2020A Bond to which it is attributable is held as a "capital asset."

Gain on the sale or other disposition of a Series 2020A Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2020A Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount"). In addition, if the District is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Series 2020A Bonds to call all or a portion of the Series 2020A Bonds prior to maturity, then gain on the sale or other disposition of a Series 2020A Bond in an amount equal to the original issue discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount) on the Series 2020A Bonds, as well as payments of proceeds from the sale of the Series 2020A Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code with respect to interest or original issue discount on the Series 2020A Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Series 2020A Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2020A Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2020A Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on the Series 2020A Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2020A Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of the Series 2020A Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2020A Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2020A Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the District or any underwriter of the Series 2020A Bonds, might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2020A Bonds are acquired by such plans or arrangements with respect to which the District or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2020A Bonds.

(c) In the opinion of Bond Counsel, interest on the Series 2020B Bonds under existing law (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2020B Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage and the use of the proceeds of the Series 2020B Bonds. Failure to comply with certain of such requirements could cause the interest on the Series 2020B Bonds to be so includable in gross income retroactive to the date of issuance of the Series 2020B Bonds. The District has covenanted to comply with all such requirements.

Prospective purchasers of the Series 2020B Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2020B Bonds, (ii) interest on the Series 2020B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2020B Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2020B Bonds.

Prospective purchasers of the Series 2020B Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2020B Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The District has designated the Series 2020B Bonds as "qualified tax-exempt obligations" and has covenanted not to use the proceeds of the Series 2020B Bonds in a manner which would cause the Series 2020B Bonds to be "private activity bonds," within the meaning of the Code, and has represented that the District and its subordinate entities have not and do not expect to issue more than $10,000,000 of such tax-exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during calendar year 2020.

Prospective purchasers of the Series 2020B Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

> Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

As shown on the inside front cover of this Official Statement, certain of the Series 2020B Bonds are being sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2020B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2020B Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates the federal alternative minimum tax for corporations. The President signed the Tax Legislation on December 22, 2017. The Tax Legislation or the introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Series 2020B Bonds. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation (including particularly, without limitation, the Tax Legislation), regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2020B Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the District, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), (a) the Series 2020A Bonds are being purchased at an aggregate purchase price of $7,984,518.75 (principal amount less Underwriter’s discount of $70,481.25) and (b) the Series 2020B Bonds are being purchased at an aggregate purchase price of $5,359,588.75 (principal amount plus original issue premium of $71,270 and less Underwriter's discount of $46,681.25). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the District.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

The District has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Bonds, including certain liabilities under federal securities laws.

Rating. S&P Global Ratings ("S&P") is expected to assign its municipal bond rating of "AA- (stable outlook)" to the Bonds. Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that they will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Bonds by S&P may have an adverse effect on the market price of the Bonds. The Underwriter and the District have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Resolution may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the authorizing resolution resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Information in Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution of this Official Statement has been duly authorized by the District.

NORTHWEST ARKANSAS COMMUNITY
COLLEGE DISTRICT

By /s/ Todd Schwartz
Chairman

APPENDIX A

Audited Financial Statements of
NorthWest Arkansas Community College
for the Fiscal Year Ended June 30, 2018

NorthWest Arkansas Community College

Bentonville, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE

NORTHWEST ARKANSAS COMMUNITY COLLEGE
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JUNE 30, 2018

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INFORMATION

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the NorthWest Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 14 and 17 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the year ended June 30, 2018. A restatement of the College's beginning net position was required due to the adoption of this Statement. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-11, 50-51, and 52-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 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 25, 2019
EDHE19818

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the NorthWest Arkansas Community College (College), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, 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 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the NorthWest Arkansas Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the NorthWest Arkansas Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the College in a separate letter dated June 25, 2019.

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 25, 2019

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

NorthWest Arkansas Community College
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2018, 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 2017	Fall Term 2017	Spring Term 2018	Summer I Term 2018
Student Headcount	1,175	7,715	7,075	2,385
Student Semester Credit Hours	4,331	65,078	58,369	10,791

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 25, 2019

Overview of the Financial Statements and Financial Analysis

NorthWest Arkansas Community College presents its financial statements for the fiscal year ended June 30, 2018 with comparative financial data for the fiscal year ended June 30, 2017.

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

Statement of Net Position

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

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

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

NorthWest Arkansas Community College's total assets and deferred outflows at June 30, 2018 were $76,885,720 compared to $75,929,746 on June 30, 2017 as reported in the asset section of the Statement of Net Position. Total assets are comprised of current assets in the amount of $24,646,108 and noncurrent assets of $49,838,954 and deferred outflows of $2,400,658 for fiscal year 2018, compared to $23,556,961 and $50,351,484 for current and noncurrent assets, respectively and $2,021,301 for deferred outflows in the 2017 fiscal year. Current assets are cash and other assets expected to be converted into cash or consumed in the subsequent fiscal year. Noncurrent assets consist of restricted cash and capital assets net of related depreciation.

Deferred outflows are $2,400,658 relating to defined benefit pension plans as required by GASB 68, at June 30, 2018 and $2,021,301 at June 30, 2017. Deferred outflows relating to OPEB liability as required by GASB 75 were $14,341 at June 30, 2018 and zero at June 30, 2017 due to GASB 75 not being in effect.

Total liabilities of NorthWest Arkansas Community College at June 30, 2018 are $43,051,149 and $43,254,019 at June 30, 2017. Current liabilities are obligations of the College that reasonably expect to be liquidated within the next twelve months. NorthWest Arkansas Community College's current liabilities in the amount $6,293,626 at June 30, 2018, consisted of accounts payable and accrued liabilities, the current portion of bonds and notes payable, and the current portion of compensated absences compared to $5,418,691 for total current liabilities at June 30, 2017.

Noncurrent liabilities are long-term obligations of the College that are payable at some date beyond the following fiscal year. Noncurrent liabilities of $36,757,523 at June 30, 2018 and $37,835,328 at June 30, 2017 were comprised of the long-term portion of bonds and notes payable, compensated absences payable, as well as the liability for postretirement benefits and liability for pensions. The liability for postretirement and pension liabilities were recorded in the financial statements as of June 30, 2018 in the amount of $7,646,840 compared to $7,438,304 at June 30, 2017.

Statement of Net Position (Continued)

Deferred inflows are $1,055,259 relating to defined benefit pension plans as required by GASB 68 at June 30, 2018 and $653,152 at June 30, 2017.

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

The following is a condensed Statement of Net Position:

	June 30, 2018	June 30, 2017
ASSETS:		
Current Assets	$ 24,646,108	$ 23,556,961
Noncurrent Assets	49,838,954	50,351,484
TOTAL ASSETS	$ 74,485,062	$ 73,908,445
Deferred outflows of resources	$ 2,400,658	$ 2,021,301
Total assets and deferred outflows	$ 76,885,720	$ 75,929,746
LIABILITIES:		
Current Liabilities	$ 6,293,626	$ 5,418,691
Noncurrent Liabilities	36,757,523	38,348,743
TOTAL LIABILITIES	$ 43,051,149	$ 43,767,434
Deferred inflows of resources	$ 1,055,259	$ 653,152
Total liabilities and deferred inflows	$ 44,106,408	$ 44,420,586
NET POSITION:		
Net Investment in Capital Assets	$ 14,637,633	$ 15,100,537
Restricted	8,168,817	7,073,269
Unrestricted	9,972,862	9,848,769
TOTAL NET POSITION	$ 32,779,312	$ 32,022,575

Note: FY 17 was not adjusted for OPEB as key actuarial information was not available.

Net Investment in Capital Assets as of June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Capital Assets not Depreciated	$ 4,708,828	$ 4,454,470
Other Capital Assets	68,846,216	68,529,600
Total Capital Assets	73,555,044	72,984,070
Less: Accumulated Depreciation	(29,294,344)	(26,960,665)
Capital Assets, Net	44,260,700	46,023,405
Less: Related Debt	(29,623,067)	(30,922,868)
Net Investment in Capital Assets	$ 14,637,633	$ 15,100,537

Statement of Net Position (Continued)

The College also records compensated absences as part of noncurrent liabilities for amounts owed to employees upon retirement or employee's beneficiary upon death of the employee as well as the liability for postretirement benefits and for the year ended June 30, 2018 the liability for pensions.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

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

- Total operating revenues increased for fiscal year 2018 to $15,814,764 compared to $15,698,487 in the previous fiscal year. This increase is a 1% change.

- Tuition and fees are reported net of scholarship discount and allowance of $7,089,456 in 2018 and $7,583,423 in 2017. The decrease of $493,967 is due primarily to a reduction in Pell awards received by students.

- Total operating expenses increased to $49,034,090 in 2018 from $47,749,328 in 2017. This represents an increase of 2.7%. The increase is in personal service costs of $1,224,535, with other classifications being relatively unchanged in total.

- State appropriations of general revenue and educational excellence funds received during the fiscal year remained relatively flat at approximately $11,700,000; however, Capital appropriations increased to $118,282 in 2018 from none in 2017, and federal grants declined $693,158 down from $10,766,141 in 2017 to $10,072,983 in 2018. Private grants increased from $1,051,364 in 2017 to $1,099,759 in 2018.

- Total local property tax millage (2.6 mills) revenue reported in the fiscal year was $10,079,767 compared to $10,078,644 in 2017. Two thirds of the mills of the revenue were used for operations of the College, while one- third mill was restricted for debt retirement.

