

# **Arkansas State University System**

**Little Rock, Arkansas**

## **Basic Financial Statements and Other Reports**

**June 30, 2015**

LEGISLATIVE JOINT AUDITING COMMITTEE

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ARKANSAS STATE UNIVERSITY SYSTEM  
TABLE OF CONTENTS  
JUNE 30, 2015

Independent Auditor's Report  
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*  
Management Letter  
Management's Discussion and Analysis (Unaudited)

BASIC FINANCIAL STATEMENTS

	<u>Exhibit</u>
Statement of Net Position	A
Arkansas State University Foundation, Inc. - Statement of Financial Position	A-1
Statement of Revenues, Expenses, and Changes in Net Position	B
Arkansas State University Foundation, Inc. - Statement of Activities	B-1
Statement of Cash Flows	C
Notes to Financial Statements	

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Benefits Other Than Pensions  
Schedule of the University's Proportionate Share of the Net Pension Liability  
Schedule of University Contributions  
Notes to Required Supplementary Information - Pensions

OTHER INFORMATION

	<u>Schedule</u>
Schedule of Selected Information for the Last Five Years (Unaudited)	1
Statement of Net Position by Campus	2
Statement of Revenue, Expenses, and Changes in Net Position by Campus	3
Statement of Cash Flows by Campus	4

# Arkansas

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Legislative Auditor

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT** **INDEPENDENT AUDITOR'S REPORT**

Arkansas State University System  
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 Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University'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 Arkansas State University Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University 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 Arkansas State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 1 and 17 to the financial statements, the beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to the implementation of GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*, as amended. 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 6-22, 76-79, and 80-85 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 University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1), the Statement of Net Position by Campus (Schedule 2), the Statement of Revenues, Expenses, and Changes in Net Position by Campus (Schedule 3), and the Statement of Cash Flows by Campus (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows by Campus are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 November 18, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
November 18, 2015  
EDHE12515

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
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Senate Vice Chair



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Legislative Auditor

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

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

### **INDEPENDENT AUDITOR'S REPORT**

Arkansas State University System  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 18, 2015. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University 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 University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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/University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report that we consider to be a material weakness.

#### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the University in a separate letter dated November 18, 2015.

## AUDIT FINDINGS

### Material Weakness

Financial Statements should be presented fairly in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University's internal control system did not detect or prevent material misstatements in the Consolidated Statement of Net Position. The significant errors noted are identified below:

#### Arkansas State University – Beebe

Investments of \$6,264,682 were incorrectly classified as noncurrent assets.

#### Arkansas State University – Newport

Investments designated for capital projects of \$5,075,115 were incorrectly classified as current assets.

When these errors were brought to the attention of University personnel, the financial statements were corrected.

### **University's Response to Findings**

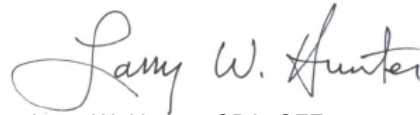
The University concurs with the finding and will be cognizant of how these assets are to be classified in the future.

The University's response to the finding identified in our audit is described previously. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 18, 2015

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



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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Arkansas State University System  
Legislative Joint Auditing Committee

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

	<u>Summer II Term</u> <u>2014</u>	<u>Fall Term</u> <u>2014</u>	<u>Spring Term</u> <u>2015</u>	<u>Summer I Term</u> <u>2015</u>
Student Headcount	6,502	21,153	19,872	8,149
Student Semester Credit Hours	25,994	219,792	205,431	37,428

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, University 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

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 18, 2015

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

## Financial Statement Presentation

This section of the Arkansas State University (The University) annual financial report presents discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2015. This discussion and analysis is prepared by the University's financial administrators and is intended to provide information on the financial activities of the University that is both relevant and easily understandable. Information is also provided on the University's financial position as of June 30, 2014 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has remained stable during the fiscal year.

The statements have been prepared using the format specified in Governmental Accounting Standards Board (GASB) Statements no. 34 and 35. GASB Statement no. 34 does not require the presentation of comparative information from the previous fiscal year but does require a discussion of any significant changes in the University's financial position or the results of its operations.

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

In March 2012, the GASB issued Statement no. 65, *Items Previously Reported as Assets and Liabilities*. This statement is related to Statement no. 63 in that it establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In June 2012, the GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to the impact of GASB no. 68; the University is not presenting comparative financial statements for fiscal year 2015. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

The University's financial statements for the year ended June 30, 2015 have been audited and Arkansas Legislative Audit has rendered the audit opinion contained herein. In accordance with Governmental Accounting Standards Board requirements this analysis includes a discussion of the significant changes between the two fiscal years ended June 30, 2015 and 2014 where appropriate.

## Statement Discussion

### Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2015, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed below.



ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Statement of Net Position (Continued)**

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2015:

- Did the University have sufficient assets available to meet its existing obligations and continue operations?
- How much did the University owe to external parties including vendors and lending institutions?
- What resources did the University have available to make future investments and expenditures?

**Assets and Deferred Outflows**

Total assets and deferred outflows increased by \$16.9 million.

**Current Assets**

Current assets increased by \$12.2 million. Cash and cash equivalents increased by \$5.9 million. The Jonesboro campus had an increase of \$5.8 million. This increase was due to conservative levels of spending during fiscal year 2015. The other campuses had a combined increase of approximately \$66,000. Short-term investments increased by \$5.9 million. This increase was due to reclassifications of investments at the Beebe campus from long-term to short-term. Accounts receivable increased by \$1.8 million. Gross receivables increased by \$1.9 million. Allowances for doubtful accounts increased by \$100,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables declined for the third consecutive year. Inventories increased by \$200,000. The Jonesboro campus had an increase due to year-end adjustments in several inventories including facilities management, IT and print shop. Beebe experienced a slight decrease during the year due to the anticipation of the upcoming fall semester. Deposits with trustees decreased by \$2.7 million. This was due to the completion of the Humanities and Social Sciences building and the final stages of construction on the Student Activities Center which were both funded with bond proceeds at the Jonesboro campus. Unamortized bond insurance showed an increase of approximately \$626,000. This was due to a reclassification of noncurrent unamortized bond insurance to current unamortized bond insurance.

<b>Condensed Statement of Net Position</b>				
	2015	2014	Increase/ (Decrease)	Percent Change
<b>Assets and Deferred Outflows:</b>				
Current Assets	\$ 80,069,505	\$ 67,851,002	\$ 12,218,503	18.01%
Capital Assets, net	436,649,284	403,527,792	33,121,492	8.21%
Other Noncurrent Assets	62,117,098	94,502,641	(32,385,543)	(34.27%)
Deferred Outflows	5,483,686	1,552,446	3,931,240	253.23%
<b>Total Assets and Deferred Outflows</b>	<b>\$ 584,319,573</b>	<b>\$ 567,433,881</b>	<b>\$ 16,885,692</b>	<b>2.98%</b>
<b>Liabilities and Deferred Inflows:</b>				
Current Liabilities	\$ 43,433,147	\$ 37,921,486	\$ 5,511,661	14.53%
Noncurrent Liabilities	229,836,119	219,735,337	10,100,782	4.60%
Deferred Inflows	6,821,008	-	6,821,008	n/a
<b>Total Liabilities and Deferred Inflows</b>	<b>280,090,274</b>	<b>257,656,823</b>	<b>22,433,451</b>	<b>8.71%</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	233,385,604	214,836,136	18,549,468	8.63%
Restricted, Nonexpendable	15,489,602	15,057,533	432,069	2.87%
Restricted, Expendable	10,380,124	17,171,213	(6,791,089)	(39.55%)
Unrestricted	44,973,969	62,712,176	(17,738,207)	(28.29%)
<b>Total Net Position</b>	<b>304,229,299</b>	<b>309,777,058</b>	<b>(5,547,759)</b>	<b>(1.79%)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 584,319,573</b>	<b>\$ 567,433,881</b>	<b>\$ 16,885,692</b>	<b>2.98%</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Statement of Net Position (Continued)**

Capital Assets, net

Capital assets, net increased by \$33.1 million. Accumulated depreciation increased from \$283,372,367 in 2014 to \$304,463,308 in 2015. This increase is due to new equipment, additional buildings, and renovations that were added in 2014 and began depreciating in 2015. The increase in accumulated depreciation was offset by the addition of \$59.1 million in capital assets and the retirement of \$4.9 million in capital assets with accumulated depreciation of \$3.9 million. Of the \$59.1 million added to capital assets, \$47.2 million was construction in progress.

Other Assets

Other assets decreased by \$32.4 million. Noncurrent cash decreased by \$6.1 million while restricted cash decreased by \$4.9 million. These decreases were due to construction projects that were completed or nearly completed as of June 30, 2015 at the Jonesboro campus and were funded with general improvement funds. These include: Humanities and Social Sciences building, Delta Heritage restorations and renovations to the System Office. Endowment investments increased by \$169,000. This was due to a slight decrease at the Jonesboro campus in the amount of \$254,000 and an increase at the Beebe campus in the amount of \$423,000 for a new endowment received during fiscal year 2015. Other long-term investments decreased by \$5.2 million. Nearly all of this decrease was attributable to the reclassifications of investments from long-term to short-term at the Beebe campus. Deposits with trustees decreased by \$15.9 million. The Jonesboro campus received nearly all the bond funds on the construction of the Student Activities Center and the Humanities and Social Sciences building.

Deferred Outflows

Deferred outflows increased by \$3.9 million. \$852,000 of this increase was related to amortization of the gain or loss on refunding bonds. The only campus to have an increase for this was the Beebe campus due to the refunding of four bond issues. The remaining amount of increase for deferred outflows is related to pensions and was recognized in fiscal year 2015 in accordance with GASB no. 68.

**Liabilities and Deferred Inflows**

Total liabilities and deferred inflows increased by \$22.4 million.

Current Liabilities

Current liabilities increased by \$5.5 million. Accounts payable and accrued liabilities increased by \$5.1 million. This increase was due to an increase in amounts due to vendors at the end of the year as well as construction and retainages payable at the Jonesboro campus. Also, bonds, notes, and leases payable decreased by \$204,000 and was attributable to the refunding bond issues at the Beebe campus. Unearned revenues increased by \$1.2 million. This was due to amounts received for tuition and fees for the second summer term that were recorded as unearned revenue at the end of 2015. Also, there was an increase in funds received for grants and contracts that were recorded as unearned revenue the Jonesboro campus.

Noncurrent Liabilities

Noncurrent liabilities increased by \$10.1 million. The University recorded a liability in the amount of \$15.5 million for net pension liability in accordance with the GASB no. 68. Other postemployment benefits increased by \$1.9 million. The estimate of this liability continues to increase each year due to the increasing costs of retirement benefits. Additional information concerning this liability may be found in Note 12. These increases were offset by the decrease in bonds, notes, and leases payable for the current amount due during the upcoming fiscal year.

Deferred Inflows

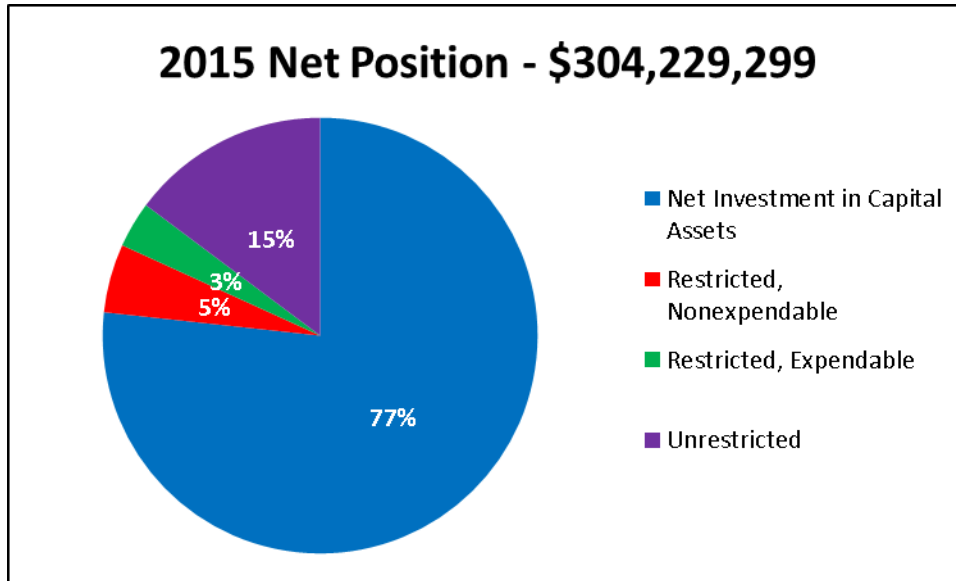
Deferred inflows increased by \$6.8 million. This amount is related to pensions and was recognized in fiscal year 2015 in accordance with GASB no. 68.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Statement of Net Position (Continued)**

**Net Position**

Total net position decreased by \$5.5 million. The percentage of each net position category is displayed in the chart below.



**Net investment in capital assets**

Net investment in capital assets increased by \$18.5 million. This increase was mainly attributable to the increase of capital assets recorded as construction in progress at the Jonesboro campus.

**Restricted, Nonexpendable**

Restricted, nonexpendable net position increased by \$432,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by \$504,000. This was due to the Beebe campus's increase in endowment investments held by the ASU Foundation for scholarship purposes. The campus received a new endowment during fiscal year 2015.
- *Loans*—The restricted, nonexpendable net position for loans increased slightly in the amount of \$38,300. This was due to a small increase in the Perkins Loan activity and the reclassification of Beebe's net position from expendable to nonexpendable.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above decreased by \$111,000. This decrease was due to a decline in investment earnings during the year on endowments for purposes other than scholarships.

**Restricted, Expendable**

Restricted, expendable net position decreased by \$6.8 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by \$216,000. As with the nonexpendable portion, this was a result of the new endowment at the Beebe campus and a reflection of the investment earnings on these endowments.
- *Research*—Restricted, expendable net position for research declined by \$43,000. This slight decrease is due to a decline in research awards related to reduced funding at the national, state, and local levels. This decrease is minimal due to the decline of research funding that has occurred over the past few years.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Statement of Net Position (Continued)**

Restricted, Expendable (Continued)

- *Loans*—The restricted, expendable net position for loans decreased by \$20,000. This was due to the reclassification of this balance at the Beebe campus from expendable to nonexpendable.
- *Capital Projects*—The restricted, expendable net position for capital projects decreased by \$6.3 million. This was related to the spending and reimbursement of capital appropriations at the Jonesboro campus as discussed previously.
- *Other*—The restricted, expendable net position for other purposes than those listed above decreased by \$212,000. This was caused by a decrease in non-research grant activity as funding for grants and contracts continues to decline due to economic conditions at the federal, state, and local levels.

Unrestricted

Unrestricted net position decreased by \$17.7 million. The majority of this decrease is due to the recognition of the net pension liability, deferred inflows, deferred outflows, and related pension expense.

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

The net position as presented on the Statement of Net Position is based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses, and Changes in Net Position. This statement's purpose is to present the revenues generated and received by the University, both operating and nonoperating, the expenses incurred by the University, both operating and nonoperating, and all other financial gains or losses experienced by the University during the fiscal year ended June 30, 2015.

Generally, revenues from operations are received in exchange for the University providing services or products to students and other constituencies. Operating expenses are those costs paid or incurred in producing those services or products or in carrying out the mission of the University. Nonoperating revenues are financial inflows to the University resulting from nonexchange transactions; that is, the University does not provide a specific service or product in exchange for them. For example, appropriations from the state are considered nonoperating revenue because the legislature does not receive a direct and commensurate benefit from the University in exchange for providing the appropriation. A condensed Statement of Revenues, Expenses and Changes in Net Position for fiscal year 2015 compared to fiscal year 2014 is shown below.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>				
	2015	2014	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 56,312,892	\$ 54,202,184	\$ 2,110,708	3.89%
Grants and Contracts	23,825,840	23,149,541	676,299	2.92%
Auxiliary Enterprises, Net	27,081,631	25,985,508	1,096,123	4.22%
Other	8,221,875	8,013,856	208,019	2.60%
Total Operating Revenues	<u>115,442,238</u>	<u>111,351,089</u>	<u>4,091,149</u>	3.67%
Operating Expenses	263,700,741	265,248,995	(1,548,254)	(0.58%)
Nonoperating Revenues (Expenses)				
Federal Appropriations	594,401	1,175,443	(581,042)	(49.43%)
State Appropriations	94,945,462	94,956,873	(11,411)	(0.01%)
Grants and Contracts	51,753,608	53,132,794	(1,379,186)	(2.60%)
Interest	(7,092,358)	(7,580,770)	488,412	(6.44%)
Other	6,320,744	7,468,686	(1,147,942)	(15.37%)
Total Nonoperating	<u>146,521,857</u>	<u>149,153,026</u>	<u>(2,631,169)</u>	(1.76%)
Income Before Other Revenues, Expenses, Gains or Losses	<u>(1,736,646)</u>	<u>(4,744,880)</u>	<u>3,008,234</u>	(63.40%)
Capital Appropriations	2,326,698	10,259,205	(7,932,507)	(77.32%)
Capital Grants and Gifts	13,486,598	2,647,335	10,839,263	409.44%
Other	592,853	269,873	322,980	119.68%
Total	<u>16,406,149</u>	<u>13,176,413</u>	<u>3,229,736</u>	
Increase (Decrease) in Net Position	<u>\$ 14,669,503</u>	<u>\$ 8,431,533</u>	<u>\$ 6,237,970</u>	73.98%
Net Position, Beginning of Year	\$ 309,777,058	\$ 301,345,525		
Restatement of Prior Year Balance (Note 17)	<u>\$ (20,217,262)</u>			
Net Position, Beginning of Year, Restated	<u>\$ 289,559,796</u>	<u>\$ 301,345,525</u>	\$ (11,785,729)	(3.91%)
Net Position, End of Year	\$ 304,229,299	\$ 309,777,058	\$ (5,547,759)	(1.79%)

**Revenues**

Total revenues increased by approximately \$800,000.

**Operating Revenues**

Total operating revenues increased by \$4.1 million.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

*Tuition and Fees, net*

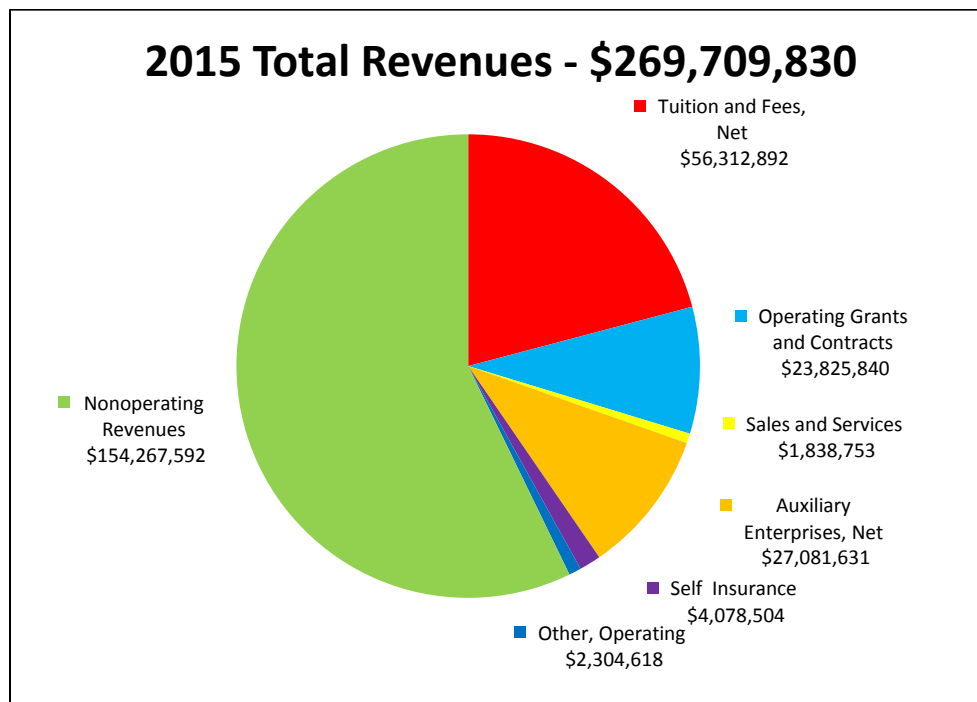
Net tuition and fees increased by \$2.1 million. Gross tuition and fee revenue increased by \$3.2 million. All campuses had a modest tuition increase from 2014 to 2015. Mountain Home was the only campus to have a slight decrease of net tuition and fee revenue in the amount of \$19,000. This was primarily the result of a slight decrease in enrollment. Newport had an increase of \$410,000 due to increased enrollment from 2014 to 2015. Although Jonesboro and Beebe experienced slightly lower enrollment, the campuses saw increases in the amounts of \$1.4 million and \$325,000, respectively. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by \$1.1 million. This increase in scholarship allowances caused a decrease in scholarship expense as noted in the scholarship expense section below.

*Grants and Contracts*

Operating grants and contracts increased modestly by \$676,000. The Jonesboro and Mountain Home campuses each had increases; while Beebe and Newport had decreases. Jonesboro's and Mountain Home's increases of \$1.5 million and \$332,000 were offset by decreases of \$230,000 at Beebe and \$900,000 at Newport. The increases at the campuses were due to new grants that were received during the fiscal year. As the available grant resources continue to decline; there will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars..

*Sales and Services*

Sales and services decreased by \$86,000. This is comprised of a \$92,000 decrease for the Jonesboro campus and an increase of \$5,600 for the Beebe campus. Both of these amounts are attributable to normal fluctuations in operations between fiscal years.



*Auxiliary Enterprises, net*

Auxiliary enterprises, net increased by approximately \$1.1 million. The Jonesboro campus experienced an increase of \$925,000. This was the result of increased revenues across several of the auxiliary operations at the Jonesboro campus including athletics, residence life, bookstore, and food services. The Beebe campus saw an decrease of \$43,000, while the Mountain Home and Newport campuses had increases of \$71,000 and \$143,000, respectively.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

Self Insurance

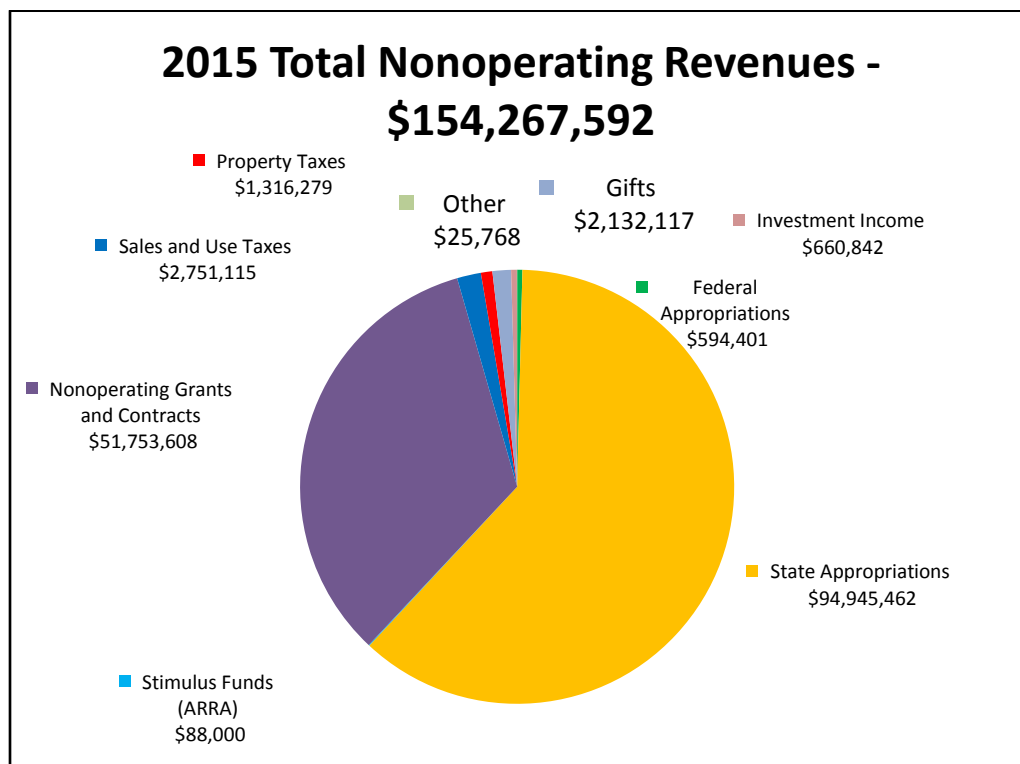
Self insurance revenues increased by \$180,000. This is a result of a minimal increase in premiums for both the employee withholding and employer matching amounts that occurred beginning January 1<sup>st</sup>.

Other

Other operating revenues increased by \$114,000. The Jonesboro campus received funds due to overpayment of sales taxes in prior years. In addition to the Jonesboro campus's increase, the Mountain Home campus also had a small increase of \$48,000. Both Beebe and Newport had decreases in the amounts of approximately \$32,000.

**Nonoperating Revenues**

Total nonoperating revenues decreased by \$3.3 million.



Federal Appropriations

Federal appropriations decreased by \$581,000. In prior fiscal years, the Jonesboro campus received several federal earmark awards. The campus did not receive any new funds and will continue to see a decrease as these awards are completed.

State Appropriations

State appropriations decreased very slightly by \$11,000. The Jonesboro and Beebe campuses had increases of \$717,000 and \$26,000, respectively. The Mountain Home and Newport campuses showed decreases of \$608,000 and \$147,000, respectively. The increases and decreases at the campuses were due to variances in general appropriation funding.

Stimulus Funds (ARRA-American Recovery and Reinvestment Act)

Nonoperating revenues from stimulus funds (ARRA) increased slightly by \$28,000. The Jonesboro campus is the only campus remaining with ARRA funds. These funds should all be expended in the next fiscal year.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

Grants and Contracts

Nonoperating grants and contracts decreased by \$1.4 million. There was a decrease of \$1.5 million on the Jonesboro campus. The decrease was caused from a decline in federal financial aid of \$500,000 as well as state financial aid in the amount of \$1.6 million. This decrease also reduced the amount of financial aid that is processed through Jonesboro and disbursed at Mountain Home. This amount was \$4.4 million during 2014 compared to \$3.9 million in 2015. With the exception of Newport, that experienced an increase of \$823,000, both Beebe and Mountain Home experienced decreases of \$300,000 and \$412,000, respectively. This is a reflection of the decline in state and federal financial aid as well as slight declines in enrollment. Newport experienced an increase in enrollment thereby increasing the amount of federal and state financial aid that was received during 2015.

Sales and Use Taxes

Sales and use taxes decreased by nearly \$10,000. This was due to a slight decrease in spending in Jackson and Cleburne Counties.

Property Taxes

Property tax revenues decreased by \$17,000 on the Mountain Home campus, which is the only campus that receives revenue from property taxes.

Gifts

Revenues from gifts increased by \$423,000. Jonesboro had an increase of \$439,000, which was primarily due to a change in reclassification of income from the Red Wolves Foundation for athletics which was previously shown as auxiliary revenues. The Mountain Home campus had an increase of \$23,635, while Newport had a decrease of \$40,075.

Investment Income

Investment income decreased by \$1.7 million. The Jonesboro campus experienced the largest decrease while the other three campuses combined showed an increase of \$4,500. The decrease at Jonesboro was due to declines in investment income on endowments when compared to 2014. The University continues to invest in low-risk investments that will provide a stable source of revenue, such as interest bearing bank accounts and certificates of deposits.

**Expenses**

Total expenses decreased by \$2.2 million.

**Operating Expenses**

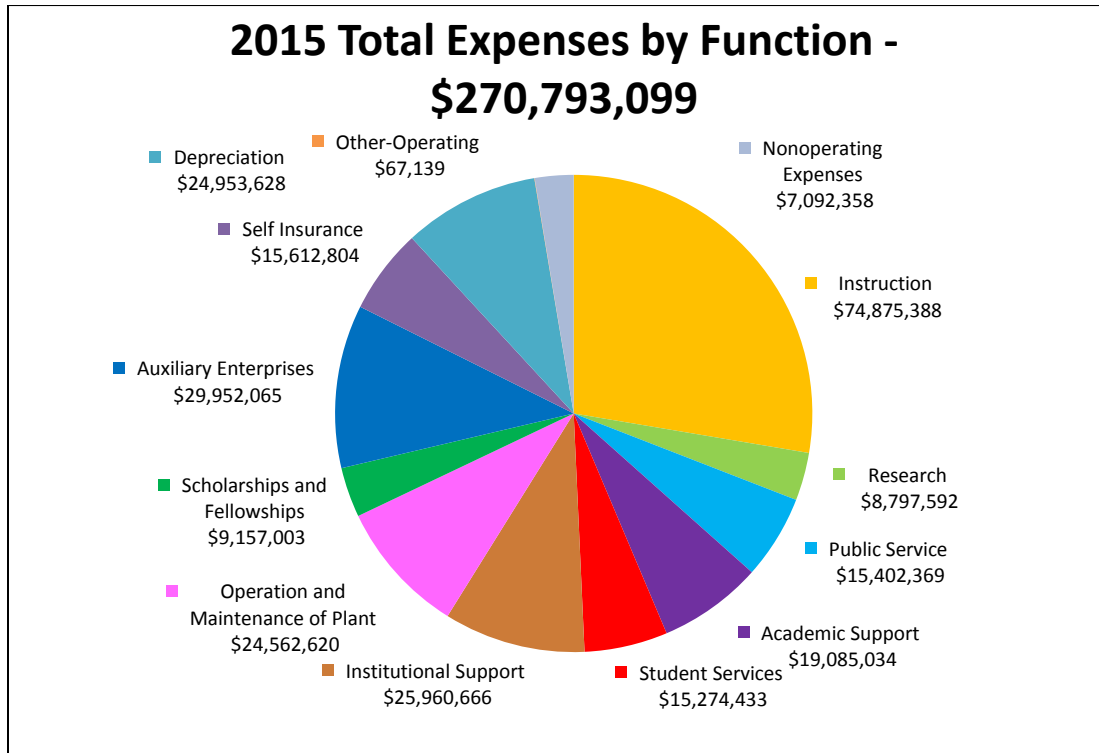
Total operating expenses decreased by \$1.5 million.