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

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

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

	Fiscal year June 30, 2018	June 30, 2017
Total Operating Revenues	$ 15,814,764	$ 15,698,487
Total Operating Expenses	49,034,090	47,749,328
Total Operating Loss	(33,219,326)	(32,050,841)
Total Nonoperating Revenue/(Expenses) and Other Changes	34,489,478	34,479,368
Increase (Decrease) in Net Assets	1,270,152	2,428,527
Net Position:		
Beginning of year	32,022,575	29,594,048
Restatement to comply with GASB 75	(513,415)	
End of year	$ 32,779,312	$ 32,022,575

Restated beginning FY 18 Net Position to reflect implementation of GASB 75.

Statement of Cash Flows – Direct Method

The final statement presented by NorthWest Arkansas Community College is the Statement of Cash Flows – Direct Method. The Statement of Cash Flows is prepared using the direct method and presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninverting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The fifth section reconciles the net cash used in the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Cash and cash equivalents at the end of the year are $22,014,803.

A summary of the cash flows for fiscal year 2018 and 2017 is as follows:

	June 30, 2018	June 30, 2017
Cash provided (used) by:		
Operating Activities	$ (29,739,302)	$ (28,698,291)
Noncapital Financing Activities	32,639,241	32,318,798
Capital and Related Financing Activities	269,863	(561,057)
Investing Activities	42,672	11,740
Net Change in Cash	3,212,474	3,071,190
Cash – Beginning of Year	18,802,329	15,731,139
Cash – End of Year	$ 22,014,803	$ 18,802,329

Enrollment

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

Headcount Enrollment

Year	Fall Headcount	Fall to Fall % Change	Spring Headcount	Spr to Spr % Change	Summer I Headcount	Summer II Headcount
1998-99	3,542	9.3%	3,507	2.4%	947	567
1999-00	3,923	10.8%	3,725	6.2%	932	679
2000-01	4,058	3.4%	3,809	2.3%	1,066	552
2001-02	4,292	5.8%	4,073	6.9%	1,117	569
2002-03	4,731	10.2%	4,435	8.9%	1,220	654
2003-04	4,915	3.9%	4,061	-3.7%	1,209	625
2004-05	5,266	7.1%	5,172	12.4%	1,381	762
2005-06	5,467	3.8%	5,330	3.1%	1,550	753
2006-07	5,732	4.8%	5,756	8.0%	1,753	842
2007-08	6,470	12.9%	6,594	14.6%	2,101	1,072
2008-09	7,216	11.5%	7,244	9.9%	2,392	1,359
2009-10	8,006	10.9%	8,066	11.3%	2,586	1,426
2010-11	8,365	4.5%	8,176	1.4%	2,716	1,446
2011-12	8,528	1.9%	8,090	-1.1%	2,499	1,296
2012-13	8,341	-2.2%	7,981	-1.3%	2,505	1,259
2013-14	8,020	-3.8%	7,457	-6.6%	2,289	1,190
2014-15	8,098	0.1%	7,217	-3.2%	2,335	1,135
2015-16	7,744	-4.4%	7,027	-2.6%	2,326	1,121
2016-17	7,761	0.2%	7,156	1.8%	2,446	1,128
2017-18	7,715	-0.6%	7,075	-1.1%	2,385	1,175

The College's non-duplicated credit student headcount decreased 1.1% in 2018 to 11,098, up from 11,225 students in 2017. Management is currently anticipating a flat enrollment for the next 1-3 years.

Economic Outlook and Factors Impacting Future Periods

NorthWest Arkansas Community College is continuing its tradition of providing a quality and affordable educational experience for students. The NWACC Foundation continues to raise funds on behalf of the college for its Washington County Center. To-date more than $4.6 million has been pledged to fund the construction of the building, and construction should begin in the fall of 2018. General education courses, as well as NWACC nursing and EMT programs will be taught in the center. The health profession programs are proposed in response to increasing needs for health care in Washington and Benton Counties. While it has been state accredited, NWACC's nursing program recently received national accreditation from ACEN.

NWACC is continuing to expand its online learning programs to provide students with other learning opportunities along with stronger articulation agreements and partnerships with four-year institutions to ensure the successful transfer of classes.

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

Economic Outlook and Factors Impacting Future Periods (Continued)

In January 2017, NWACC's Culinary Arts program, known as Brightwater: a Center for the Study of Food, moved to its new facility in downtown Bentonville. The program has seen a strong increase in enrollment since moving into the new space, more than doubling their old space. The culinary program offers a wide range of certificate and degree options in a student-friendly environment. Staffed by highly trained and experienced culinary professionals, some nationally acclaimed, Brightwater offers small class sizes with low student-to-teacher ratios.

The Construction Science Technology program, started in fall 2015, has grown significantly. It receives overwhelming support from the community, as construction technology graduates continue to be in high demand. The program teaches the skills students need to enter the vibrant construction industry. The Construction Science Technology program graduated its first class this past spring.

The college has been planning to build an Integrated Design Lab (IDL) facility on the Bentonville Campus. The IDL will service both the Workforce and Communication and Fine Arts divisions, providing each with additional space and resources to deliver programming. The college will add a "maker space" to the facility to promote entrepreneurship and innovation. The IDL is as much a philosophical approach to learning as it is a functional lab space—from the point of inspiration through the moment of delivery and impact. Students who participate in programming at the IDL will be able to obtain National Center for Construction Education and Research (NCCER) certification as a supplement to their degree in Fine Arts or Construction Technology. Construction on the IDL will begin in August 2018.

Funding from the State of Arkansas remains problematic due to the fact that the College remains under-funded relative to peer institutions. After experiencing enrollment declines for 5 years, college enrollments stabilized. The fall semester of 2018 looks promising, as well and NWACC should have a slight increase in enrollment over last fall. Revenue collections from the local property tax have continued to increase due to a healthy real estate market and personal properties. The College is to receive a small increase in state RSA and $627,768 in one-time funds from the state for achieving milestones in the state performance funding model for FY2020.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 16,436,549
Accounts receivable (less allowance of $221,544)	1,457,534
Interest receivable	14,256
Property taxes receivable	5,918,510
Inventories	16,607
Deposits with bond trustee	498,247
Prepaid expenses	304,405
Total Current Assets	24,646,108
Noncurrent Assets:	
Restricted cash and cash equivalents	5,578,254
Capital assets (net of accumulated depreciation of $29,294,344)	44,260,700
Total Noncurrent Assets	49,838,954
TOTAL ASSETS	74,485,062
DEFERRED OUTFLOWS OF RESOURCES	
APERS Pension	755,413
ATRS Pension	1,630,904
OPEB	14,341
TOTAL DEFERRED OUTFLOWS	2,400,658
TOTAL ASSETS and DEFERRED OUTFLOWS	$ 76,885,720
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	4,898,228
Bonds payable - current portion	1,250,000
Bond issue premium	85,431
Bond issue discount	(3,423)
Compensated absences - current portion	44,151
OPEB liability	19,239
Total Current Liabilities	6,293,626
Noncurrent Liabilities:	
Bonds payable	27,680,000
Bond issue premium	712,626
Bond issue discount	(101,565)
Compensated absences payable	838,861
OPEB liability	1,071,782
Proportionate share of net pension liability - APERS	2,268,191
Proportionate share of net pension liability - ATRS	4,287,628
Total Noncurrent Liabilities	36,757,523
TOTAL LIABILITIES	43,051,149
DEFERRED INFLOWS OF RESOURCES	
APERS Pension	220,800
ATRS Pension	834,459
Total Deferred Inflows	1,055,259
Total Liabilities and Deferred Inflows	$ 44,106,408

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A

NET POSITION		
Net investment in capital assets	$	14,637,633
Restricted for:		
Expendable		
Instructional departments uses		243,337
Capital projects		118,287
Debt service		7,807,193
Unrestricted		9,972,862
TOTAL NET POSITION	$	32,779,312

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

Exhibit A-1

	JUNE 30, 2018	JUNE 30, 2017
ASSETS		
Cash and cash equivalents	$ 10,785,261	$ 2,187,214
Pledges receivable	23,332	54,882
Investments	7,908,816	7,393,692
Grants receivable	100,276	
Prepaid expenses and other assets	51,454	10,237
Assets held in reserve	911,352	1,035,271
Culinary assets to be transferred		4,157,932
Property and equipment, net	18,257,119	18,862,284
TOTAL ASSETS	$ 38,037,610	$ 33,701,512
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	$ 59,433	$ 392,256
Accrued interest	47,180	16,640
Deferred revenue	96,417	
Note payable		549,766
Bonds payable, net	13,401,134	4,822,192
TOTAL LIABILITIES	13,604,164	5,780,854
Net Assets:		
Unrestricted	18,813,013	19,161,540
Temporarily restricted	3,200,861	6,406,861
Permanently restricted	2,419,572	2,352,257
TOTAL NET ASSETS	24,433,446	27,920,658
TOTAL LIABILITIES AND NET ASSETS	$ 38,037,610	$ 33,701,512