Additional information on operating expenses can be found in the tables and charts that follow.



ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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



**Personal Services**

Personal services decreased by \$1.6 million. Each of the campuses, other than Beebe, experienced increases in personal services. The increases were a result of revising the amount of other postemployment benefits that was previously shown as a consolidation entry and is now more accurately reflected by each campus rather than the overall System. In addition to the previous amount of postemployment benefits; the additional amount was recorded for fiscal year 2015. The total for all campuses increased from \$9.4 million to \$11.3 million. The campuses also implemented GASB no. 68, *Accounting and Financial Reporting for Pensions*. Although, this new pronouncement decreased beginning net position by \$20.2 million, the effect on current year personal services was a decrease in the amount of \$968,000. This decrease is due to the current year effect of the net pension liability, deferred outflows, and deferred inflows related to pensions. This amount will vary each year depending on the campuses' proportionate share of the net pension liability of these pension plans. Additional information may be found in Note 8 and in the Required Supplementary Information. The System Office, Mountain Home campus, and Newport campus implemented an optional voluntary retirement incentive program for fiscal year 2015. In accordance with GASB no. 47, *Accounting for Termination Benefits*, the financial statements reflect the liability and expense in 2015 when the offer was accepted. The amount totaled \$196,773. Additional information about this program may be found in Note 18. Additionally, the campuses were able to provide modest salary increases for faculty and staff which affirms the significance of faculty and staff to the mission of the University.

**Scholarships and Fellowships**

Scholarships and fellowships decreased by \$935,000. This was partially due to increases in the amount reflected as scholarship allowances rather than scholarship expense; from \$56.8 million in 2014 to \$57.8 million in 2015. While Newport experienced an increase in headcount enrollment from Fall 2013 to Fall 2014; the other campuses experienced a decrease in headcount. The campuses continue to offer competitive institutional scholarships to students as federal and state financial aid declines.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

Supplies and Services

Supplies and services increased by \$336,000. With the exception of a \$471,000 increase at the Jonesboro campus, all other campuses experienced a decline in expenses for supplies and services. These decreases are due to conservative levels of spending initiated at the system level. In addition, as funds for grant revenues continue to decline; supplies and services expenses for these grants will also decrease.

Self Insurance

Self insurance expenses decreased by \$470,000. This decrease was due to decreased healthcare costs for medical and pharmacy claims during the fiscal year.

Depreciation

Depreciation expense increased by \$1.1 million. This is due to the amount of new additions or renovations at each campus that were added in 2014 and began depreciating in 2015. Additionally, as new projects were completed in 2015, depreciation expense will increase next year as a result of these. Depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

Other operating expenses were essentially the same as in 2014. These expenses are related to the Perkins Loan program on the Jonesboro campus.

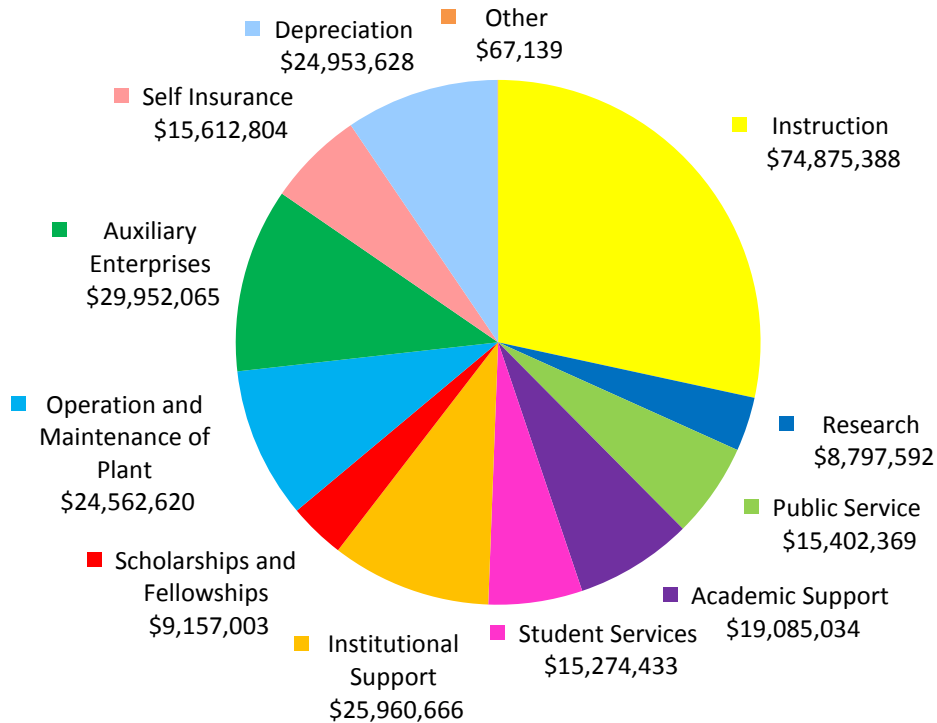
<b>Operating Expenses by Function</b>				
	2015	2014	Increase/ (Decrease)	Percent Change
Instruction	\$ 74,875,388	\$ 75,515,303	\$ (639,915)	(0.85%)
Research	8,797,592	8,719,291	78,301	0.90%
Public Service	15,402,369	16,152,244	(749,875)	(4.64%)
Academic Support	19,085,034	18,694,767	390,267	2.09%
Student Services	15,274,433	15,615,898	(341,465)	(2.19%)
Institutional Support	25,960,666	26,651,815	(691,149)	(2.59%)
Scholarships and Fellowships	9,157,003	10,469,644	(1,312,641)	(12.54%)
Operation and Maintenance of Plant	24,562,620	24,239,061	323,559	1.33%
Auxiliary Enterprises	29,952,065	29,216,186	735,879	2.52%
Self Insurance	15,612,804	16,082,687	(469,883)	(2.92%)
Depreciation	24,953,628	23,824,951	1,128,677	4.74%
Other	67,139	67,148	(9)	(0.01%)
Total Operating Expenses	<u>\$ 263,700,741</u>	<u>\$ 265,248,995</u>	<u>\$ (1,548,254)</u>	(0.58%)

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

<b>Operating Expenses by Natural Classifications</b>				
	2015	2014	Increase/ (Decrease)	Percent Change
Personal Services	\$ 145,366,071	\$ 146,974,378	\$ (1,608,307)	(1.09%)
Scholarships and Fellowships	16,339,675	17,274,330	(934,655)	(5.41%)
Supplies and Services	61,361,424	61,025,501	335,923	0.55%
Self Insurance	15,612,804	16,082,687	(469,883)	(2.92%)
Depreciation	24,953,628	23,824,951	1,128,677	4.74%
Other	67,139	67,148	(9)	(0.01%)
Total Operating Expenses	<u>\$ 263,700,741</u>	<u>\$ 265,248,995</u>	<u>\$ (1,548,254)</u>	(0.58%)

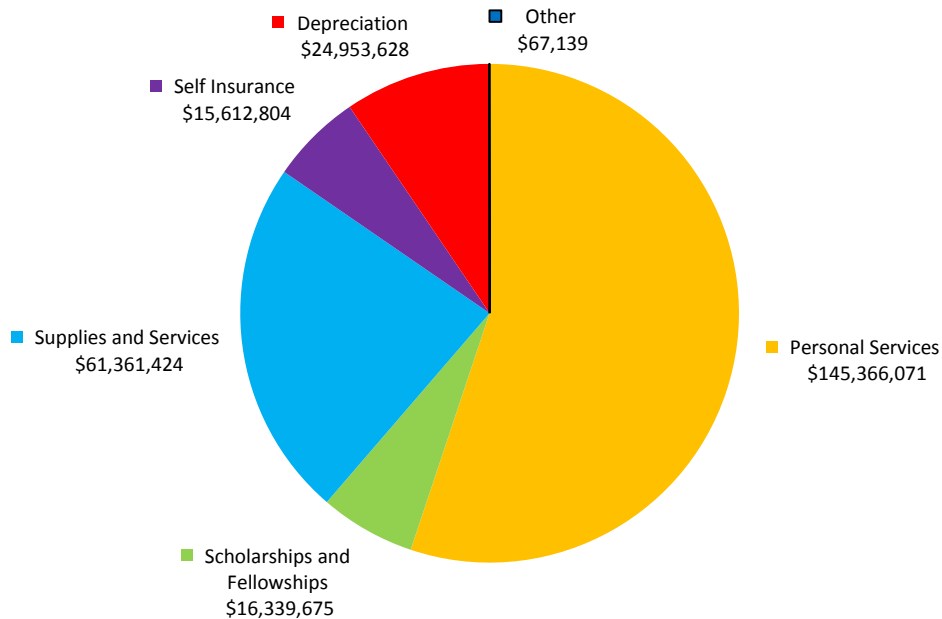
**2015 Total Operating Expenses by Functional  
Classification - \$263,700,741**



ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

**2015 Total Operating Expenses by Natural  
Classification - \$263,700,741**



**Nonoperating Expenses**

Total nonoperating expenses decreased by \$669,000.

**Interest**

Interest expense decreased by \$488,000. All the campuses, other than Jonesboro, experienced lower interest costs. The majority of the decrease was due to the refunding of four bond issues at the Beebe campus. Beebe's interest showed a \$470,000 decrease from 2014 to 2015. The Jonesboro campus's amount increased slightly by \$5,000 due to the first year repayment on a loan and a new capital lease.

**Gain or Loss on Disposal of Capital Assets**

During the fiscal year, the University had a loss of \$135,700 on capital assets compared to a loss of \$431,000 in fiscal year 2014. The Jonesboro campus's statements reflect a loss of \$120,600. This loss is attributable to the sale of a residence with land in the amount of \$174,400, a loss on equipment in the amount of \$70,200 and is offset by a gain from the sale of land in the amount of \$124,000. The Newport campus also experienced a small loss in the amount of \$15,100 which was due to equipment disposals.

**Other Changes**

Other revenues, expenses, gains, and losses totaled \$16.4 million. This amount increased by \$3.2 million.

**Capital Appropriations**

Capital appropriations decreased by \$7.9 million. The Jonesboro campus received \$7.5 million less in 2014 compared to 2015. This was due to the campus receiving state appropriations for several capital improvement projects in 2014 which included the Humanities and Social Sciences Building. In addition, the Beebe campus also received \$200,000 in state general improvement funds; compared to \$400,000 in 2014. The Newport campus received \$250,000 in 2014, but did not receive any funds in 2015.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

Capital Grants and Gifts

Capital grants and gifts increased by \$10.8 million. The Mountain Home campus had a decrease of \$740,000 due to funds received from the ASU Foundation for building costs during 2014. The Jonesboro campus had an increase of \$11.4 million. This was due to receiving funds from the Red Wolves Foundation in the amount of \$11.2 million for the Centennial Stadium expansion project as well as gifts of land and the scoreboard at the stadiums. Beebe and Newport also had increases due to the donation of capital gifts during the fiscal year.

Stimulus Funds (ARRA) for Capital Projects

This funding decreased by \$77,600. The decrease was due to the final year of an ARRA grant in 2014.

**Statement of Cash Flows**

The third and final statement presented is the Statement of Cash Flows. This statement presents detailed information about the University's financial activities from the perspective of their effect on cash. The information is presented in five components. The first component presents cash inflows and outflows resulting from the University's normal operating activities. The second component presents cash flows from noncapital financing activities; that is, cash received from or spent for activities that do not result from normal operations, capital financing activities, or investing. The third component presents cash inflows and outflows resulting from capital and related financing activities such as debt issuance, lease agreements, and capital appropriations, grants, or gifts. The fourth component presents cash flows resulting from investing activities such as purchases and liquidations of investments and interest, gains, and losses generated by these activities. The fifth component of the Statement of Cash Flows is a reconciliation of the net operating revenues (expenses) for the fiscal year as reported on the Statement of Revenues, Expenses, and Changes in Net Position to the net cash provided (used) by operating activities as presented in component one of the Statement of Cash Flows.

**Capital Assets**

Capital assets, net of accumulated depreciation, at June 30, 2015 and June 30, 2014 were as follows:

<b>Capital Assets (net of accumulated depreciation)</b>				
	2015	2014	Increase/ (Decrease)	Percent Change
Land and land improvements	\$ 14,697,580	\$ 13,455,420	\$ 1,242,160	9.23%
Construction in progress	40,238,713	28,737,708	11,501,005	40.02%
Livestock	283,583	296,318	(12,735)	(4.30%)
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	2,720,018	3,108,592	(388,574)	(12.50%)
Buildings	275,789,463	257,072,572	18,716,891	7.28%
Improvements and infrastructure	82,813,504	81,076,423	1,737,081	2.14%
Equipment	15,905,813	15,391,417	514,396	3.34%
Library/audiovisual holdings	1,525,610	1,714,342	(188,732)	(11.01%)
Total	<u>\$ 436,649,284</u>	<u>\$ 403,527,792</u>	<u>\$ 33,121,492</u>	8.21%

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

## Capital Assets (Continued)

### Land

The University's value in land and land improvements increased by \$1,242,160 during fiscal year 2015. This increase is primarily attributable to property purchases in the amounts of \$405,000 at the Jonesboro campus, \$780,405 at the Newport campus, and property donated in the amount of \$205,559. Land valued at \$205,559 was received as gifts by the Jonesboro campus. The Jonesboro campus also sold land that had a book value of \$174,529 during fiscal year 2015.

### Construction in progress

Construction in progress increased by 40.02%. This increase is mainly attributable to construction projects at the Jonesboro campus. The Jonesboro campus experienced an increase of \$11,537,467 during the year. \$35,610,635 was transferred as completed construction. This was mostly due to the completion of the Humanities and Social Sciences building. The Jonesboro and Newport campuses were the only campuses to reflect a balance in construction in progress at the end of 2015. Jonesboro's balance is \$40,234,278 and Newport's is \$4,435. The balance at the Jonesboro campus is mainly attributable to the construction of the Student Activities Center and Centennial Bank Stadium expansion project.

### Livestock

The decrease of 4.30% is attributable to a slight increase of the Jonesboro campus livestock herds of \$766 and a decrease of the Beebe campus's herds in the amount of \$13,501.

### Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2015.

### Intangibles-Software

The University's decrease of \$388,574 was the amount of annual depreciation during the fiscal year. No additions to software occurred in fiscal year 2015.