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $7,089,456)	$	15,171,153
Other operating revenues		643,611
TOTAL OPERATING REVENUES		15,814,764
OPERATING EXPENSES		
Personal services		34,615,088
Scholarships and fellowships		2,917,230
Supplies and services		8,931,205
Depreciation expense		2,570,567
TOTAL OPERATING EXPENSES		49,034,090
OPERATING LOSS		(33,219,326)
NONOPERATING REVENUES (EXPENSES)		
State appropriations		11,713,052
Federal grants		10,072,983
State grants		2,685,544
Property taxes		10,079,767
Nongovernmental grants and contracts		1,099,759
Investment income		52,722
Interest on capital asset related debt		(1,240,792)
Loss on disposal of capital assets		(2,568)
Federal interest subsidy - Build America Bonds		114,415
NET NONOPERATING REVENUES		34,574,882
INCOME (LOSS) BEFORE REVENUES, EXPENSES, GAINS OR (LOSSES)		1,355,556
OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)		
Capital appropriations		118,282
Capital gift		196,314
Contractual payment to component unit		(400,000)
INCREASE (DECREASE) IN NET POSITION		1,270,152
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED		32,022,575
Restatement for GASB 75 (See Note 17)		(513,415)
NET POSITION - BEGINNING OF YEAR - RESTATED		31,509,160
NET POSITION - END OF YEAR	$	32,779,312

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

NORTHWEST ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

Exhiibt B-1

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
REVENUES AND SUPPORT					
Special Events:					
Special event revenue	$ 75,575			$ 75,575	$ 90,700
Less cost of direct benefit to donors	26,377			26,377	15,778
TOTAL SPECIAL EVENTS	49,198			49,198	74,922
Contributions	78,459	$ 2,870,531	$ 67,315	3,016,305	4,428,031
In-kind contributions	285,447			285,447	279,608
Investment income, net	708,637			708,637	837,670
Interest income	38,509			38,509	
Parking fees	400,000			400,000	750,000
Rental income	118,277			118,277	164,000
Net assets released from restrictions:					
Satisfaction of donor restrictions	6,076,531	(6,076,531)			
TOTAL SUPPORT AND REVENUES	7,755,058	(3,206,000)	67,315	4,616,373	6,534,231
EXPENSES					
Program expenses	7,986,472			7,986,472	2,573,598
General and administrative	111,040			111,040	52,745
Fundraising	6,073			6,073	16,044
TOTAL EXPENSES	8,103,585			8,103,585	2,642,387
NET CHANGE IN NET ASSETS BEFORE RECLASSIFICATIONS OF FUNDS	(348,527)	(3,206,000)	67,315	(3,487,212)	3,891,844
Reclassifications of funds					
CHANGE IN NET ASSETS	(348,527)	(3,206,000)	67,315	(3,487,212)	3,891,844
NET ASSETS, BEGINNING OF YEAR	19,161,540	6,406,861	2,352,257	27,920,658	24,028,814
NET ASSETS, END OF YEAR	$ 18,813,013	$ 3,200,861	$ 2,419,572	$ 24,433,446	$ 27,920,658

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - DIRECT METHOD
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from student tuition and fees	$	15,670,365
Other receipts		705,219
Payments to employees		(25,557,999)
Payments for employee benefits		(8,561,313)
Payments to suppliers		(9,078,344)
Payments for scholarships and fellowships		(2,917,230)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(29,739,302)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		11,713,052
Proceeds from grants and contracts		12,855,958
Property taxes		7,070,633
Nongovernmental grants and contracts		999,598
Direct lending loan receipts		6,270,534
Direct lending loan payments		(6,270,534)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		32,639,241
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations		118,282
Property taxes allocated for debt retirement		3,535,317
Payments to trustees for bond principal		(1,220,000)
Payments to trustees for bond interest		(1,233,994)
Payments to trustee, other		(2,500)
Purchases of capital assets		(527,242)
Contractual payments to component unit		(400,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		269,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		42,672
NET INCREASE IN CASH		3,212,474
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		18,802,329
CASH AND CASH EQUIVALENTS - END OF YEAR	$	22,014,803
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	$	(33,219,326)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		2,570,567
Trustee fees paid from trustee deposits		2,500
Changes in assets and liabilities:		
Receivables, net		493,378
Inventories		4,718
Prepaid expenses		(115,670)
Accounts payable		738,337
Compensated absences		68,323
Other post employment benefits		84,706
Net pension liability		(366,835)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(29,739,302)

NONCASH TRANSACTIONS	
Subsidy for 2010B series bonds deposited with trustee	$ 114,415
Interest earned on deposits by trustees	10,050
Capital asset non cash donation	196,314
Loss on disposal of capital assets	(2,568)
Bond interest paid from trustee funds	(1,325,731)
Trustee fees paid from deposits with trustee	(2,500)
Amortization of bond premium	83,223
Amortization of bond discount	(3,423)

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

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

Financial Statement Presentation

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

Component Units

In May 2002, GASB issued Statement no. 39, *Determining Whether Certain Organizations Are Component Units* which amends GASB Statement no. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the statement, which became effective with the fiscal year ended June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. GASB issued Statement no. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements no. 14 and no. 34,* to amend the rules that govern how component units are identified and presented. The statement clarifies the evaluation of fiscal dependency and adds two additional criteria for blending component units and is effective for reporting periods beginning after June 2012. Also added for reporting periods beginning after June 2012 is GASB Statement no. 80, *Blending Requirements for Certain Component Units.* This statement amends the blending requirements established in GASB Statement no. 14 to require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There is one qualifying foundation for the NorthWest Arkansas Community College: The Northwest Arkansas Community College Foundation, Inc.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Component Units (Continued)

During the year ended June 30, 2018, the Foundation distributed $1,294,394 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administration office at One College Drive, Bentonville, AR 72712.

New Accounting Pronouncements

In Fiscal Year 2015-2016 the College implemented GASB Statement no.72 *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Further information can be found in Note 3.

Financial reporting information pertaining to the College's participation in the Arkansas Teacher Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS) is prepared in accordance with GASB Statement no. 68, *Accounting and Financial Reporting for Pensions* effective with the fiscal year ending June 30, 2015, as amended by GASB Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* also becoming effective with the fiscal year ending June 30, 2015.

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

See Note 9: Employee Retirement Plans for more information. Also, see Note 14 discussing the implementation of GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which was effective with the fiscal year ended June 30, 2018.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

Capital Assets and Depreciation

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

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

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

Operating and Nonoperating Revenues

Operating revenues include activities that have the characteristics of exchange transactions such as; (1) student tuition and fees, net of scholarship discounts and allowances; and (2) sales and services of educational departments.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions, federal grants and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement no. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments,* such as state appropriations and investment income.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and services provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of the estimated allowance for doubtful accounts in the amount of $221,544 at June 30, 2018 and $368,459 at June 30, 2017.

A summary of accounts receivable balances at June 30, 2018 is as follows:

	Gross	Allowance	Net
Student accounts receivable	$ 1,124,456	$ (221,544)	$ 902,912
Accounts receivable – other government	344,197	-	344,197
Other accounts receivable	210,425	-	210,425
Totals	$ 1,679,078	$ (221,544)	$ 1,457,534

NOTE 1: Summary of Significant Accounting Policies (Continued)

Inventories

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

Noncurrent Cash

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

Accounts Payable and Accrued Liabilities

A summary of accounts payable and accrued liabilities at June 30, 2018, is as follows:

Trades payable	$	277,796
Construction payable		86,874
Accrued payroll		960,612
Payroll related liabilities		2,653,222
Due to State of Arkansas		45,329
Interest payable		169,526
Unearned revenue		704,869
Total	$	4,898,228

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 the expenses are incurred.

Unearned Revenues

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

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

Compensated Absences Payable

Compensated absences payable represents the College's liability (salaries plus applicable salary related costs) for unused annual leave as of June 30, 2018. Unused vacation leave for eligible employees is included in the compensated absences payable calculation. Also included is unused sick leave accrual for classified employees in accordance with state regulations. This accrual is calculated on a sliding scale and is limited to a maximum payout of $7,500.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable (Continued)

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

Noncurrent Liabilities

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

Property Taxes

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

Use of Estimates in the Preparation of Financial Statements:

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

Income Taxes

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

New Accounting Pronouncements

The GASB also issued the following statements, which became effective for the fiscal year ended June 30, 2017:

- Statement no. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement no. 77, *Tax Abatement Disclosures,*
- Statement no. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,
- Statement no. 80, *Blending Requirements for Certain Component Unites – an amendment of GASB Statement no. 14,*
- Statement no. 82, *Pension Issues – an amendment of GASB Statements no. 67, no. 68, and no. 73*

Management has determined these statements either had no impact or did not materially impact the College.

NOTE 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

Additionally, the GASB issued the following statements, which become effective for the fiscal year ended June 30, 2018:

- Statement no. 81, *Irrevocable Split-Interest Agreements,*
- Statement no. 85, *Omnibus 2017,*
- Statement no. 86, *Certain Debt Extinguishment Issues*

Management has determined these statements either had no impact or does not materially impact the College.

For the fiscal year ending June 30, 2019
- Statement no. 83, *Certain Asset Retirement Obligations*

For the fiscal year ending June 30, 2020
- Statement no. 84, *Fiduciary Activities*

For the fiscal year ending June 30, 2021
- Statement no. 87, *Leases*

Management has not yet determined the effects of these statements on the College's financial statements.

NOTE 2: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 634,584	$ 634,584
Collateralized:		
The collateral is held by the College and bank's agent in a trilateral agreement in the College's name	21,307,850	21,886,038
Uninsured, uncollateralized	75,073	55,796
Total Deposits	$ 22,017,507	$ 22,576,418

The above deposits do not include cash on hand maintained by the College in the amounts of $2,070 and in the State Treasury of $236 at June 30, 2018. An internal cash clearing account has a credit balance of $5,010 at June 30, 2018 due to the timing of a transfer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, $55,796 of the College's bank balance of $22,576,418 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$55,796

NOTE 3: Deposit with Trustees and Investments

At June 30, 2018 the College's deposits with the trustee in the amount of $498,247 were invested in Fidelity Investments Money Market Treasury Fund and Morgan Stanley Government Advisory Portfolio Fund. The funds operate as "government money market funds" as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. Under normal conditions, the funds will invest their assets so that at least 80% of their net assets are invested in government securities and/or repurchase agreements that are collateralized fully by government securities.