### Buildings

The University experienced an increase in the total value of buildings. This is a result of transfers from construction in progress in the amount of \$30,180,149. These buildings include: Humanities and Social Sciences and Soccer/Tennis buildings at the Jonesboro campus as well as the John Deere AgTech shop at the Beebe campus. Also, depreciation expense increased from \$14,431,846 in 2014 to \$14,500,579 in 2015 as a result of additional buildings that were added in 2014 and began depreciating in fiscal year 2015.

### Improvements and infrastructure

The 2.14%, or \$1,737,081, increase in improvements and infrastructure is attributable to several projects at the Jonesboro campus being completed during the fiscal year. These include: relocation of the Soccer Field, renovations to the Convocation Center, Dyess Colony restoration project, and an expansion to the chilled water loop.

### Equipment

Equipment increased by 3.34%, or \$514,396, during the year. Equipment additions increased from \$3,687,907 in 2014 to \$4,694,257 in 2015. Of this increase, \$1,256,000 was a gift transfer of a scoreboard for the football stadium at the Jonesboro campus. Equipment purchases remained fairly the same in 2015 as in 2014. Depreciation expense increased from \$3,977,705 in 2014 to \$4,051,717 in 2015. This was due to an increase of additional equipment that was added in 2014 and began depreciating in 2015.

### Library/Audiovisual Holdings

The University's decrease of \$188,732, or 11.01%, is due to lower purchases from fiscal year 2014 to fiscal year 2015. Total purchases in 2015 were \$118,337 compared to \$159,833 in 2014. Depreciation expense remained fairly consistent decreasing slightly from \$307,069 in 2015 to \$316,417 in 2014.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

### Capital Assets (Continued)

Additional information on capital assets by campus may be found in Note 4 in the notes to the financial statements.

### Debt Administration

The University's financial statements indicate \$197,334,426 in bonds payable, \$2,737,288 in notes payable and \$32,575 in capital leases payable at June 30, 2015.

The Beebe campus issued refunding bonds. A summary of the bonds and the debt that was refunded is below:

\$1,895,000	2005 Refunding
\$8,005,000	2010 Auxiliary Enterprises
\$12,930,000	2005B Student Fee
\$9,185,000	2006 Student Fee

The University's bonded indebtedness consisted of revenue bonds secured by tuition and fees and auxiliary revenues, such as housing and parking fees. The revenue bonds were issued for student housing, parking improvements, property purchases, plant improvements, and auxiliary facilities.

The \$2,737,288 in notes payable consisted of three notes for the Jonesboro campus. These include two notes for IT (Information and Technology Services) infrastructure in the amounts of \$228,426 and \$32,639 and a \$901,075 note for pedestrian improvements. Additionally, the Mountain Home campus has a note payable in the amount of \$291,268 for a land purchase and the Newport campus has \$1,283,880 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location.

The \$32,575 in capital leases is comprised of a lease for a lawn mower located on the Jonesboro campus.

Additional information on the University's debt may be found in Notes 5, 6, and 15 in the notes to the financial statements.

### Economic Outlook

The economic outlook of the University remains sound.

Economic conditions at the national and international level remain guarded. While several economic indicators point to moderate economic growth in the U.S., volatility remains a concern. These conditions limit the University's ability to generate favorable returns on its financial assets; however, the lower rates positively affect the ability to strategically manage long-term debt and borrowing costs. The University's strong credit rating of A1 continues to provide favorable financing terms and options.

At the state level, the economy is stable with revenues tracking slightly above forecast levels. Arkansas continues to conservatively manage its financial resources; as a result, state appropriations to the University have remained static with no expectation of appreciable increases in the near term. Public higher education will continue to compete with other state agencies and priorities for appropriate levels of funding.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Economic Outlook (Continued)**

The University continues to proactively manage its enrollment and scholarship administration to strike an appropriate balance between academic standards, demographic and economic changes, and net tuition revenue. In addition, the University is working to develop and appropriately structure its research efforts in response to diminishing and increasingly competitive funding from the federal government and other sources. The University continues to review all of its existing and potential revenue sources and is working to explore and develop new and innovative funding opportunities.

The University strategically and prudently manages its financial resources. Capital investments are extensively reviewed at the board and executive level, strategic cost containment and resource allocation remain high priorities of the University, and budgets are carefully developed, monitored, controlled, and adjusted as warranted. These efforts will continue as the University strategically manages the challenges posed by the current economic environment and the furtherance of its mission.



ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Exhibit A

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current Assets:

Cash and cash equivalents	\$ 52,283,990
Short-term investments	6,793,985
Accounts receivable (less allowances of \$1,081,926)	15,361,211
Notes and deposits receivable (less allowances of \$242,093)	934,446
Accrued interest and late charges	124,451
Inventories	3,256,752
Deposits with trustees	34,216
Unamortized bond insurance	661,597
Prepaid expenses	618,857
Total Current Assets	<u>80,069,505</u>

Noncurrent Assets:

Cash and cash equivalents	19,091,122
Restricted cash and cash equivalents	6,587,735
Endowment investments	14,364,380
Other long-term investments	13,477,146
Accrued interest and late charges	497,337
Deposits with trustees	2,949,081
Accounts receivable	90,000
Notes and deposits receivable (less allowances of \$1,309,458)	5,060,297
Capital assets (net of accumulated depreciation of \$304,463,308)	436,649,284
Total Noncurrent Assets	<u>498,766,382</u>

**TOTAL ASSETS** 578,835,887

**DEFERRED OUTFLOWS OF RESOURCES**

Excess of bond reacquisition costs over carrying value	2,404,057
Pensions	<u>3,079,629</u>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** 584,319,573

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities	17,431,123
Bonds, notes, and leases payable	8,682,292
Compensated absences	7,051,544
Unearned revenue	6,676,091
Funds held in trust for others	567,229
Deposits	1,036,023
Interest payable	1,988,845
Total Current Liabilities	<u>43,433,147</u>

Noncurrent Liabilities:

Accounts payable and accrued liabilities	41,918
Bonds, notes, and leases payable	191,421,997
Compensated absences	3,626,516
Accrued other postemployment benefits payable	11,262,160
Net pension liability	15,507,411
Deposits	499,090
Refundable federal advances	7,477,027
Total Noncurrent Liabilities	<u>229,836,119</u>

**TOTAL LIABILITIES** 273,269,266

**DEFERRED INFLOWS OF RESOURCES**

Pensions	6,821,008
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**TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** 280,090,274

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Exhibit A

**NET POSITION**

Net investment in capital assets	\$	233,385,604
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		5,617,573
Loans		970,571
Other		8,901,458
Expendable:		
Scholarships and fellowships		842,785
Capital projects		7,710,691
Other		1,826,648
Unrestricted		<u>44,973,969</u>
TOTAL NET POSITION	\$	<u><u>304,229,299</u></u>

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

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015

Exhibit A-1

**ASSETS**

Cash	\$ 536,805
Repurchase agreement	5,543,759
Certificate of deposit	3,713,723
Prepaid expenses	19,468
Unconditional promises to give, net	1,527,983
Short-term investment	83,997
Long-term investments	55,419,584
Cash surrender of life insurance	6,648
Property and equipment, net	985,017
Other assests	<u>107,269</u>
 Total Assets	 <u><u>\$ 67,944,253</u></u>

**LIABILITIES**

Accounts payable	\$ 92,925
Annuities payable	27,956
Due to ASU campuses	517,256
Amounts held on behalf of Arkansas State University related entities	<u>11,923,085</u>
Total Liabilities	<u><u>12,561,222</u></u>

**NET ASSETS**

Unrestricted	2,458,885
Temporarily restricted	8,159,485
Permanently restricted	<u>44,764,661</u>
Total Net Assets	<u><u>55,383,031</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 67,944,253</u></u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$48,458,665)	\$ 56,312,892
Grants and contracts	23,825,840
Sales and services of educational departments	1,838,753
Auxiliary enterprises (net of scholarship allowances of \$9,330,712)	27,081,631
Self-insurance	4,078,504
Other operating revenues	2,304,618
<b>TOTAL OPERATING REVENUES</b>	<b>115,442,238</b>
<b>OPERATING EXPENSES</b>	
Personal services	145,366,071
Scholarships and fellowships	16,339,675
Supplies and services	61,361,424
Self-insurance	15,612,804
Depreciation	24,953,628
Other	67,139
<b>TOTAL OPERATING EXPENSES</b>	<b>263,700,741</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(148,258,503)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal appropriations	594,401
State appropriations	94,945,462
Stimulus funds (ARRA)	88,000
Grants and contracts	51,753,608
Sales and use taxes	2,751,115
Property taxes	1,316,279
Gifts	2,132,117
Investment income	660,842
Interest on capital asset - related debt	(7,092,358)
Bond insurance and issuance costs	(468,765)
Gain or loss on disposal on capital assets	(135,721)
Refunds to grantors	(48,891)
Other nonoperating revenues (expenses)	25,768
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>146,521,857</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>(1,736,646)</b>
Capital appropriations	2,326,698
Capital grants and gifts	13,486,598
Additions to endowments	425,546
Adjustments to capital assets	129,517
Capitalization of library holdings at rate per volume	20,333
Livestock additions	766
Bond proceeds	16,691
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>14,669,503</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>309,777,058</b>
<b>RESTATEMENT FOR GASB 68 (NOTE 17)</b>	<b>(20,217,262)</b>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<b>289,559,796</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 304,229,299</b>

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

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B-1

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support</b>				
Support and Reclassifications				
Contributions	\$ 96,996	\$ 2,373,137	\$ 1,892,659	\$ 4,362,792
Contributed services	285,619			285,619
Support from the Arkansas State University Real Estate Foundation			1,981,310	1,981,310
Investment return, net	50,763	1,403,880	(460,867)	993,776
Grant income		74,997		74,997
Other income	533,048	368,528		901,576
Net assets released from restrictions	3,879,005	(3,879,005)		
Total Support	4,845,431	341,537	3,413,102	8,600,070
<b>Expenses and Losses</b>				
Program services				
Academic activities	736,947			736,947
Administrative	261,049			261,049
Student activities	66,264			66,264
Supporting services				
Management and general	488,708			488,708
Fundraising	323,287			323,287
Transfers to Arkansas State University	3,015,738			3,015,738
Change in split-interest agreements			35,458	35,458
Total Expenses and Losses	4,891,993		35,458	4,927,451
Increase (Decrease) in net assets	(46,562)	341,537	3,377,644	3,672,619
Net assets at beginning of year	2,519,182	7,867,701	41,980,436	52,367,319
Reclassification and internal transfers	(13,735)	(49,753)	63,488	
Transfer of assets to Red Wolves Foundation			(656,907)	(656,907)
Total after reclassification and internal transfers	2,505,447	7,817,948	41,387,017	51,710,412
Net assets at end of year	\$ 2,458,885	\$ 8,159,485	\$ 44,764,661	\$ 55,383,031

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 55,286,737
Grants and contracts	24,431,800
Auxiliary enterprises revenues	27,084,338
Sales and services of educational departments	1,844,883
Self-insurance program receipts	4,003,636
Collection of principal and interest related to student loans	896,000
Other receipts	2,295,372
Payments to employees	(121,161,995)
Payments for employee benefits	(23,586,414)
Payments to suppliers	(62,284,368)
Scholarships and fellowships	(16,339,675)
Self-insurance program payments	(15,603,442)
Loans issued to students	(1,073,043)
	<hr/>
Net cash provided (used) by operating activities	(124,206,171)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal appropriations	546,074
State appropriations	94,895,327
Stimulus funds (ARRA)	81,235
Grants and contracts	51,803,438
Private gifts and grants	3,016,228
Sales and use taxes	2,741,880
Property taxes	1,311,144
Direct lending, PLUS and FFEL loan receipts	91,815,879
Direct lending, PLUS and FFEL loan payments	(91,340,319)
Other agency funds - net	(363,030)
Refunds to grantors	(47,007)
	<hr/>
Net cash provided (used) by noncapital financing activities	154,460,849
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Distributions from trustee of bond proceeds and interest earnings	18,580,638
Capital appropriations	2,326,698
Capital gift and grants	11,595,449
Proceeds from sale of capital assets	864,378
Purchases of capital assets	(50,945,177)
Payments to trustees for bond principal	(7,615,000)
Payments to trustees for bond interest and fees	(8,105,161)
Payments to debt holders for principal (other than bonds)	(1,196,364)
Payments to debt holders for interest and fees (other than bonds)	(75,915)
	<hr/>
Net cash provided (used) by capital and related financing activities	(34,570,454)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	9,364,392
Interest on investments (net of fees)	465,749
Purchases of investments	(10,591,760)
	<hr/>
Net cash provided (used) by investing activities	(761,619)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(5,077,395)
	<hr/>
Cash and cash equivalents - beginning of year	83,040,242
	<hr/>
Cash and cash equivalents - end of year	\$ 77,962,847
	<hr/>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

Reconciliation of net operating revenues (expenses)  
to net cash provided (used) by operating activities:

Operating income (loss)	\$ (148,258,503)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	24,953,628
Change in assets and liabilities:	
Receivables, net	(2,189,878)
Inventories	(234,469)
Prepaid expenses	(391,762)
Accounts and salaries payable	(439,503)
Other postemployment benefits payable	1,894,798
Pension obligations	(968,472)
Unearned revenue	1,141,992
Deposits	187,223
Refundable federal advances	54,804
Compensated absences	52,007
Other liabilities	(8,036)
Net cash provided (used) by operating activities	<u><u>\$ (124,206,171)</u></u>

Reconciliation of Cash and Cash Equivalents

Current Assets:	
Cash and Cash Equivalents	\$ 52,283,990
Noncurrent Assets:	
Cash and Cash Equivalents	19,091,122
Restricted Cash and Cash Equivalents	6,587,735
	<u><u>\$ 77,962,847</u></u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

NONCASH TRANSACTIONS

**JONESBORO**

Equipment-capital gift of \$1,256,000

Land-capital gifts of \$205,559

Capital lease payable-Mower \$42,472

Interest earned on reserve accounts held by trustee-\$324

Interest paid from accounts held by trustee-\$28

Amount earned on endowment investments-\$531,378

Amount of interest earned on CDs reinvested with CDs-\$2,116

Principal paid from remaining unused funds held by lender-\$10,055

**BEEBE**

Equipment-capital gift of \$88,063

Interest earned on reserve accounts held by trustee-\$2,389

Interest paid from accounts held by trustee-\$2,389

Amount of interest earned on CDs reinvested with CDs-\$19,974

The University issued refunding bonds of \$9,185,000, at a premium of \$143,332.

The proceeds of this issue, along with accrued interest of \$2,618, were utilized as follows: \$9,214,527 was remitted to an escrow agent; \$109,112 was used to pay the bond issuance costs; and \$7,311 was remitted to the bond trustee.

The University issued refunding bonds of \$1,895,000, at a premium of \$17,130.

The proceeds of this issue, along with accrued interest of \$2,383, were utilized as follows: \$1,862,966 was remitted to an escrow agent; \$43,921 was used to pay the bond issuance costs; and \$7,626 was remitted to the bond trustee.

The University issued refunding bonds of \$8,005,000, at a discount of \$69,049.

The proceeds of this issue, along with accrued interest of \$13,543, were utilized as follows: \$7,803,595 was remitted to an escrow agent; \$128,684 was used to pay the bond issuance costs; and \$17,215 was remitted to the bond trustee.

The University issued refunding bonds of \$12,930,000, at a premium of \$243,728.

The proceeds of this issue, along with accrued interest of \$5,945, were utilized as follows: \$13,019,057 was remitted to an escrow agent; \$151,588 was used to pay the bond issuance costs; and \$9,028 was remitted to the bond trustee.

**NEWPORT**

Equipment-capital gift of \$186,385

Interest paid from accounts held by trustee-\$72

Amount of interest earned on CDs reinvested with CDs-\$580

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



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

**Jonesboro**

Arkansas State University-Jonesboro, an Institution of Higher Education of the State of Arkansas, developed from one of four State agricultural schools established in 1909 by an act of the Arkansas General Assembly. The University opened as a vocational high school in 1910 and was reorganized as a junior college in 1918. The name was changed to State Agricultural and Mechanical College by an act of the Legislature in 1925. Authority to extend the curriculum, offer senior college work, and grant degrees was granted in 1931. In 1933, the Legislature changed the name of the College to Arkansas State College. Master-level programs were begun in 1955. In January 1967, the Legislature passed an act authorizing a change in the name of Arkansas State College to Arkansas State University, effective July 1, 1967. The University's first doctoral degree in Educational Leadership was awarded in 1992.

**Beebe**

Arkansas State University-Beebe began in 1927 as Junior Agricultural School of Central Arkansas. In 1955, the Arkansas General Assembly designated the school a campus of Arkansas State College. The branch campus was designated as Arkansas State College-Beebe Branch. The Institution established a campus at the Little Rock Air Force Base in 1965. The campus became Arkansas State University-Beebe in 1967. Act 90 of 2001 eliminated the word "branch" from the references to campuses of Arkansas State University.

ASU-Heber Springs, a Center of ASU-Beebe, was officially established by Act 426 of 1999 in response to the community's desire to have a two-year college presence in Cleburne County.

Effective July 1, 2003, Foothills Technical Institute in Searcy merged with ASU-Beebe to become ASU-Searcy, a Technical Campus of ASU-Beebe.

**Mountain Home**

In 1991, the Arkansas General Assembly created Mountain Home Technical College through the merger of Baxter County Community/Technical Center and the North Arkansas Community/Technical Center in Mountain Home. On October 19, 1993, the voters of Baxter County authorized the levy of a two mill tax to support operations at the Arkansas State University-Mountain Home campus. The Institution was designated Arkansas State University-Mountain Home in 1995.

**Newport**

Under the provisions of Ark. Code Ann. § 6-53-405, White River Technical College was consolidated with Arkansas State University-Beebe campus effective July 1, 1992 and named Arkansas State University-Newport. Subsequently, the Newport campus separated itself from Beebe to become a stand-alone campus.

Effective July 1, 2001, Delta Technical Institute was merged to the University to become the Arkansas State University Technical Center. The Technical Center is part of the Newport campus.

**System**

In 1998, the Arkansas State University Board of Trustees approved the recognition and designation of the Arkansas State University System to encompass the campuses and locations.

The Arkansas State University System is governed by the Board of Trustees, which consists of five persons appointed by the Governor of the State of Arkansas. Terms of appointments are for five years and Board members may be re-appointed by the Governor for a second five year term.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

**Component Units**

The Arkansas State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the University in support of its mission and programs. The 33 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement no. 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the Foundation are discretely presented in the University's financial statements in accordance with the provisions of GASB Statement no. 39.

During the year ended June 30, 2015, the Foundation transferred property, equipment, and funds of \$3,015,738 to the University for academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

The Foundation reports under the requirements of the Not-for Profit Organizations Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial statements.

Financial Statement Presentation

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

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

In March 2012, the GASB issued Statement no. 65, *Items Previously Reported as Assets and Liabilities*. This statement is related to Statement no. 63 in that it establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In June 2012, the GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement, as amended, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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.

The consolidated University financial statements were prepared from the separate statements of the four (4) campuses. Other than the receipt and disbursement of student financial aid between the campuses, financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings, and construction in progress are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated fair value. Library holdings are recorded at cost or a stated rate per volume. For the campuses that record library holdings at a stated rate per volume, the additions for the fiscal year are displayed as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. Library holdings that are capitalized do not include periodicals, microfilm, microfiche, and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred. Interest costs incurred are capitalized during the period of construction. During the fiscal year, \$872,885 of interest costs was capitalized for the Jonesboro campus.

Depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, and 3 to 20 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. No depreciation is taken the year of disposal.

Easements are considered intangible assets and are capitalized at either the cost at the date of acquisition or fair market value at the date of donation in the case of gifts.

Software costing \$1,000,000 or more is capitalized as an intangible asset and is amortized over the life of the software.

Operating and Nonoperating Revenues

Revenues of the University are classified as either operating or nonoperating according to the following criteria:

**Operating Revenues:** Operating revenues result from activities that have characteristics of exchange transactions; that is, the University receives payment in exchange for providing services or products to students or other constituencies. Student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary operations, net of scholarship discounts and allowances, and most federal, state, local and private grants are the main categories of operating revenues for the University.

**Nonoperating Revenues:** Nonoperating revenues are those revenues that result from nonexchange transactions or from activities specifically defined as nonoperating by the GASB. Examples of nonoperating revenues include state appropriations, certain grants and contracts, sales and use taxes, property taxes, and investment income. State appropriations from the state are considered nonoperating under the definitions set forth by the GASB because the University does not provide a direct and commensurate benefit to the legislature in exchange for them.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of assets the University is legally entitled to, but for which payment has not been received as of the close of the fiscal year at June 30, 2015. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

Investments

The University accounts for its investments, except for nonparticipating contracts, at fair value in accordance with GASB Statement no. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. Nonparticipating contracts are reported at cost.

The University's policy is to report all endowment funds administered by other parties for investment purposes as investments in the financial statements.

Inventories

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

Noncurrent Cash and Investments

Cash and investments that are externally restricted for endowment scholarships and other purposes or to purchase or construct capital assets, are classified as noncurrent assets in the Statement of Net Position. Additionally, this classification includes other long-term investments with original maturity dates greater than one year.

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2015 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

Employee vacation and sick leave earned, but not paid, and related matching costs are recorded as a liability and expense on the University's financial statements as required by generally accepted accounting principles. An estimate is made to allocate this liability between its current and noncurrent components.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

Deposits with Trustees

Deposits with trustees are externally restricted and held by various banks for the University. They are maintained in order to make debt service payments, to maintain sinking or reserve funds as required by bond covenants, or to purchase or construct capital assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs and other liabilities that will not be paid within the next fiscal year; (3) estimated amounts for deposits held that will not be paid within the next fiscal year; (4) other postemployment benefits payable (Note 12); (5) the amount of the optional voluntary retirement incentive program (Note 18); (6) net pension liability (Note 8); and (7) the refundable federal portion of the Perkins Loan Program.

Pensions

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

Property Taxes

The Mountain Home campus receives property tax revenues. These property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien 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.

Sales and Use Taxes

Effective January 2003, the electors of Jackson County, by a majority vote, approved the levy of a one-half of one percent (1/2%) sales and use tax for the ASU-Newport campus. This tax will be utilized for capital improvements and operation and maintenance. Additionally, the electors of Cleburne County approved the levy of a one-half of one percent (1/2%) sales and use tax for the Heber Springs campus. The tax will also be utilized for capital improvements and operation and maintenance.

Funds Held in Trust for Others

The University holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the University.

Net Position

The University's net position is classified as follows:

**Net Investment in Capital Assets:** This classification represents the University's total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this category.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Restricted Net Position: Within this classification there are two (2) categories of net position:

Restricted, expendable: Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend only in accordance with restrictions imposed by external parties.

Restricted, nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds for which donors or other external parties have stipulated that the principal or corpus is to be maintained inviolate and in perpetuity and invested only for the purpose of producing income which may either be expended in accordance with the donors' or external parties' stipulations or added to the principal.

Unrestricted Net Position: Unrestricted net position represents resources of the University that are unrelated to capital items and not externally restricted. These resources may be expended at the discretion of the University's governing board in the educational and general operations of the University and in furtherance of its mission.

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 3,254,693	\$ 3,254,717
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	84,478,729	85,882,620
Uninsured, Uncollateralized	1,711	1,711
Total Deposits	<u>\$ 87,733,422</u>	<u>\$ 89,139,048</u>

The above deposits do not include cash on deposit in the state treasury and cash on hand maintained by the University in the amounts of \$5,019,193 and \$78,200 at June 30, 2015, respectively. Also, the above amount does not include \$413,745 in certificates of deposits held by the Foundation for license plate scholarships. The above total deposits include certificates of deposits of \$14,867,922 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$46 reported as deposits with trustees.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: Public Fund Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. At June 30, 2015, \$1,711 of the University's bank balance of \$89,139,048 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,711
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Deposits with Trustees

At June 30, 2015, the University's deposits with trustees, excluding money market checking accounts of \$46, of \$2,983,251 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury fund. This fund was rated AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 38 days.

The deposits with trustee consisted of funds either obligated as debt reserves for the University's bond issues or earmarked for specific capital projects.

University Investments (Excluding Endowment Funds)

At June 30, 2015, the University's investments, excluding endowment funds, consisted of corporate bonds of \$987,653 and U.S. agencies of \$4,001,811. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
\$ 0	\$ 259,360	\$ 413,001	\$ 315,292	\$ 987,653

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
\$ 0	\$ 730,298	\$ 1,679,393	\$ 1,592,120	\$ 4,001,811

Credit risk – The credit quality ratings of the corporate bonds by Moody's Investors Service are shown below:

Aaa	Aa	A	Baa	Not Rated	Total
\$ 0	\$ 93,915	\$ 893,738	\$ 0	\$ 0	\$ 987,653

The credit quality ratings of the U.S. agencies by Moody's Investor Service are shown below:

Aaa	Aa	A	Baa	Not Rated	Total
\$ 3,938,656	\$ 0	\$ 0	\$ 0	\$ 63,155	\$ 4,001,811

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 8.981 years at June 30, 2015. The U.S. agencies had an estimated weighted average maturity of 9.782 years at June 30, 2015. The University's investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

Concentration of credit risk – The University does not limit the amount of operating funds invested in any one issuer.

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. The Jonesboro campus's portion of the investment pool was 15.73% or \$8,635,748 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	\$ 4,301,397
Bonds/Fixed Income Securities	1,640,539
Alternative Assets	670,369
Cash Equivalents	5,464
Bonds/Fixed Income Mutual Funds	1,143,831
International Equity Mutual Funds	874,148
Total	<u>\$ 8,635,748</u>

The Beebe campus's portion of the investment pool was 1.08% or \$592,087 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	\$ 295,203
Bonds/Fixed Income Securities	112,479
Alternative Assets	45,963
Cash Equivalents	84
Bonds/Fixed Income Mutual Funds	78,424
International Equity Mutual Funds	59,934
Total	<u>\$ 592,087</u>

The Foundation provides for investments in various investment securities, which generally are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment activities will occur.



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,503,126 consisted of the following types of investments held in trust by a third party:

<u>Type</u>	<u>Amount</u>
Mutual Funds	\$ 2,706,878
Corporate Bonds	292,098
Cash Equivalents	206,503
U.S. Agencies	<u>297,647</u>
Total	<u>\$ 3,503,126</u>

The corporate bonds and U.S. agencies will mature as follows:

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
Corporate Bonds	\$ 48,467	\$ 166,339	\$ 36,574	\$ 40,718	\$ 292,098
U.S. Agencies	<u>73,727</u>	<u>54,553</u>	<u>34,376</u>	<u>134,991</u>	<u>297,647</u>
Total	<u>\$ 122,194</u>	<u>\$ 220,892</u>	<u>\$70,950</u>	<u>\$ 175,709</u>	<u>\$ 589,745</u>

Credit risk – The credit quality ratings of the corporate bonds and U.S. agencies by Moody's Investor Services are below:

	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
Corporate Bonds	\$ 11,982	\$ 31,613	\$ 121,402	\$ 115,211	\$ 11,890	\$ 292,098
U.S. Agencies	<u>185,089</u>	<u></u>	<u></u>	<u></u>	<u>112,558</u>	<u>297,647</u>
Total	<u>\$ 197,071</u>	<u>\$ 31,613</u>	<u>\$ 121,402</u>	<u>\$ 115,211</u>	<u>\$ 124,448</u>	<u>\$ 589,745</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 6.118 and 11.555 years, respectively, at June 30, 2015.

V.C. and Bertie H. Kays Educational Trust Investments

The V.C. and Bertie H. Kays Educational Trust of \$1,633,419 consisted of the following types of investments held in trust by a third party:

<u>Type</u>	<u>Amount</u>
Mutual Funds	\$ 904,000
Corporate Bonds	332,781
Cash Equivalents	33,371
U.S. Agencies	<u>363,267</u>
Total	<u>\$ 1,633,419</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: Public Fund Deposits and Investments (Continued)

V.C. and Bertie H. Kays Educational Trust Investments (Continued)

The corporate bonds and U.S. agencies will mature as follows:

	Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
Corporate Bonds	\$ 56,545	\$ 188,590	\$ 42,857	\$ 44,789	\$ 332,781
U.S. Agencies	102,911	62,783	40,766	156,807	363,267
Total	<u>\$ 159,456</u>	<u>\$ 251,373</u>	<u>\$ 83,623</u>	<u>\$ 201,596</u>	<u>\$ 696,048</u>

Credit risk – The credit quality ratings of the corporate bonds and U.S. agencies by Moody's Investor Services are below:

	Aaa	Aa	A	Baa	Ba	Not Rated	Total
Corporate Bonds	\$ 13,978	\$ 34,688	\$ 139,471	\$ 129,781	\$ 14,863		\$ 332,781
U.S. Agencies	232,428					\$ 130,839	363,267
Total	<u>\$ 246,406</u>	<u>\$ 34,688</u>	<u>\$ 139,471</u>	<u>\$ 129,781</u>	<u>\$ 14,863</u>	<u>\$ 130,839</u>	<u>\$ 696,048</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 6.036 and 11.059 years, respectively, at June 30, 2015.