Investments Measured at the NAV

Calculation of Net Asset Value – The funds attempt to stabilize the NAV of their shares at $1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the funds calculate a market-based NAV per share on a periodic basis. The funds cannot guarantee that their NAV will always remain at $1.00 per share. The funds do not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the NYSE is open.

Disclosures regarding these investments are as follows:

			Asset Value
Fidelity Investments MM Treasury Portfolio - Class 1 Fund			
US Treasury	37.58%	$	61,209
Repurchase agreements	62.25%	$	101,390
Net other assets	0.17%	$	277
	Net asset value	$	162,876
Morgan Stanley Institutional Liquidity Funds Government Portfolio			
Repurchase Agreements	51.07%	$	171,274
Government Agencies	37.36%	$	125,295
US Treasury	11.57%	$	38,802
	Net asset value	$	335,371
	Total investments measured at the NAV	$	498,247

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

NOTE 3: Deposit with Trustees and Investments (Continued)

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

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

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

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

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

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

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

Repurchase Agreements – Repurchase agreements are transactions in which the Fund buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sales price, reflecting the fund's return on the transaction. This return is unrelated to the interest rate on the underlying security. The fund will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Adviser.

The Fund's custodian or sub custodian will take possession of the securities subject to repurchase agreements. The Adviser or sub custodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Net Other Assets – Net other assets may include cash and receivables and payables related to open security or capital stock trades.

Credit Risk

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

NOTE 3: Deposits with Trustees and Investments (Continued)

Credit Risk (Continued)

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

Interest Rate Risk

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

NOTE 4: Capital Assets

The following are the changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Nondepreciable capital assets:					
Land	$ 4,261,796				$ 4,261,796
Construction in progress		$ 254,357			254,357
Archives and collections	192,675				192,675
Total nondepreciable capital assets	4,454,471	254,357			4,708,828
Other capital assets:					
Land improvements	1,844,736				1,844,736
Improvements and infrastructure	372,291				372,291
Buildings	59,597,105				59,597,105
Equipment	5,957,052	524,925	$ (220,766)		6,261,211
Library holdings	758,417	31,148	(18,692)		770,873
Total other capital assets	68,529,601	556,073	(239,458)		68,846,216
Less accumulated depreciation for:					
Land improvements	(1,266,263)	(71,218)			(1,337,481)
Buildings	(20,370,303)	(1,983,939)			(22,354,242)
Improvements and infrastructure	(372,291)				(372,291)
Equipment and archives and collections	(4,324,066)	(484,947)	218,198		(4,590,815)
Library holdings	(627,744)	(30,463)	18,692		(639,515)
Total accumulated depreciation	(26,960,667)	(2,570,567)	236,890		(29,294,344)
Other capital assets, net	$ 41,568,934	$ (2,014,494)	$ (2,568)	$ -	$ 39,551,872
Capital asset summary:					
Nondepreciable capital assets	$ 4,454,471	$ 254,357			$ 4,708,828
Other capital assets, at cost	68,529,601	556,073	$ (239,458)		68,846,216
Total cost of capital assets	72,984,072	810,430	(239,458)		73,555,044
Less: accumulated depreciation	(26,960,667)	(2,570,567)	236,890		(29,294,344)
Capital assets, net	$ 46,023,405	$ (1,760,137)	$ (2,568)	$ -	$ 44,260,700

NOTE 5: Long-Term Liabilities

A summary of long-term liabilities is as follows:

The change in long-term debt for the fiscal year ended June 30, 2018:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding June 30, 2018	Maturities to June 30,2018
12-2010	5-2035	3% to 5.25%	$ 9,500,000	$ 8,085,000	$ 1,415,000
12-2010	5-2035	Bond Discount	(82,160)	(58,196)	(23,964)
12-2010	5-2035	*4.55%	5,000,000	5,000,000	-
10-2014	10-2034	2.05% to 3.55%	2,440,000	2,140,000	300,000
10-2014	10-2034	Bond Premium	58,972	50,509	8,463
2-2015	5-2030	2.0% to 4.00%	16,475,000	13,705,000	2,770,000
2-2015	5-2030	Bond Premium	992,186	747,548	244,638
2-2015	5-2030	Bond Discount	(46,792)	(46,792)	-
Totals			$ 34,337,206	$ 29,623,069	$ 4,714,137

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

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Amounts due within one year
Bonds	$ 30,922,869		$ (1,299,800)	$ 29,623,069	$ 1,332,008
Compensated Absences	814,689	$ 1,362,947	(1,294,624)	883,012	44,151
Totals	$ 31,737,558	$ 1,362,947	$ (2,594,424)	$ 30,506,081	$ 1,376,159

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

Year Ended June 30,	Bond Principal	Interest	Total Payments	Interest Subsidy	Net Payments
2019	$ 1,250,000	$ 1,289,119	$ 2,539,119	$ (122,500)	$ 2,416,619
2020	1,280,000	1,250,569	2,530,569	(122,500)	2,408,069
2021	1,325,000	1,210,482	2,535,482	(122,500)	2,412,982
2022	1,355,000	1,168,531	2,523,531	(122,500)	2,401,031
2023	1,415,000	1,115,306	2,530,306	(122,500)	2,407,806
2024-2028	7,955,000	4,692,250	12,647,250	(612,500)	12,034,750
2029-2033	9,765,000	3,013,806	12,778,806	(544,513)	12,234,293
2034-2035	4,585,000	406,175	4,991,175	(79,012)	4,912,163
Totals	$ 28,930,000	$ 14,146,238	$ 43,076,238	$ (1,848,525)	$ 41,227,713

NOTE 6: Pledged Revenues

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

The College has pledged one-third of the continuing ad valorem tax mills and the gross revenues derived from the imposition of the student activity fee known as the Learning Support Fee to repay the $9,500,000 Capital Improvement Bonds, Series 2010A and the $5,000,000 Capital Improvement Bonds, Series 2010B. Proceeds from the bonds have been utilized to construct a new health sciences building. Total principal and interest remaining on the Series 2010A and Series 2010B bonds are $13,085,000 and $10,269,918 respectively, payable through May 15, 2035. For the current year, principal and interest paid were $205,000 and $758,569, respectively. One-third of the property taxes received by the College and the Learning Support fees for the year totaled $3,359,922 (gross amount $10,079,767) and $1,459,965 respectively. The percentage of ad valorem tax and learning support fees pledged for the year ended June 30, 2018 was 20.0%.

Parking Fee - Series 2010 Bonds

The College has pledged revenues derived from the imposition of Parking Fees to repay the $7,740,000 College Parking Facility Revenue Refunding Bonds, Series 2010 issued by the Public Facilities Board of Benton County, Arkansas. The original Series 2005 bond proceeds financed the construction of an 800 space college parking facility located on the campus of NorthWest Arkansas Community College. The fees collected for FY18 and FY17 were $771,802 and $789,280, respectively. The funds disbursed for FY18 and FY17 were of $400,000 and $750,000, respectively. The parking facility and the related indebtedness are an asset and liability, respectively, of NorthWest Arkansas Community College Foundation, Inc. The only involvement the College has are the revenue pledged and payments made as discussed above. NWACC Foundation paid off this obligation May 2018 and NWACC entered into a lease obligation with the Foundation which is disclosed in Note 12, Related Party Transactions.

Tuition – Series 2014 Bonds.

The College issued in October 2014 bonds with par value of $2,440,000 to purchase land in Washington County, Arkansas. The College has pledged tuition revenue in support of these bonds. Total principal and interest remaining on the Series 2014 bonds are $2,140,000 and $652,981, respectively, payable through October 1, 2034. Principal and interest paid during the year ended June 30, 2018 were $100,000 and $69,588, respectively. Tuition for FY18 totaled $16,165,004. The percentage of tuition pledged is 1.05% during FY18.

Ad Valorem Tax-Series 2015 Bonds

The College issued refunding bonds with a par value of $16,475,000 to defease the Capital Improvement and Refunding Bonds issued in 2005. The College has pledged one-third of the continuing ad valorem tax mills, on parity with the 2010 Series A and B, to repay these bonds. Total principal and interest remaining on the Series 2015 bonds are $13,705,000 and $3,223,338 respectively. For the current year, principal and interest paid were $915,000 and $497,575, respectively. One-third of property taxes received by the College for the year totaled $3,359,922 (gross amount $10,079,767). The percentage of ad valorem tax pledged for the year ended June 30, 2018 was 42.04%.

NOTE 7: Interest Expense

Total interest cost for the year ended June 30, 2018 was $1,240,792 and was charged to expense in the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 8: Commitments

The College had the following commitments in excess of $50,000 at June 30,2018:

1. Construction of a facility known as the Integrated Design Lab with a budgeted all-inclusive cost of $5,500,000. The College does not have a completed contract for this construction, however, in addition to being budgeted for, the final plans and negotiations are in progress. A construction manager contract was executed for the preconstruction phase of the project on December 7, 2017. It is anticipated this facility will be completed in the fall of 2019.
2. Contract for repairs on various buildings roofs with a contract cost of $139,312. This contract was completed in September 2018.
3. Contract for repairs on parking garage facility with a contract cost of $162,124. This contract was based on estimates without actual vendor quotes. The actual amount spent for this commitment is $105,069 through February 2019. This is an on-going maintenance project for the parking garage and additional costs and contracts will be entered into future years.