NOTE 3: Income Taxes

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

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: Capital Assets

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

Arkansas State University-Jonesboro					
	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 6,541,334	\$ 636,284		\$ (174,529)	\$ 7,003,089
Livestock for educational purposes	162,722	766			163,488
Construction-in-progress	28,696,811	47,199,564	\$ (35,610,635)	(51,462)	40,234,278
Intangibles-Easements	2,675,000				2,675,000
Total nondepreciable capital assets	<u>\$ 38,075,867</u>	<u>\$ 47,836,614</u>	<u>\$ (35,610,635)</u>	<u>\$ (225,991)</u>	<u>\$ 50,075,855</u>
Other capital assets:					
Improvements and infrastructure	\$ 89,390,483	\$ 1,363,904	\$ 5,471,383		\$ 96,225,770
Buildings	322,320,071	2,922,983	30,139,252	\$ (755,610)	354,626,696
Equipment	41,608,543	3,783,680		(3,060,566)	42,331,657
Library/audiovisual holdings	12,217,834			(156,345)	12,061,489
Intangibles-Software	5,828,610				5,828,610
Total other capital assets	<u>471,365,541</u>	<u>8,070,567</u>	<u>35,610,635</u>	<u>(3,972,521)</u>	<u>511,074,222</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	21,979,584	4,371,727			26,351,311
Buildings	146,971,855	8,913,489 *		(57,915)	155,827,429
Equipment	29,054,120	3,210,429		(2,954,049)	29,310,500
Library/audiovisual holdings	11,405,931	146,056		(156,345)	11,395,642
Intangibles-Software	2,720,018	388,574			3,108,592
Total accumulated depreciation	<u>212,131,508</u>	<u>17,030,275</u>	<u>-</u>	<u>(3,168,309)</u>	<u>225,993,474</u>
Other capital assets, net	<u>\$ 259,234,033</u>	<u>\$ (8,959,708)</u>	<u>\$ 35,610,635</u>	<u>\$ (804,212)</u>	<u>\$ 285,080,748</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 38,075,867	\$ 47,836,614	\$ (35,610,635)	\$ (225,991)	\$ 50,075,855
Other capital assets, at cost	471,365,541	8,070,567	35,610,635	(3,972,521)	511,074,222
Total cost of capital assets	509,441,408	55,907,181	-	(4,198,512)	561,150,077
Less accumulated depreciation	212,131,508	17,030,275	-	(3,168,309)	225,993,474
Capital Assets, net	<u>\$ 297,309,900</u>	<u>\$ 38,876,906</u>	<u>\$ -</u>	<u>\$ (1,030,203)</u>	<u>\$ 335,156,603</u>

\*Includes \$2,985 for prior year depreciation expense

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: Capital Assets (Continued)

Arkansas State University-Beebe					
	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 3,350,508				\$ 3,350,508
Livestock for educational purposes	133,596			\$ (13,501)	120,095
Construction-in-progress	40,897		\$ (40,897)		-
Total nondepreciable capital assets	<u>\$ 3,525,001</u>	<u>\$ -</u>	<u>\$ (40,897)</u>	<u>\$ (13,501)</u>	<u>\$ 3,470,603</u>
Other capital assets:					
Improvements and infrastructure	\$ 15,872,994	\$ 565,493			\$ 16,438,487
Buildings	66,301,410	812,033	\$ 40,897		67,154,340
Equipment	5,638,206	297,846		\$ (614,715)	5,321,337
Library/audiovisual holdings	2,434,542	87,316		(18,813)	2,503,045
Total other capital assets	<u>90,247,152</u>	<u>1,762,688</u>	<u>40,897</u>	<u>(633,528)</u>	<u>91,417,209</u>
Less accumulated depreciation for:					
Improvements and infrastructure	4,844,204	1,010,051			\$ 5,854,255
Buildings	23,635,270	1,759,566			25,394,836
Equipment	4,477,148	355,233		(616,364)	4,216,017
Library/audiovisual holdings	1,766,686	121,105		(18,813)	1,868,978
Total accumulated depreciation	<u>34,723,308</u>	<u>3,245,955</u>	<u>-</u>	<u>(635,177)</u>	<u>37,334,086</u>
Other capital assets, net	<u>\$ 55,523,844</u>	<u>\$ (1,483,267)</u>	<u>\$ 40,897</u>	<u>\$ 1,649</u>	<u>\$ 54,083,123</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,525,001	\$ -	\$ (40,897)	\$ (13,501)	\$ 3,470,603
Other capital assets, at cost	90,247,152	1,762,688	40,897	(633,528)	91,417,209
Total cost of capital assets	93,772,153	1,762,688		(647,029)	94,887,812
Less accumulated depreciation	34,723,308	3,245,955		(635,177)	37,334,086
Capital Assets, net	<u>\$ 59,048,845</u>	<u>\$ (1,483,267)</u>	<u>\$ -</u>	<u>\$ (11,852)</u>	<u>\$ 57,553,726</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Other capital assets:					
Improvements and infrastructure	\$ 2,280,289	\$ 33,057			\$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	1,764,161	135,733			1,899,894
Library/audiovisual holdings	933,202	20,333			953,535
Total other capital assets	43,262,875	189,123	-	-	43,451,998
Less accumulated depreciation for:					
Improvements and infrastructure	1,762,367	152,019			1,914,386
Buildings	17,491,522	2,552,348			20,043,870
Equipment	1,215,718	184,237			1,399,955
Library/audiovisual holdings	782,977	25,251			808,228
Total accumulated depreciation	21,252,584	2,913,855	-	-	24,166,439
Other capital assets, net	\$ 22,010,291	\$ (2,724,732)	\$ -	\$ -	\$ 19,285,559
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,934,808	\$ -	\$ -	\$ -	\$ 2,934,808
Other capital assets, at cost	43,262,875	189,123	-	-	43,451,998
Total cost of capital assets	46,197,683	189,123		-	46,386,806
Less accumulated depreciation	21,252,584	2,913,855		-	24,166,439
Capital Assets, net	\$ 24,945,099	\$ (2,724,732)	\$ -	\$ -	\$ 22,220,367

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: Capital Assets (Continued)

Arkansas State University-Newport

	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 628,770	\$ 780,405			\$ 1,409,175
Construction-in-progress	-	4,435			4,435
Total nondepreciable capital assets	<u>\$ 628,770</u>	<u>\$ 784,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,413,610</u>
Other capital assets:					
Improvements and infrastructure	\$ 2,795,799	\$ 11,918			\$ 2,807,717
Buildings	30,498,084				30,498,084
Equipment	3,150,035	476,998		\$ (83,977)	3,543,056
Library/audiovisual holdings	416,227	10,688		(1,485)	425,430
Total other capital assets	<u>36,860,145</u>	<u>499,604</u>	<u>-</u>	<u>(85,462)</u>	<u>37,274,287</u>
Less accumulated depreciation for:					
Improvements and infrastructure	676,987	174,877			851,864
Buildings	12,233,569	1,275,176			13,508,745
Equipment	2,022,542	301,818		(60,701)	2,263,659
Library/audiovisual holdings	331,869	14,657		(1,485)	345,041
Total accumulated depreciation	<u>15,264,967</u>	<u>1,766,528</u>	<u>-</u>	<u>(62,186)</u>	<u>16,969,309</u>
Other capital assets, net	<u>\$ 21,595,178</u>	<u>\$ (1,266,924)</u>	<u>\$ -</u>	<u>\$ (23,276)</u>	<u>\$ 20,304,978</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 628,770	\$ 784,840	\$ -	\$ -	\$ 1,413,610
Other capital assets, at cost	36,860,145	499,604	-	(85,462)	37,274,287
Total cost of capital assets	<u>37,488,915</u>	<u>1,284,444</u>	<u>-</u>	<u>(85,462)</u>	<u>38,687,897</u>
Less accumulated depreciation	<u>15,264,967</u>	<u>1,766,528</u>	<u>-</u>	<u>(62,186)</u>	<u>16,969,309</u>
Capital Assets, net	<u>\$ 22,223,948</u>	<u>\$ (482,084)</u>	<u>\$ -</u>	<u>\$ (23,276)</u>	<u>\$ 21,718,588</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

Arkansas State University-Jonesboro					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 11,690,000	\$ 7,540,000
6/1/2007	3/1/2037	3.65 - 5%	17,065,000	14,225,000	2,840,000
6/1/2007	3/1/2037	3.65 - 5%	30,300,000	24,530,000	5,770,000
3/19/2009	3/1/2039	3 - 5.1%	9,290,000	8,340,000	950,000
10/8/2010	9/8/2015	0.46%	4,568,514	228,426	4,340,088
12/7/2010	3/1/2031	2 - 4.125%	6,075,000	4,875,000	1,200,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	2,075,000	525,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	1,535,000	1,900,000
1/16/2012	1/16/2016	4.09%	249,803	32,639	217,164
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	4,710,000	630,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	2,275,000	500,000
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	6,240,000	270,000
3/1/2012	3/1/2042	2 - 4%	6,875,000	6,560,000	315,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	3,150,000	275,000
12/1/2012	3/1/2042	0.866 - 4.7%	4,470,000	4,315,000	155,000
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,205,000	50,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,410,000	90,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	26,860,000	2,035,000
8/1/2013	8/1/2023	0.24%	1,000,000	901,075	98,925
12/1/2013	12/1/2038	0.864 - 5.779%	11,130,000	10,850,000	280,000
12/1/2013	12/1/2043	2 - 5%	14,685,000	14,410,000	275,000
9/5/2014	9/18/2017	6.15%	42,472	32,575	9,897
Unamortized discount			(163,516)	(135,325)	(28,191)
Unamortized premium			1,802,007	1,625,718	176,289
Totals			<u>\$ 182,354,280</u>	<u>\$ 151,940,108</u>	<u>\$ 30,414,172</u>

Arkansas State University-Beebe					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
12/1/2012	12/1/2032	1 - 3%	\$ 1,890,000	\$ 1,735,000	\$ 155,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	1,895,000	-
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	8,005,000	-
5/1/2015	12/1/2035	2 - 4%	12,930,000	12,930,000	-
6/1/2015	9/1/2035	2 - 4%	9,185,000	9,185,000	-
Unamortized discount			(91,432)	(87,915)	(3,517)
Unamortized premium			404,190	401,132	3,058
Totals			<u>\$ 34,217,758</u>	<u>\$ 34,063,217</u>	<u>\$ 154,541</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mountain Home

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2015</u>	<u>Maturities To June 30, 2015</u>
8/1/1999	4/10/2019	4.80%	\$ 1,032,704	\$ 291,268	\$ 741,436
12/1/2010	12/1/2017	2.2 - 2.6%	2,920,000	1,300,000	1,620,000
12/1/2012	12/1/2032	0.666 - 4.25%	6,995,000	6,385,000	610,000
Unamortized premium			28,993	10,354	18,639
Totals			<u>\$ 10,976,697</u>	<u>\$ 7,986,622</u>	<u>\$ 2,990,075</u>

Arkansas State University-Newport

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2015</u>	<u>Maturities To June 30, 2015</u>
7/23/2012	7/23/2027	3.75%	\$ 1,500,000	\$ 1,283,879	\$ 216,121
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	3,125,000	615,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,725,000	150,000
Unamortized discount			(22,328)	(19,537)	(2,791)
Totals			<u>\$ 7,092,672</u>	<u>\$ 6,114,342</u>	<u>\$ 978,330</u>

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 156,371,760		\$ 5,626,367	\$150,745,393	\$ 5,781,367
Notes payable	2,206,447		1,044,307 *	1,162,140	360,227
Capital leases payable	6,732	\$ 42,472	16,629	32,575	13,924
Compensated absences	8,047,368	4,693,839	4,624,068	8,117,139	5,462,984
Totals	<u>\$ 166,632,307</u>	<u>\$ 4,736,311</u>	<u>\$ 11,311,371</u>	<u>\$160,057,247</u>	<u>\$ 11,618,502</u>

\*Includes payment of \$10,055 paid from remaining unused funds held by the lender



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Beebe

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$33,724,979	\$32,353,033	\$32,014,795 *	\$ 34,063,217	\$ 1,351,899
Compensated absences	1,549,007	811,061	917,043	1,443,025	897,251
Totals	<u>\$35,273,986</u>	<u>\$33,164,094</u>	<u>\$32,931,838</u>	<u>\$ 35,506,242</u>	<u>\$2,249,150</u>

\*Includes refunding of \$1,835,000; \$9,005,000; \$7,785,000 (with an unamortized discount of \$96,425) and advance refunding of \$12,430,000

Arkansas State University-Mountain Home

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 8,419,496		\$ 724,142	\$ 7,695,354	\$ 734,142
Notes payable	355,851		64,583	291,268	67,721
Compensated absences	443,639	\$ 238,636	250,352	431,923	25,915
Totals	<u>\$ 9,218,986</u>	<u>\$ 238,636</u>	<u>\$ 1,039,077</u>	<u>\$ 8,418,545</u>	<u>\$ 827,778</u>

Arkansas State University-Newport

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 5,119,346		\$ 288,884	\$ 4,830,462	\$ 288,884
Notes payable	1,365,088		81,208 *	1,283,880	84,128
Compensated absences	586,039	\$ 751,675	651,741	685,973	665,394
Totals	<u>\$ 7,070,473</u>	<u>\$ 751,675</u>	<u>\$ 1,021,833</u>	<u>\$ 6,800,315</u>	<u>\$ 1,038,406</u>

\*Includes prior year adjustment of \$308

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities (Continued)

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

Arkansas State University-Jonesboro

Year ended June 30,	Principal	Interest	Total
2016	\$ 6,155,518 *	\$ 6,357,441 **	\$ 12,512,959
2017	6,055,573	6,183,026	12,238,599
2018	6,239,851	5,997,404	12,237,255
2019	6,191,245	5,782,321	11,973,566
2020	6,421,485	5,554,488	11,975,973
2021 - 2025	34,274,714	23,599,918	57,874,632
2026 - 2030	30,437,443	16,991,703	47,429,146
2031 - 2035	32,536,136	9,842,240	42,378,376
2036 - 2040	18,197,513	3,339,926	21,537,439
2041 - 2044	5,430,630	476,343	5,906,973
Totals	<u>\$ 151,940,108 ***</u>	<u>\$ 84,124,810</u>	<u>\$ 236,064,918</u>

\*Includes discount amortization of \$6,200 and premium amortization of \$82,567.

\*\*Includes interest payable of \$1,770,713 recorded as a current liability at June 30, 2015.

\*\*\*Total principal of \$151,940,108 includes discount amortization of \$135,325 and premium amortization of \$1,625,718.

Arkansas State University-Beebe

Year ended June 30,	Principal	Interest	Total
2016	\$ 1,351,900 *	\$ 1,018,727 **	\$ 2,370,627
2017	1,331,900	1,040,079	2,371,979
2018	1,351,900	1,017,644	2,369,544
2019	1,366,899	991,010	2,357,909
2020	1,406,900	961,157	2,368,057
2021 - 2025	7,427,999	4,154,700	11,582,699
2026 - 2030	7,714,614	2,877,765	10,592,379
2031 - 2035	8,885,781	1,440,563	10,326,344
2036 - 2039	3,225,324	188,747	3,414,071
Totals	<u>\$ 34,063,217 ***</u>	<u>\$ 13,690,392</u>	<u>\$ 47,753,609</u>

\*Includes discount amortization of \$3,996 and premium amortization of \$20,896.