Operating Leases

The following represents future minimum rental payments (aggregated at June 30, 2018). The leases are comprised of seven facility rentals and various office and computer lab equipment leases. It is expected that in the normal course of business such leases will continue to be required.

The College has entered into a long term (15 year) lease with NWACC Foundation for the lease of two buildings and the parking garage located on the Bentonville campus. The lease payments will assist the Foundation in funding the construction of the Washington County Center for the College. Once completed this facility will consolidate NWACC's presence in Washington county and will reduce outside lease expenses in that area.

Future minimum rental payments (aggregated at June 30, 2018): $17,828,852

Future minimum rental payments for the succeeding fiscal years:

Year Ended June 30,	Amount
2019	$ 1,635,487
2020	1,212,558
2021	1,190,380
2022	1,159,713
2023	1,157,012
Thereafter	11,473,702
Total	$ 17,828,852

Rental payments for the operating leases described above were approximately $729,062 for the year ended June 30, 2018.

NOTE 9: Employee Retirement Plans

Teachers' Insurance and Annuity Association (TIAA)

Plan Description – The College participates in TIAA, 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. TIAA is an insurance and investment company offering participants a traditional annuity with guaranteed principle and a specific interest rate plus the opportunity for additional growth through dividends. TIAA also offers a variable annuity. While TIAA is considered to be an academic pension option for higher education in the U.S., it is not associated with the concept of unions or organized labor. Arkansas Code Annotated authorizes participation in the plan.

Funding Policy – TIAA has contributory and non-contributory plans. Contributory members contribute 4% earnings to the plan. The College contributes 6% of earnings for non-contributory members and 10% of earnings for contributory members. The College's and participant's contributions for the year ended June 30, 2018 were $1,653,080 and $963,717, respectively.

Arkansas Teacher Retirement System

Plan Description – The College contributes to the Arkansas Teacher Retirement Systems (ATRS) for employees who do not elect a qualified alternative retirement plan. ATRS is established by State law, can be amended only by the Arkansas General Assembly and is administered by a Board of Trustees. ATRS is a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations. The Arkansas Teachers Retirement System issued a publicly available financial report that included financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teachers Retirement system, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy – ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.0% of covered salaries, the maximum allowed by State law. The College's contributions to ATRS for the years ended June 30, 2018, 2017, and 2016, were $425,803, $422,252, and $446,613 respectively, equal to the required contributions for each year.

Benefits Provided - Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (effective April 1, 1998, computed using highest three years salary) and (2) the number of years of service.

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

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

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

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999 allows for participation in the T-DROP after 28 years of credited service with a reduction of 6% for each year under 30 years. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member election to enter T-DROP is irrevocable, and additional service credit cannot be accumulated. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by 1% for each year of service. For members who entered T-DROP prior to September 1, 2003, the reduction is 1/2 of 1% (.5%) for contributory service and 3/10 of 1% (.3%) for noncontributory service for each year above 30 years of service. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive the T-DROP distribution as a lump-sum cash payment or an annuity or may roll it over into another tax deferred account. A member may also elect to defer all or part of the distribution into a T-DROP cash balance account held by ATRS.

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

ATRS Fiduciary Net Position – Detailed information about ATRS's fiduciary net position is available in the separately issued ATRS Annual Report available at https://www.artrs.gov/publications.

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Net Pension Liability – the components of the net pension liability of the participating employers at the June 30, 2017 measurement date were are follows:

Total pension liability	$	20,488,672,118
Plan net position		(16,284,808,244)
Net pension liability	$	4,203,863,874
Plan net position as a percentage of the total pension liability		79.48%

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

At June 30, 2018, the College reported a liability of $4,287,628 for its proportionate share of the ATRS's net pension liability. The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2017, the College's proportion was 0.1020% for ATRS. For the year ended June 30, 2018, the College recognized pension expense of $(7,687).

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to ATRS as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,420	$ 105,103
Changes of assumptions	$ 1,145,681	
Net difference between projected and actual investment earnings on pension plan investments		302,850
Changes in proportion and differences between employer contributions and share of contributions		426,506
College contributions subsequent to the measurement date	425,803	
Total	$ 1,630,904	$ 834,459

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

College contributions subsequent to the measurement date of $425,803 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	2020	2021	2022	2023
$ (64,764)	$ 228,956	$ 151,839	$ (37,726)	$ 92,339

Actuarial Assumptions – The total liability as determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all prior periods included in the measurement:

Wage inflation rate	2.75%
Salary increases	2.75% - 7.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2014 Healthy Annuitant, Disables Annuitant and Employee Mortality Tables used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Total Equity	50.00%	5.0%
Fixed Income	20.00%	1.2%
Alternatives	5.00%	4.8%
Real Assets	15.00%	3.7%
Private Equity	10.00%	6.5%
Cash Equivalents	0.00%	0.3%
	100.00%	

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Discount Rate - A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	Sensitivity of the Net Pension Liability to the Single Discount		
	1% Decrease	Current Rate	1% Increase
	6.50%	7.50%	8.50%
Net Pension Liability	$ 6,867,739	$ 4,287,628	$ 2,148,708

Arkansas Public Employees Retirement System

Plan Description - The APERS plan is a cost-sharing, multiple-employer defined benefit pension plan that covers all state employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. The report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy – APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5% of their salaries. Each participating employer is required by law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 14.75% of annual covered payroll. The College's contributions to APERS for the years ended June 30, 2018, 2017 and 2016 were $251,451, $230,101, and $241,318 respectively, equal to the required contributions for each year.

Benefits Provided - Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 4 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3- year average compensation times the member's years of service.

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

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

- at age 65 with 5 years of actual service,
- at any age with 28 years of credited service,
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with 5 years of actual service or at any age with at least 25 years but less than 28 years of actual service.

The plan also provides for disability and survivor benefits.

The benefit provisions provided by the public employees plan are established by state law and may be amended only by the General Assembly. Retired 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%.

Contributions – The general financial objective of all Arkansas public employee retirement plans is to have rates of contribution that remain relatively level for Arkansas citizens from generation to generation. 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. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers contributed 14.75% of compensation for the fiscal year ended June 30, 2018. The College's contributions for the year ended June 30, 2018 were $251,451.

APERS Fiduciary Net Position - Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at http://www.apers.org/publications

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

At June 30, 2018, the College reported a liability of $2,268,191 for its proportionate share of the APERS's net pension liability. The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2017, the College's proportion was 0.0878% for APERS. For the year ended June 30, 2018, the College recognized pension expense of $318,106.

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to APERS as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,970	$ (44,610)
Changes of assumptions	$ 364,948	
Net difference between projected and actual investment earnings on pension plan investments	95,044	
Changes in proportion and differences between employer contributions and share of contributions		(176,190)
College contributions subsequent to the measurement date	251,451	
Total	$ 755,413	$ (220,800)

College contributions subsequent to the measurement date of $251,451 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	2020	2021	2022
45,613	152,927	109,640	(25,018)

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return*	7.15%

NOTE 9: Employee Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Mortality rate table	RP-2000 Combined Healthy, projected to 2020 using projection scale BB, set forward two years for males and one year for females

*Net of investment and administrative expenses

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 adding expected price inflation. Best estimates of arithmetic real rates for the 10-year period from 2017 – 2026 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	5.97%
International Equity	24.00%	6.54%
Real Assets	16.00%	4.59%
Absolute Return	5.00%	3.15%
Domestic Fixed	18.00%	0.83%
Total	100.00%	

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – the following presents the College's net pension liability, calculated using the current discount rate, as well as what the College's net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Lower than Current Rate (6.15%)	Current Rate (7.15%)	1% Higher than Current Rate (8.15%)
Net Pension Liability	$ 3,454,162	$ 2,268,191	$ 1,283,425

NOTE 10: Partially Self-Insured Program

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

1. At June 30, 2018, approximately 374 active employees and their dependents were participating in the plan. The estimated rates for college expense and employee withholding amounts were unchanged from previous premiums based health coverage. The table below shows college expense, employee share and total estimated costs:

Plan Type	Monthly Cost	NWACC Cost	NWACC Percentage	Employee Cost	Employee Percentage
Employee	$ 548.33	$ 444.73	81%	$ 103.60	19%
Employee/Spouse	1,370.33	1,072.30	78%	298.03	22%
Employee/Child(ren)	953.75	763.03	80%	190.72	20%
Family	1,644.50	1,293.26	79%	351.24	21%

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

All medical claims that were incurred in and reported for FY2018 by BlueAdvantage were expensed in FY2018.

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

NOTE 11: Operating Expenses by Functional Classification

The College's operating expenses by functional classifications for fiscal year 2018 were as follows:

	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation	Total
Instruction	$ 19,099,805		$ 1,931,681		$ 21,031,486
Academic support	5,008,082		2,036,126		7,044,208
Student services	3,968,951		882,748		4,851,699
Institutional support/ research	4,441,367		953,867		5,395,234
Scholarships and fellowships		$ 2,917,230			2,917,230
Operations and maintenance of plant	2,096,883		3,126,783		5,223,666
Depreciation				$ 2,570,567	2,570,567
Totals	$ 34,615,088	$ 2,917,230	$ 8,931,205	$ 2,570,567	$ 49,034,090

NOTE 12: Related Party Transactions

In May 2005 the Board of Trustees of the College authorized the imposition and use of infrastructure fees to aid the NorthWest Arkansas Community College Foundation, Inc. (the Foundation) in the financing of a college parking facility. In 2018, the College collected $771,802 and disbursed $400,000 in infrastructure fees to the Foundation for bond payments.