\*\*Includes interest payable of \$162,028 recorded as a current liability at June 30, 2015.

\*\*\*Total principal of \$34,063,217 includes discount amortization of \$87,915 and premium amortization of \$401,132.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mountain Home

Year ended June 30,	Principal		Interest		Total
2016	\$ 801,863	*	\$ 243,734	**	\$ 1,045,597
2017	825,152		227,401		1,052,553
2018	841,531		208,637		1,050,168
2019	403,076		193,474		596,550
2020	330,000		183,546		513,546
2021 - 2025	1,805,000		764,686		2,569,686
2026 - 2030	2,130,000		407,392		2,537,392
2031 - 2033	<u>850,000</u>		<u>55,250</u>		<u>905,250</u>
Totals	<u>\$ 7,986,622</u>	***	<u>\$ 2,284,120</u>		<u>\$ 10,270,742</u>

\*Includes premium amortization of \$4,142.

\*\*Includes interest payable of \$27,348 recorded as a current liability at June 30, 2015.

\*\*\*Total principal of \$7,986,622 includes premium amortization of \$10,354.

Arkansas State University-Newport

Year ended June 30,	Principal		Interest		Total
2016	\$ 373,011	*	\$ 185,604	**	\$ 558,615
2017	381,337		177,907		559,244
2018	384,663		169,809		554,472
2019	398,115		160,508		558,623
2020	411,611		150,154		561,765
2021 - 2025	2,267,142		549,800		2,816,942
2026 - 2030	1,551,258		158,845		1,710,103
2031 - 2033	<u>347,205</u>		<u>15,900</u>		<u>363,105</u>
Totals	<u>\$ 6,114,342</u>	***	<u>\$ 1,568,527</u>		<u>\$ 7,682,869</u>

\*Includes discount amortization of \$1,116.

\*\*Includes interest payable of \$28,756 recorded as a current liability at June 30, 2015.

\*\*\*Total principal of \$6,114,342 includes discount amortization of \$19,537.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: Long-Term Liabilities (Continued)

Refunding of Debt

Arkansas State University-Beebe

On April 1, 2015, the University issued \$1,895,000 in taxable refunding bonds for the Beebe campus with interest rates of 1 to 3 percent to refund \$1,835,000 of outstanding bonds dated September 15, 2005 with interest rates of 2.8 to 4.15 percent. Net proceeds of \$1,862,966 after payment of \$43,921 for bond issuance costs and a premium of \$17,130 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of \$5,243 were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$27,966. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2024 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$84,066 over the next nine (9) years and to obtain an economic gain of \$78,255. The University received accrued interest of \$2,383 from the bond issue to apply toward the debt payments of the new issue.

On April 1, 2015, the University issued \$8,005,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 1 to 3.625 percent to refund \$7,785,000 of outstanding bonds, with an unamortized discount of \$96,425, dated April 1, 2010 with interest rates of 2 to 4.65 percent. Net proceeds of \$7,803,595 after payment of \$128,684 for bond issuance costs and a discount of \$69,049 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of \$3,672 were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$115,020. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2039 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$1,107,166 over the next twenty-four (24) years and to obtain an economic gain of \$760,615. The University received accrued interest of \$13,543 from the bond issue to apply toward the debt payments of the new issue.

On May 1, 2015, the University issued \$12,930,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 2 to 4 percent to advance refund \$12,430,000 of outstanding bonds dated December 1, 2005 with interest rates of 3.5 to 5 percent. Net proceeds of \$13,019,057, after payment of \$151,588 for bond issuance costs and a premium of \$243,728 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of \$13,019,057, is pledged for the retirement of these bonds. As a result of this refunding, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on December 1, 2015. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$589,057. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by \$1,876,655 over the next twenty-one (21) years and to obtain an economic gain of \$1,428,278. The University received accrued interest of \$5,945 and an additional \$3,083 from the bond issue to apply toward the debt payments of the new issue.

On June 1, 2015, the University issued \$9,185,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 2 to 4 percent to refund \$9,005,000 of outstanding bonds dated March 1, 2006 with interest rates of 3.25 to 5 percent. Net proceeds of \$9,214,527, after payment of \$109,112 for bond issuance costs and a premium of \$143,332 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of \$9,214,527, is pledged for the retirement of these bonds. As a result of this refunding, the 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$209,528. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$1,179,613 over the next twenty-one (21) years and to obtain an economic gain of \$834,446. The University received accrued interest of \$2,618 and an additional \$4,693 from the bond issue to apply toward the debt payments of the new issue.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled \$42,472 at June 30, 2015. The present value of the net minimum lease payments is as follows:

<u>Type of Asset</u>	<u>Asset Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Lawn Equipment	\$ 42,472		\$ 42,472
Total	<u>\$ 42,472</u>	<u>\$ 0</u>	<u>\$ 42,472</u>

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 15,540
2017	15,540
2018	3,886
Total Minimum Lease Payments	<u>34,966</u>
Less: Amount Representing Interest	<u>2,391</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 32,575</u>

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2015:

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
<u>Jonesboro</u>		
Humanities and Social Sciences Building	July 2015	\$ 1,104,713
Student Activities Center	July 2015	587,266
Collegiate Park-Building #4	July 2015	142,209
Reng Center Service Area	July 2015	132,886
Aggie Road Overpass	July 2015	89,118
Bookstore Flooring	July 2015	55,940
Central Plant Chiller	July 2015	53,673
Centennial Expansion	August 2015	6,805,545
Convocation Center Seating	August 2015	1,245,200
Childhood Development Center	August 2015	449,435
Occupational Therapy Lab	August 2015	221,417
Nutrition Lab	August 2015	194,139
Sorority Housing	August 2015	173,067
Arkansas Hall Chilled Water Loop	August 2015	146,358
Collegiate Park-Building #3	August 2015	108,435
Kays House	August 2015	108,430
Dyess Theatre	September 2015	439,829
Village ADA Interior	January 2016	1,069,439
<u>Beebe</u>		
Library and ASU Searcy Building Re-roof	August 2015	87,355
Owen Center Fire Alarm Replacement	August 2015	66,613

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7: Commitments (Continued)

B. Operating Leases (Noncapital leases with initial or remaining noncancellable lease terms in excess of 1 year)

Various leases for office space, laundry services, copiers, computers, and other office equipment with terms ranging from 24 to 120 months

(a) Future minimum rental payments (aggregate) at June 30, 2015: \$2,802,034

(b) Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 874,554
2017	543,382
2018	436,078
2019	334,734
2020	307,217
2021 - 2025	306,069

Rental payments for the above operating leases, for the year ended June 30, 2015, were approximately \$931,825.

NOTE 8: Retirement Plans

**Defined Contribution Plans**

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

Plan Description

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

Funding Policy

Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum contribution is 6%. The University contributes 10% of earnings for all applicable employees. For employees hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later, participants vest after one year. For employees who do not meet the vesting requirement, the employer contributions are considered forfeited and returned to the University annually. The University did not receive any forfeited amounts in fiscal year 2015. The University's and participants' contributions for the year ended June 30, 2015 were \$8,174,769 and \$6,554,404, respectively.

**Variable Annuity Life Insurance Company (VALIC)**

Plan Description

The University contributes to VALIC, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. VALIC provides insurance policies that become the property of the participant when issued.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Variable Annuity Life Insurance Company (VALIC) (Continued)**

**Funding Policy**

Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum percentage is 6%. The University's contributory rate is 10% for all applicable employees. For employees hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later, participants vest after one year. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and returned to the University annually. The University did not receive any forfeited amounts in fiscal year 2015. The participants' and the University's contributions for the year ended June 30, 2015 were \$1,101,956 and \$1,358,319, respectively.

**Defined Benefit Pension Plans**

**Arkansas Teacher Retirement System**

**Plan Description**

The University contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937. The general administration and responsibility for the proper operation of the System is vested in the fifteen members of the Board of Trustees of the Arkansas Teacher Retirement System. Detailed information about ATRS's fiduciary net position is available in the separately issued ATRS Financial Report available at <http://www.arts.gov/publications>.

**Benefits Provided**

Benefit provisions are set forth in Arkansas Code Annotated, Chapter 24 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability, and death benefits. 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.

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%.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Teacher Retirement System (Continued)**

**Benefits Provided (Continued)**

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.

As of July 1, 2011, the University no longer offers new employees the option of electing Arkansas Teacher Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan.

The University reported payables to ATRS in the amount of \$85,601 as of June 30, 2015. This amount has been reported on the Statement of Net Position as a current liability.

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

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

The collective net pension liability of \$2,625,006,279 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At June 30, 2015, the University reported a liability of \$9,331,422 for its proportionate share of the net pension liability. At June 30, 2014, the University's proportion was .36% of the collective net pension liability.



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Teacher Retirement System (Continued)**

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

For the year ended June 30, 2015, the University recognized pension expense of \$675,833. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience		\$ 301,715
Net difference between projected and actual earnings on pension plan investments		4,011,878
Contributions subsequent to the measurement date	\$ 1,320,906	
Totals	<u>\$ 1,320,906</u>	<u>\$ 4,313,593</u>

\$1,320,906 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2016	\$ (1,067,464)
2017	(1,067,464)
2018	(1,067,464)
2019	(1,067,464)
2020	(43,737)

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor
Wage inflation	3.25%
Salary increases	3.25% to 9.10%, including inflation
Investment rate of return	8.00%

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study for the period July 1, 2005 - June 30, 2010.
Mortality	RP-2000 Mortality Table for males and females projected 25 years with scale AA (95% for men and 87% for women)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20%	4.7%
Global Equity	30%	5.0%
Fixed Income	20%	2.0%
Alternatives	5%	5.0%
Real Assets	15%	4.6%
Private Equity	10%	6.6%
Cash Equivalents	0%	1.2%
Total	100%	

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
University's proportionate share of the net pension liability	\$ 16,694,771	\$ 9,331,422	\$ 3,136,364

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Public Employees Retirement System**

Plan Description

The University contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension 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. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Benefits Provided

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

Contributory, prior to 7-1-2005	2.07%
Contributory, on or after 7-1-2005	2.03%
Non-Contributory	1.72%

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

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

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

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

As of January 1, 2012, the University no longer offers new employees the option of electing Arkansas Public Employees Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan.

The University reported payables to APERS in the amount of \$1,599 as of June 30, 2015. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Public Employees Retirement System (Continued)**

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

The collective net pension liability of \$1,418,912,236 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At June 30, 2015, the University reported a liability of \$6,175,989 for its proportionate share of the net pension liability. At June 30, 2014, the University's proportion was .44% of the collective net pension liability.

For the year ended June 30, 2015, the University recognized pension expense of \$703,757. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience		\$ 78,463
Changes of assumptions	\$ 731,567	
Net difference between projected and actual earnings on pension plan investments		2,428,952
Contributions subsequent to the measurement date	1,027,156	
Totals	<u>\$ 1,758,723</u>	<u>\$ 2,507,415</u>

\$1,027,156 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2016	\$ (425,678)
2017	(425,678)
2018	(425,678)
2019	(498,814)

**Actuarial Assumptions**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (14 years for District Judges New Plan/Paid Off Old Plan and 21 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed marked; 25% corridor (Market Value for Still Paying Old Plan)

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Public Employees Retirement System (Continued)**

Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75 – 10.35% including inflation (3.75% - 7.71% including inflation for District Judges)
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	9%	0.50%
Fixed Income Defensive	9%	0.80%
Large Cap Domestic Equity	20%	6.65%
Small/Mid Cap Domestic Equity	17%	7.90%
International Equity	12%	7.00%
Emerging Market Equity	12%	9.20%
Private Equity	2.5%	11.30%
Hedge Funds	2.5%	3.19%
Real Estate	16%	5.10%
Total	100%	

**Discount Rate**

A single discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: Retirement Plans (Continued)

**Arkansas Public Employees Retirement System (Continued)**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$ 11,081,012	\$ 6,175,989	\$ 2,089,234

NOTE 9: Natural Classifications by Function

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

	Personal Services	Scholarships and Fellow ships	Supplies and Services	Self- insurance	Depreciation	Other	Total
Instruction	\$ 64,828,017	\$ 1,665,365	\$ 8,382,006				\$ 74,875,388
Research	6,200,676	358,298	2,238,618				8,797,592
Public service	10,674,018	212,037	4,516,314				15,402,369
Academic support	12,157,104	31,456	6,896,474				19,085,034
Student services	11,713,574	270,551	3,290,308				15,274,433
Institutional support	19,238,712		6,721,954				25,960,666
Scholarships and fellow ships		9,157,003					9,157,003
Operations and maintenance of plant	10,433,410		14,129,210				24,562,620
Auxiliary enterprises	10,120,560	4,644,965	15,186,540				29,952,065
Self-insurance				\$ 15,612,804			15,612,804
Depreciation					\$ 24,953,628		24,953,628
Other						\$ 67,139	67,139
Totals	<u>\$ 145,366,071</u>	<u>\$ 16,339,675</u>	<u>\$ 61,361,424</u>	<u>\$ 15,612,804</u>	<u>\$ 24,953,628</u>	<u>\$ 67,139</u>	<u>\$ 263,700,741</u>

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2015 as reported in the Statement of Net Position, were as follows:

	Current	Noncurrent	Total
Student receivables, net	\$ 7,400,658		\$ 7,400,658
Grants and contracts	3,315,477		3,315,477
Sales and use tax	481,385		481,385
Construction projects	197,009		197,009
Travel advances	6,241		6,241
Property tax accrual	811,807		811,807
Auxiliary enterprises	502,313	\$ 24,683	526,996
Loan cancellations	1,825,813		1,825,813
Miscellaneous	820,508	65,317	885,825
Totals	<u>\$ 15,361,211</u>	<u>\$ 90,000</u>	<u>\$ 15,451,211</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 10: Receivable and Payable Balances (Continued)

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$1,081,926 at June 30, 2015. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships, and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year-end for vending, bookstore, and other types of auxiliaries. The loan cancellation amount is the amount due from the U.S. Department of Education for cancellations pertaining to the Federal Perkins Loan Program.

Notes and Deposits Receivable at June 30, 2015 were as follows:

	Current	Noncurrent	Total
Notes receivable, net	\$ 934,446	\$ 5,054,332	\$ 5,988,778
Deposits receivable		5,965	5,965
Totals	<u>\$ 934,446</u>	<u>\$ 5,060,297</u>	<u>\$ 5,994,743</u>

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2015 was reduced by an allowance for doubtful accounts of \$242,093 for the current portion and \$1,309,458 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2015 are detailed below:

	Current	Noncurrent	Total
Vendors	\$ 13,123,809		\$ 13,123,809
Students	18,573		18,573
Sales tax and use tax	21,044		21,044
Health claims	926,226		926,226
Salaries and other payroll related items	3,055,394		3,055,394
Optional Voluntary Retirement Incentive Program	154,855	\$ 41,918	196,773
Miscellaneous	131,222		131,222
Totals	<u>\$ 17,431,123</u>	<u>\$ 41,918</u>	<u>\$ 17,473,041</u>

NOTE 11: Museum Collection

The financial statements do not include the University's museum collection, which consists of numerous historical relics, artifacts, displays, and memorabilia. The total value of this collection has not been established.