The College is leasing the Foundation's Shewmaker Center for Global Business Development, a 43,000 sq. ft. facility at the Bentonville Campus. The lease, in the amount of $25,000 for the fiscal year ended June 30, 2018 provided additional instructional classrooms and labs.

In March 2013 the Board of Trustees of the College entered into a lease agreement with the Foundation for additional classroom and training space located at the Bentonville campus. The building is known as the National Child Protection Center Building. The amount of $93,277 was paid in fiscal year 2018.

The above leases and fee arrangement were terminated in May 2018. A new master lease agreement was entered into with the Foundation for the lease of the above three facilities providing monthly lease payments in the amount of $96,417. This lease has a term of 15 years and expires May 25, 2033.

The President of NWACC has been on the Board of Directors of a financial institution since 2015 and the College has a normal banking relationship with this institution. The total balances on deposit with this institution at June 30, 2018 was $3,403,960.

NOTE 13: Risk Management

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

Items Insured	Coverage	Contributions	Administrator
Directors/Officers/Employees	$3M aggregate $25,000 deductible	N/A	RSUI
Automobile Policy	$1M in state, $5M out of state	N/A	Arkansas Multi-Agency Insurance Trust Fund
Buildings and Contents	100% replacement value $25,000 deductible	N/A	Arkansas Multi-Agency Insurance Trust Fund
Mobile Equipment and Artwork	Per artwork schedule	N/A	Arkansas Multi-Agency Insurance Trust Fund
Blanket Fidelity Bond	Actual loss up to $300,000 per	N/A	Arkansas Fidelity Bond Trust Fund
Health Professions Professional Liability	$2M, $5M aggregate	N/A	Health Care Providers Service Org.
Cyber Liability	$8M per claim; $10,000 deductible	N/A	CFC Underwriting Ltd.
Workers Comp	Reimbursement of medical expense and loss of salary due to job-	The administrator is reimbursed quarterly	Arkansas Public Employees Claim System
Life Insurance Program	N/A	N/A first $20,000	Lincoln Life Insurance
Health Care Program	N/A	Employee contributes a portion	Blue Advantage, Delta Dental of Arkansas

The College participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by state employees or officials. There is a limit of $300,000 and a $2,500 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the College's state treasury funds.

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

NOTE 13: Risk Management (Continued)

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

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

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

NOTE 14: Other Postemployment Benefits (OPEB) Liability

In June 2004 the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ended June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* became effective for the fiscal year ended June 30, 2018, replaces Statement No. 45 and establishes standards for accounting and financial reporting for the sponsor's financial statements. This statement requires the sponsor to recognize the total OPEB liability and OPEB expense on their financial statements. The OPEB expense recognized each year is basically equal to the change in total OPEB liability, adjusted for deferred recognition of certain changes in experience. As a result of the implementation of this statement, the College accrued $1,091,021 in retiree healthcare liability as of June 30, 2018 and an expense of $84,706.

Plan Description - The College offers employees who retire directly from active employment and meet the "Rule of 70" (age plus service is 70 or greater, with at least 10 years of service) to continue insurance coverage. The retiree can continue coverage until age 65 or Medicare eligibility, but must pay the same premium as an active employee. The plan is considered a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

The Board of Trustees of the College have the authority under which requirements to pay OPEB as the benefits come due are established or may be amended.

The measurement date of the OPEB liability is June 30, 2018. The actuarial valuation date is June 30, 2017. The results for June 30, 2017 and the expense for 2017-18 are based on a roll forward of the June 30, 2017 valuation.

Cost of Living Adjustment (COLA) – The OPEB program does not provide for automatic cost of living adjustments (COLA). OPEB benefits are subject to medical inflation, which is reflected in the actuarial assumptions.

Long-Term Expected Return on Plan Assets – The program has no invested assets at this time, so no long-term expected return on plan assets was used.

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

There are no assets accumulated in a trust.

Actuarial Cost Methods and Significant Assumptions

Cost Method	The entry age normal method was used.
Discount Rate	A single discount rate of: 3.13% at 6/30/2017 2.98% at 6/30/2018
Health Care Cost Trend Rate	The health care cost trend rate was assumed to be 10.0% next year, 9.0% the following year, 8.0% the third year, 7.5% the fourth year, with the rate decreasing by 0.5% each year, to an ultimate rate of 5.0% in the ninth year.
Inflation Rate	The discount rate and the health care cost trend rate incorporate an assumed annual inflation rate of 3.0%
Base Claim Costs	The following monthly claim costs were assumed: Implicit Subsidy — Member: $187.95
Source of Claim Costs	The medical cost for retirees equals the rate charged by the providers at the beginning of the year. This was increased by the implicit subsidy for a retiree contained in such rates. This implicit subsidy was developed from active and retiree claim cost from other public entities in Arkansas.
Administrative Costs	None assumed.
Family Coverage	Assumed the sponsor would provide single coverage only.
Selection of Coverage	Assumed that 80% of eligible retirees would select the coverage when they initially retired and that 0% of them would continue it past age 65.
Data Used	Census listing of employees.
Pre-Retirement Mortality	Deaths have been projected on the basis of the RP 2014 Mortality Table.

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

Post-Retirement Mortality

The RP 2014 Mortality Table was used. The life expectancy according to this table is as follows:

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

Voluntary Terminations

The voluntary termination assumption used by the Arkansas Teachers Retirement System was generally used. Termination at some sample ages:

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

For those with less than five years of service, a multiple of the above rates were used. The multiples used were:

1st year of service	4.0
2nd year of service	2.5
3rd year of service	2.0
4th year of service	1.5

Expected Retirement Pattern

Retirements were assumed at the following rates:

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

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

Disabilities

Disability rates assumed by Arkansas Teachers Retirement System were used. Rates at some sample ages are:

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

Consideration of Future Mortality Improvements

Future mortality improvements were not considered.

A change in the life expectancy table would normally have the greatest impact on current retirees. However, the full cost impact of this program is for medical costs incurred before a person reached age 65. Thus, the life expectancy does not have a significant effect. The liabilities are more volatile with regards to the other assumptions (i.e., discount rate, retirement age, turnover, health care cost trend rate) than mortality.

Participant Data

	July 1, 2015	July 1, 2017
Active Members:		
Number of Employees		
Number Covered	403	399
Average Age	48.4	49
Average Service	7.7	8.6
Retirees and Beneficiaries:		
Number under 65	1	0
Number 65 & over	0	0

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

Regarding the sensitivity of the total OPEB liability to changes in the single discount rate and changes in the assumed health care cost trend rate, the following presents the total OPEB liability, calculated using a single discount rate of 2.98%, as well as what the total OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher, or using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher:

	1% Decrease to 1.98%	Current Single Discount Rate of 2.98%	1% Increase to 3.98%
Total OPEB Liability	1,202,343	1,091,021	992,421

	1% Decrease in HCCTR	Assumed HCCTR	1% Increase in HCCTR
Total OPEB Liability	957,863	1,091,021	1,251,548

Changes in the Total OPEB Liability	Total OPEB Liability
Balances at 6/30/2017	$ 991,974
Changes for the year:	
a) Service cost	51,547
b) Interest	31,855
c) Differences between expected and actual experience	
d) Employer contributions	
e) Employee contributions	
f) Net investment income	
g) Benefits and refunds	
h) Admin expenses	
i) Assumption change	15,645
j) Other	
Net changes	99,047
Balance at 6/30/2018	$ 1,091,021

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

There are two changes of assumptions that affected the OPEB liability since the prior measurement date: 1) the discount rate changed from 3.13% at 6/30/2017 to 2.98% at 6/30/2018 and, 2) the implicit subsidy changed from $125.42 to $187.95. There were no changes in benefit terms that affected the OPEB liability since the prior measurement date.

At June 30, 2018, the sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	0	0
Changes of assumptions	14,341	0
Net difference between projected and actual earnings on OPEB plan investments	0	0
Total	14,341	0

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

Year Ending June 30:	Net Deferred Outflow of Resources
2019	1,304
2020	1,304
2021	1,304
2022	1,304
2023	1,304
Thereafter	7,821
Total	14,341

NOTE 15: Donations in Support of Brightwater: A Center for the Study of Food

Operational Support Grant
NWACC Foundation received from a private donor substantial cash donations in the form of a grant to provide operational support for the planned expansion of the College's Culinary Arts and Hospitality Management Program, known as *Brightwater: A Center for the Study of Food* (Brightwater). Classes began under Brightwater in January 2017. The operating expenses allowable under the terms of the grant have been paid as incurred by the College and reimbursed to the College by the Foundation from the donated funds received. Operational expenditures and receipt of donations have been recorded as expended and received.

Furniture, Fixtures and Equipment Grant
This grant is also from the same private donor to the Foundation. At the direction of the College the Foundation ordered furniture, fixtures and equipment in order to provide the learning environment necessary to accomplish the teaching objectives of Brightwater. The expenditures under this grant began in FY16 and was completed in FY19. The Foundation has recorded a donation to the College in the amount of $4,546,490 at June 30, 2018.

NOTE 15: Donations in Support of Brightwater: A Center for the Study of Food (Continued)

Furniture, Fixtures and Equipment Grant (Continued)

The College has not recorded this donation in its accounting records or reported it on the financial statements at June 30, 2018 or for the year then ended. At June 30, 2018 there was not sufficient documentation to properly identify, review, classify and inventory the items to provide a workable audit trail. It is anticipated that the donation will be recorded in the accounting records and financial statements during the FY19 fiscal year. Under GASB 33 54 and 55 symmetrical recognition of the Foundation and College is preferable, but not required. For the reasons stated above, the College has not recorded the donation in FY18.

NOTE 16: NWACC Facilities Construction

The College has developed plans for two new facilities to expand educational opportunities for students served in the Northwest Arkansas area.

There is a new facility planned on the Bentonville campus known as the Integrated Design Lab (IDL). This building will be approximately 18,000 square feet and will cost approximately $5,500,000. The College will pay for this project with available internal funds. The IDL is uniquely designed to provide learning environments for classes in art studies and classes in construction technology. The IDL will have classrooms, construction technology areas, offices and open student areas. A construction manager contract was excecuted on December 7, 2017 for the the preconstruction phase of the project. In the subsequent period, on September 12, 2018, the College executed an amendment to the construction manager contract for the construction of the IDL facility at a guaranteed maximum price of $5,073,601. The scheduled completion is the fall of 2019.

The second project will be constructed and owned by NWACC Foundation on land owned by the College in Washington County, Arkansas. This facility will replace three (3) leased locations in Washington County with a permanent center for NWACC students from the Washington county area. The cost of the Washington County Center is approximately $12,000,000 and will provide approximately 38,000 square feet of classrooms, office space and student areas. The funding of this building will be a combination of internally generated funds by the Foundation and private donations. In connection with this, the College has entered into lease agreements for the Foundation-owned campus buildings. The terms for these leases provide for costs to the College not to exceed $1,160,000 annually and not to exceed 15 years. Expected completion of this project is also fall of 2019.

NOTE 17: Restatement

GASB Statement no. 75, *Accounting and Reporting for Postemployment Plans Other Than Pensions,* which became effective for the fiscal year ended June 30, 2018, required a restatement of the previously reported June 30, 2017 net position - a reduction of $513,415. See Note 14 for additional information.

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Other Postemployment Benefits (OPEB)

Schedule of Investment Returns:

FY Ending June 30,	Annual Money-Weighted Rate of Return
2009	0.00%
2010	0.00%
2011	0.00%
2012	0.00%
2013	0.00%
2014	0.00%
2015	0.00%
2016	0.00%
2017	0.00%
2018	0.00%

The amounts shown are net of investment expenses.

The actuary calculated these rates with the information that was provided, therefore these rates are annual money-weighted. Monthly money-weighted returns are not available and the difference between the above and monthly money-weighted returns is estimated to be insignificant.

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service Cost	51,547									
Interest	31,855									
Benefit changes	0									
Difference Between Actual & Expected Experience	0									
Assumption Changes	15,645									
Benefit Payments	0									
Net Change in Total OPEB Liability	99,047									
Total OPEB Liability - Beginning	991,974									
Total OPEB Liability - Ending	1,091,021	991,974								
Plan Fiduciary Net Position										
Contributions - Employee	0	0	0	0	0	0				
Contributions - Employer	0	0	0	0	0	0				
Net Investment Income	0	0	0	0	0	0				
Benefit Payments	0	0	0	0	0	0				
Administrative Expense	0	0	0	0	0	0				
Other	0	0	0	0	0	0				
Net Change in Plan Net Position	0	0	0	0	0	0				
Plan Fiduciary Net Position - Beginning	0	0	0	0	0	0				
Plan Fiduciary Net Position - Ending	0	0	0	0	0	0				
Net OPEB Liability - Ending	1,091,021	991,974								
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%								
Covered-employee Payroll	20,606,166	19,504,726								
Net OPEB Liability as a percentage of Covered-employee Payroll	5.29%	5.09%								

Notes to Schedule: Changes of assumptions: the assumed single discount rate was changed from 3.13% to 2.98% at June 30, 2018.
There were no assets accumulated in a trust.

Other Postemployment Benefits (OPEB) Continued

Schedule of Sponsor Contributions

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 102,230									
Contributions in relation to the actuarially determined contribution	0									
Contribution deficiency (excess)	102,230									
Covered employee payroll	20,606,166									
Contributions as a percentage of covered employee payroll	0.50%									

Notes to Schedule:

Valuation date:	Actuarially determined contributions are calculated as of June 30 after the valuation date
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Dollar over 30 years from July 1, 2017
Remaining amortization period:	29 years
Asset valuation method:	Market Value
Assumed inflation:	3.00% per year
Assumed single discount rate:	3.13% at 6/30/2017, 2.98% at 6/30/2018
Assumed retirement age:	See Note 14 - Significant Assumptions

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Retirement Plan - Arkansas Teacher Retirement System
Schedule of College's Proportionate Share of Net Pension Liability – ATRS

	2018	2017	2016	2015
Plan Net Pension Liability - End of Year	$ 4,203,863,874	$4,411,442,759	$3,256,909,832	$2,625,006,279
NWACC's portion of net pension liability	0.1020%	0.1083%	0.1086%	0.1212%
NWACC's proportionate share of net pension liability	$4,287,628	$4,779,459	$3,537,832	$3,180,410
NWACC's covered payroll ATRS	$3,023,020	$3,174,278	$3,176,707	$3,539,117
NWACC's share of net pension liability as a percentage of covered payroll	141.83%	150.57%	111.37%	89.86%
Plan fiduciary net position as a percentage of total pension liability	79.48%	76.75%	82.20%	84.98%

The amounts presented for each fiscal year were determined as of June 30 of the previous year.

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

NorthWest Arkansas Community College
Schedule of Contributions – ATRS

	2018	2017	2016	2015
Contractually required contributions	$425,803	$422,252	$446,613	$444,739
Contributions in relation to the contractually required contributions	$425,803	$422,252	$446,613	$444,739
Contributions deficiency (excess)	0	$0	$0	$0
NWACC's covered payroll	$3,035,634	$3,023,020	$3,174,278	$3,176,707
Contribution as a percentage of covered payroll	14.03%	13.97%	14.07%	14.00%

NORTHWEST ARKANSAS COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

	2018	2017	2016	2015
Plan Net Pension Liability - End of Year	$ 2,584,140,475	$2,391,348,072	$1,841,733,370	$1,418,912,236
NACC's portion of net pension liability	0.0878%	0.0912%	0.0996%	0.1065%
NWACC's proportionate share of net pension liability	$2,268,191	$2,180,286	$1,834,935	$1,510,507
NWACC's covered payroll APERS	$1,578,450	$1,651,914	$1,770,813	$1,914,535
NWACC's proportionate share of net pension liability as a percentage of covered payroll	143.70%	131.99%	103.62%	78.90%
Plan fiduciary net position as a percentage of total pension liability	75.65%	75.50%	80.39%	84.15%

The amounts presented for each fiscal year were determined as of June 30 of the previous year.
Note: Schedules are intended to show information for 10 years. Additional years will be presented as they become available.

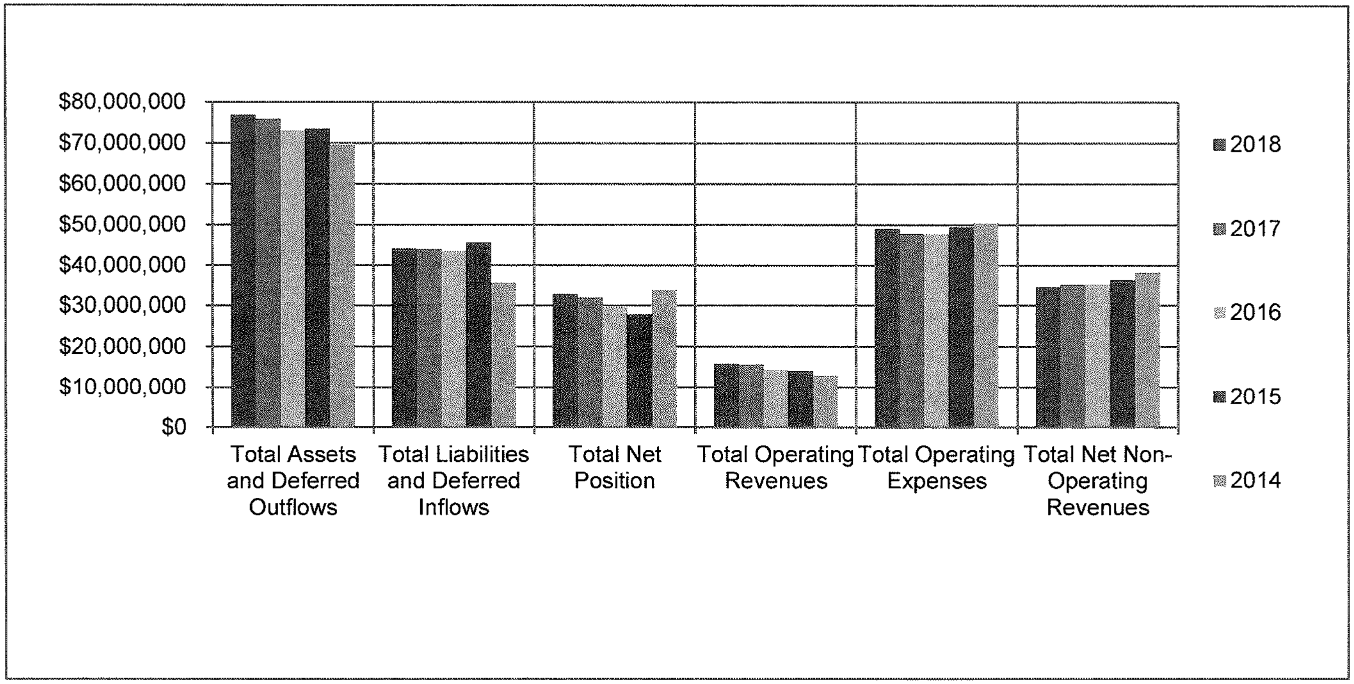
NorthWest Arkansas Community College
Schedule of Contributions – APERS

	2018	2017	2016	2015
Contractually required contributions	$251,451	$230,101	$241,318	$261,372
Contributions in relation to the contractually required contributions	$251,451	$230,101	$241,318	$261,372
Contributions deficiency (excess)	$0	$0	$0	$0
NWACC's covered payroll	$1,659,501	$1,578,450	$1,651,914	$1,770,813
Contribution as a percentage of covered payroll	15.15%	14.58%	14.61%	14.76%

Schedule 1

NORTHWEST ARKANSAS COMMUNITY COLLEGE
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets and Deferred Outflows	$ 76,885,720	$ 75,929,746	$ 73,196,984	$ 73,480,884	$ 69,530,434
Total Liabilities and Deferred Inflows	44,106,408	43,907,171	43,602,936	45,609,416	35,739,268
Total Net Position	32,779,312	32,022,575	29,594,048	27,871,468	33,791,166
Total Operating Revenues	15,814,764	15,698,487	14,478,296	14,084,917	12,986,934
Total Operating Expenses	49,034,090	47,749,328	47,877,163	49,476,624	50,408,911
Total Net Non-Operating Revenues	34,574,882	35,229,368	35,415,567	36,346,451	38,342,787
Total Other Revenues, Expenses, Gains or Losses	(85,404)	(750,000)	(294,120)	(825,145)	28,096



APPENDIX B

Unaudited Financial Statements of
NorthWest Arkansas Community College
for the Fiscal Year Ended June 30, 2019

NORTHWEST ARKANSAS COMMUNITY COLLEGE
COMPARATIVE STATEMENT OF NET POSITION - UNAUDITED
June 30, 2019 and June 30, 2018

	June 30 2019	June 30 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 19,364,121	$ 16,436,549
Accounts receivable (less allowance of $225,532 and $221,544, respectively)	1,362,373	1,457,534
Interest receivable	14,256	14,256
Property taxes receivable	6,633,842	5,918,510
Inventories	4,254	16,607
Deposits with bond trustee	467,439	498,247
Prepaid expenses	329,030	304,405
Total Current Assets	28,175,315	24,646,108
Noncurrent Assets:		
Restricted cash and cash equivalents	2,285,952	5,578,254
Capital assets (net of accumulated depreciation of ($31,807,168 and $29,294,342)	49,040,607	44,260,700
Total Noncurrent Assets	51,326,559	49,838,954
TOTAL ASSETS	79,501,874	74,485,062
DEFERRED OUTFLOWS OF RESOURCES		
APERS Pension	571,578	755,413
ATRS Pension	1,317,302	1,630,904
OPEB	31,931	14,341
TOTAL DEFERRED OUTFLOWS	1,920,811	2,400,658
TOTAL ASSETS and DEFERRED OUTFLOWS	81,422,685	76,885,720
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	6,079,427	4,898,228
Bonds payable - current portion	1,280,000	1,250,000
Bond issue premium	87,698	85,431
Bond issue discount	(3,423)	(3,423)
Compensated absences - current portion	41,793	44,151
Current OPEB Liability	38,311	19,239
Total Current Liabilities	7,523,806	6,293,626
Noncurrent Liabilities:		
Bonds payable	26,400,000	27,680,000
Bond issue premium	624,929	712,626
Bond issue discount	(98,142)	(101,565)
Compensated absences payable	794,066	838,861
Liability for post retirement benefits	1,159,471	1,071,782
Proportionate Share of Pension Liability - APERS	1,997,466	2,268,191
Proportionate Share of Pension Liability - ATRS	3,643,255	4,287,628
Total Noncurrent Liabilities	34,521,045	36,757,523
TOTAL LIABILITIES	42,044,851	43,051,149
DEFERRED INFLOWS OF RESOURCES		
APERS Pension	295,368	220,800
ATRS Pension	1,046,910	834,459
Total Deferred Inflows	1,342,278	1,055,259
Total Liabilities and Deferred Inflows	43,387,129	44,106,408
NET POSITION		
Net investment in capital assets	20,749,545	14,550,759
Restricted for:		
Expendable		
Instructional departments uses	602,376	243,337
Capital projects	5	118,287
Debt service	4,814,595	7,894,067
Unrestricted	11,869,035	9,972,862
TOTAL NET POSITION	$ 38,035,556	$ 32,779,312

Total Assets & Deferred Outflows	$81,422,685	$76,885,720
Total Liabilities & Net Position	$81,422,685	$76,885,720

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - UNAUDITED
Years Ended June 30,2019 and June 30, 2018

	June 30 2019	June 30, 2018
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $7,109,897 and $7,089,456, respectively)	$ 15,562,358	$ 15,171,153
Other operating revenues	591,709	643,611
TOTAL OPERATING REVENUES	16,154,067	15,814,764
OPERATING EXPENSES		
Personal services	34,622,368	34,615,088
Scholarships and fellowships	3,026,186	2,917,230
Supplies and services	10,995,025	8,931,205
Depreciation expense	2,570,602	2,570,567
TOTAL OPERATING EXPENSES	51,214,181	49,034,090
OPERATING INCOME (LOSS)	(35,060,114)	(33,219,326)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	11,802,813	11,713,052
Federal grants	10,388,952	10,072,983
State grants	2,640,134	2,685,544
Local grants	7,335	-
Property taxes	11,003,333	10,079,767
Nongovernmental grants and contracts	2,461,588	1,099,759
Investment income	153,035	52,722
Interest on capital asset related debt	(1,201,918)	(1,240,792)
Loss on disposal of capital assets	(5,761)	(2,568)
Federal interest subsidy - Build America Bonds	115,110	114,415
NET NONOPERATING REVENUES	37,364,621	34,574,882
INCOME (LOSS) BEFORE REVENUES, EXPENSES, GAINS OR (LOSSES)	2,304,507	1,355,556
OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)		
Capital appropriations	-	118,282
Capital gifts	2,951,737	196,314
Contractual payment to component unit	-	(400,000)
INCREASE (DECREASE) IN NET POSITION	5,256,244	1,270,152
NET POSITION - BEGINNING OF YEAR	32,779,312	31,509,160
NET POSITION - END OF YEAR	$ 38,035,556	$ 32,779,312

NORTHWEST ARKANSAS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - DIRECT METHOD - UNAUDITED
FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	Year Ended June 30,2019	Year Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from student tuition and fees	$ 15,513,890	$ 15,670,365
Other receipts	591,709	705,219
Payments to employees	(25,558,984)	(25,557,999)
Payments for employee benefits	(8,277,245)	(8,561,313)
Payments to suppliers	(9,865,041)	(9,078,344)
Payments for scholarships and fellowships	(3,026,186)	(2,917,230)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(30,621,857)	(29,739,302)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,802,813	11,713,052
Proceeds from grants and contracts	13,062,088	12,855,958
Property taxes	1,472,260	7,070,633
Nongovernmental grants and contracts	6,858,668	999,598
Direct lending loan receipts	5,418,958	6,270,534
Direct lending loan payments	(5,418,958)	(6,270,534)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	33,195,829	32,639,241
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	-	118,282
Property taxes allocated for debt retirement	3,429,334	3,535,317
Payments to trustees for bond principal	(1,250,000)	(1,220,000)
Payments to trustees for bond interest	(1,122,972)	(1,233,994)
Payments to trustee, other	(2,500)	(2,500)
Purchases of capital assets	(4,125,370)	(527,242)
Contractual payments to component unit	-	(400,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,071,508)	269,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	132,806	42,672
NET INCREASE IN CASH	(364,730)	3,212,474
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	22,014,803	18,802,329
CASH AND CASH EQUIVALENTS - END OF YEAR	21,650,073	$ 22,014,803
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	$ (35,060,114)	$ (33,219,326)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	2,570,602	2,570,567
Trustee fees paid from trustee deposits	2,500	2,500
Changes in assets and liabilities:		
Receivables, net	(24,655)	493,378
Inventories	12,353	4,718
Prepaid expenses	(24,625)	(115,670)
Accounts payable	907,231	738,337
Compensated absences	(47,154)	68,323
Other post employment benefits	89,171	84,706
Net pension liability	(130,643)	(366,835)
Non cash supplies	1,083,477	-
NET CASH USED BY OPERATING ACTIVITIES	$ (30,621,857)	$ (29,739,302)
NONCASH TRANSACTIONS		
Subsidy for 2010B series bonds deposited with trustee	115,110	114,415
Interest earned on deposits by trustees	20,229	10,050
'Fixed asset non cash donation	2,951,737	196,314
Supplies non cash donation	1,083,477	-
Loss on disposal of capital assets	(5,761)	(2,568)
Bond interest paid from trustee funds	(1,122,972)	(1,325,731)
Trustee fees paid from deposits with trustee	(2,500)	(2,500)
Amortization of bond premium	84,530	83,223
Amortization of bond discount	(3,423)	(3,423)