NOTE 12: Other Postemployment Benefits

The University offers postemployment health care benefits to all employees who officially retire from the University and meet certain age- and service-related requirements. Health care benefits are offered through Arkansas State University's Self Insured Retiree Medical Plan (the Plan).

Employees between the ages of fifty-five (55) and sixty (60) shall become eligible for retirement benefits in the calendar year in which the sum of their age and the number of years of continuous full-time service to the University totals seventy (70). Employees sixty (60) years of age and older are eligible for retirement benefits in the calendar year in which they have at least ten (10) years of continuous full-time service to the University. Employees electing retirement will receive the following benefits:

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: Other Postemployment Benefits (Continued)

1. Medical insurance (including spouse and unmarried dependents, if covered at the time the employee retires or unless a qualifying event occurs) will be provided at one-half of the total cost (one-half of what ASU pays and half of the employee premium).
2. Life insurance and accidental death and dismemberment benefits equal to the scheduled amount at the time of the retiree's retirement will continue at no cost to the retiree; and
3. Continuing eligibility of the retiree, their spouse and unmarried dependent children for tuition discounts in effect for current university employees.

The benefits provided to retirees enumerated above will terminate at the earlier of the age at which the retiree becomes eligible for Medicare coverage or the date the retiree becomes eligible for similar benefits under any other arrangement for members in a group, whether insured or self-insured.

The benefits provided to the spouse of the retiree enumerated above shall terminate the earlier of either a) when such benefits terminate for the early retiree or b) the spouse becomes eligible for Medicare. Should the spouse of a retiree not have reached the age of Medicare eligibility at the time benefits to the retiree are terminated, the retiree may pay the total cost of continuing such coverage until such time as the spouse becomes eligible for Medicare.

The University adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 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. The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program, and a preferred care program. The authority under which the Plan's benefit provisions are established or amended is the University Board of Trustees. Recommendations for modifications are brought to the Board by the University's President. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forward by the University's President and approved by the Board of Trustees.

In accordance with GASB Statement no. 45, the University accrued an additional \$1,894,798 in retiree healthcare expense during fiscal year 2015. This compares to \$1,880,463 accrued during fiscal year 2014.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Arkansas State University Office of Employee Services, P.O. Box 1500, State University, Arkansas 72467.

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



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: Other Postemployment Benefits (Continued)

**Determination of Annual Required Contribution (ARC) and End of Year Accrual**

Cost Element	Fiscal Year Ending			
	June 30, 2015		June 30, 2014	
	Amount	Percent of Payroll <sup>1</sup>	Amount	Percent of Payroll <sup>2</sup>
1. Beginning of year unfunded actuarial accrued liability	\$ 16,271,097	15.31%	\$ 15,342,391	14.59%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,507,087		\$ 1,463,191	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ <u>2,337,226</u>	2.20%	\$ <u>2,245,948</u>	2.14%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,507,087		\$ 1,463,191	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
7. Amortization of beginning of year accrual	(477,916)		(381,976)	
8. Interest on beginning of year accrual	281,021		224,607	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	\$ <u>2,140,331</u>	2.01%	\$ <u>2,088,579</u>	1.99%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 9,367,362		\$ 7,486,899	
11. Annual OPEB cost	2,140,331		2,088,579	
12. Employer contribution (benefit payments)	245,533		208,116	
13. End of year accrual (10. + 11. - 12.) <sup>3</sup>	\$ <u>11,262,160</u>	10.60%	\$ <u>9,367,362</u>	8.91%

<sup>1</sup> Annual payroll for the approximately 2,224 plan participants for fiscal year beginning July 1, 2014 is \$106,249,782.

<sup>2</sup> Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638.

<sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2015 of \$613,478 less participant contributions of \$367,945; \$518,461 and \$310,345, respectively, in fiscal year 2014. The employer contributed 11.5% of annual OPEB cost during fiscal year 2015, compared to 10.0% during fiscal year 2014.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contributions	Actual Contributions <sup>4</sup>	Percentage Contributed
June 30, 2015	\$ 2,140,331	\$ 245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%
June 30, 2013	1,832,274	198,835	10.9%

<sup>4</sup> Since there is no funding, these are actual benefit payments less retiree contributions. For 2015, these amounts are \$613,478 and \$367,945, respectively. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: Other Postemployment Benefits (Continued)

**Schedule of Funding Progress**

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

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll <sup>5</sup> (c)	UAAL as a Percentage Of Covered Payroll <sup>5</sup> [(b)-(a)]/(c)
June 30, 2015	\$ 0	\$ 16,271,097	\$ 16,271,097	0%	\$ 106,249,782	15.31%
June 30, 2014	0	15,342,391	15,342,391	0%	105,128,638	14.59%
June 30, 2013	0	12,920,854	12,920,854	0%	100,382,429	12.87%

<sup>5</sup> Payroll as of July 1, 2014, July 1, 2013, and July 1, 2012 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,337,226 for fiscal year 2015 and accrual of \$11,262,160 as of June 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust; \$2,245,948 and \$9,367,362, respectively, as of June 30, 2014; and \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013.

**Three-Year Schedule of Percentage of OPEB Cost Contributed**

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 2,140,331	11.5%	\$ 11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362
June 30, 2013	1,832,274	10.9%	7,486,899

**Summary of Key Actuarial Methods and Assumptions**

Valuation year	July 1, 2014 – June 30, 2015, rolled forward
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization <sup>6</sup>
Asset valuation method	N/A

<sup>6</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

Discount rate	3.0%
Inflation rate	2.5%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

**General Overview of the Valuation Methodology**

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2015.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: Other Postemployment Benefits (Continued)

**General Overview of the Valuation Methodology (Continued)**

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

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

<b>Valuation Year</b>	July 1, 2014 – June 30, 2015, rolled forward
<b>Date of Census Data</b>	April 1, 2014
<b>Actuarial Cost Method</b>	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

**Retiree Premiums**

<b>Health (monthly rate)</b>	<b>Employee Cost</b>	<b>Employer Cost</b>	<b>Total</b>
Single	\$ 212.77	\$ 212.77	\$ 425.54
Family (retired after 6/30/2001)	516.24	516.24	1,032.48

**Annual Health Care Trend Rate** Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

**Discount Rate** 3.0% per annum

**Inflation** 2.5% per annum

**Spouse Age Difference** Husbands are assumed to be three years older than wives for current and future retirees who are married.

**Mortality** IRS 2013 Combined Static Mortality Table has been used.

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

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: Other Postemployment Benefits (Continued)

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

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48 – 49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53 – 54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60 – 61	100%	14%
62	100%	28%
63 – 64	100%	17%
65	100%	27%
66 – 74	100%	30%
75 and older	100%	100%

**Sample Withdrawal and Disability Rates** Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

Age	Terminate Rate (Male)	Terminate Rate (Female)
25	46.0	47.0
30	43.4	46.6
35	36.4	38.8
40	30.0	27.4
45	24.5	21.2
50	19.0	18.8
55	15.7	16.2
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0
75	0.0	0.0
80	0.0	0.0

NOTE 13: Self-insurance Program

Beginning July 1, 1994, Arkansas State University established a self-funded health benefit plan for employees and their eligible dependents. All campuses of the University participate in the program, which is administered by BlueAdvantage administrators.

At June 30, 2015, approximately 4,167 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86% of the total premium. The University pays 76% of the total premium for those participating in full family coverage, 71% for those participating in employee and spouse coverage, and 70% for employee and children coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%. The University does not offer insurance to retirees or their spouses who are eligible for Medicare. Retiree spouse can continue coverage after the retiree becomes eligible for Medicare at a cost of 100% of the single coverage rate until they too are eligible for Medicare.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 13: Self-insurance Program (Continued)

The University estimates its unpaid health claims liability at June 30, 2015 to be \$926,226 with BlueAdvantage. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

Unpaid Claims Liability	
	FY 2015
Unpaid Claims, 7-1-14	\$ 992,450
Incurred claims during current year	10,120,501
Current year claims paid	9,194,275
Prior year claims paid	992,450
Total payments	10,186,725
Unpaid Claims, 6-30-15	926,226

The University purchases specific reinsurance to reduce its exposure to large claims. Beacon Risk Strategies was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$275,000.

NOTE 14: Endowment Funds

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds, and other managed investments. The endowment net position at June 30, 2015 was \$12,898,935. Of this amount, \$12,028,004 was nonexpendable and the remaining \$870,931 was expendable.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

For endowments held by the Arkansas State University Foundation, the University's policy is for annual expenses from the endowment funds not to exceed 4% of the five (5) year average market value as determined at December 31<sup>st</sup> of the previous year. In periods with no market value appreciation, the University limits the spending to actual income generated by the endowment fund assets.

Arkansas State University-Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net assets at June 30, 2015 were \$592,087. Of this amount, \$589,359 was nonexpendable and the remaining \$2,728 was expendable.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

The University's policy is for any interest earnings to be expensed from the endowment funds for scholarships.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 15: Pledged Revenues

The University's pledged revenues at June 30, 2015 are as follows:

Arkansas State University-Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Student Union	Student Union Fee	\$ 2,687,083	\$ 14,342,625	\$ 727,200	\$ 472,307	\$ 8,718,944	\$ 2,391,556	44.64%
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Parking Garage	Parking Fees	1,288,208	4,887,375	247,800	160,943	2,971,056	814,944	31.73%
Series 2007 Student Fee	6/1/2007	3/1/2037	Construction of Recreation Center	Recreation Center Fee	1,887,003	17,065,000	380,000	679,880	14,225,000	9,048,131	56.17%
Series 2007 Housing	6/1/2007	3/1/2037	Construction of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park	Housing Fees	3,337,508	30,300,000	925,000	1,223,937	24,530,000	14,122,650	64.39%
Series 2009 Housing	3/19/2009	3/1/2039	Construction of Living Learning Community	Housing Fees	368,663	9,290,000	200,000	394,833	8,340,000	5,969,739	100.00%
Series 2010 Refunding	12/7/2010	3/1/2031	Refinance Series 2001 Family Housing Phase I	Housing Fees	1,274,564	6,075,000	250,000	176,456	4,875,000	1,659,192	33.46%
Series 2010A Refunding	12/7/2010	3/1/2031	Refinance Series 2001 Track Facility	Gross Tuition and Fees	see below	2,600,000	110,000	74,655	2,075,000	686,206	0.22%
Series 2010B Refunding	12/7/2010	12/1/2017	Refinance Series 2002-Renovation of Kays Hall and Twin Towers	Housing Fees	1,547,279	1,568,376	224,998	21,492	684,817	29,555	15.93%
Series 2010B Refunding	12/7/2010	12/1/2027	Refinance Series 2002-Construction of Fowler Center and property purchases	Gross Tuition and Fees	see below	1,866,624	60,002	23,783	850,183	197,082	0.10%

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Jonesboro (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	\$ 690,641	\$ 6,510,000	\$ 135,000	\$ 282,892	\$ 6,240,000	\$ 5,066,948	60.07%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	690,641	4,470,000	100,000	177,761	4,315,000	3,140,674	39.93%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees	447,590	6,875,000	160,000	226,035	6,560,000	3,846,505	85.43%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees	447,590	1,255,000	30,000	35,844	1,205,000	611,087	14.57%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,547,279	3,425,000	95,000	120,506	3,150,000	1,556,844	13.93%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,547,279	1,500,000	50,000	39,418	1,410,000	536,825	5.78%
Series 2012A Taxable Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and Fees	see below	5,340,000	185,000	177,645	4,710,000	2,193,058	0.43%
Series 2012B Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Refinance Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements	Gross Tuition and Fees	see below	2,775,000	90,000	70,719	2,275,000	792,631	0.19%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall	Housing Fees	3,841,799	22,521,103	798,897	760,803	20,935,000	8,656,791	40.60%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Family Housing Phase II	Housing Fees	1,274,564	6,373,897	226,103	215,322	5,925,000	2,450,034	34.63%
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	11,130,000	280,000	532,293	10,850,000	8,395,491	0.97%
Series 2013B Student Fee	12/1/2013	12/1/2043	Construction of Humanities and Social Sciences building	Gross Tuition and Fees	see below	14,685,000	275,000	641,100	14,410,000	11,943,595	1.09%

Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue--\$84,014,522

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2005 Refunding	Refunded below		Refinance Student Center	Gross Tuition and Fees	see below	\$ 3,330,000	\$ 170,000	\$ 39,059	\$ -	\$ -	2.03%
Series 2015A Refunding	4/1/2015	12/1/2023	Refinance Series 2005 Refunding-Refinance Student Center	Gross Tuition and Fees	see below	1,895,000	-	7,150	1,895,000	235,300	0.07%
Series 2005B Student Fee	Refunded below		Construction of academic and administrative buildings at the Heber Springs campus	Gross Tuition and Fees	see below	15,170,000	355,000	301,629	-	-	6.36%
Series 2015 Refunding	5/1/2015	12/1/2035	Refinance Series 2005B Student Fee-Construction of academic and administrative buildings at the Heber Springs campus	Gross Tuition and Fees	see below	12,930,000	-	-	12,930,000	5,306,408	0.00%
Series 2006 Student Fee	Refunded below		Construction of math and science building	Gross Tuition and Fees	see below	11,000,000	255,000	424,155	-	-	6.58%
Series 2015B Refunding	6/1/2015	9/1/2035	Refinance Series 2006 Student Fee-Construction of math and science building	Gross Tuition and Fees	see below	9,185,000	-	-	9,185,000	3,953,006	0.00%



ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Beebe (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2010 Auxiliary Enterprises	Refunded below		Construction of new residence halls	Housing Fees	\$ 828,651	\$ 9,125,000	\$ 195,000	\$ 339,482	\$ -	\$ -	64.50%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	828,651	8,005,000	-	-	8,005,000	3,739,697	0.00%
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus	Gross Tuition and Fees	see below	1,890,000	80,000	42,974	1,735,000	455,981	1.19%

Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue--\$10,320,437

Arkansas State University-Mountain Home

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2010 Refunding	12/1/2010	12/1/2017	Refinance Series 2002 Refunding-Construction of the Mountain Home campus	Gross Tuition and Fees and Ad Valorem Tax	\$ 5,577,072	\$ 2,920,000	\$ 415,000	\$ 32,805	\$ 1,300,000	\$ 45,485	8.03%
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Construction of Community Development Center	Gross Tuition and Fees	4,260,793	6,995,000	305,000	209,137	6,385,000	2,206,310	12.07%

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Refunding	12/1/2012	5/1/2028	Refinance Series 2008 Building-Construction of Student Community Building	Gross Tuition and Fees	see below	\$ 3,740,000	\$ 215,000	\$ 98,387	\$ 3,125,000	\$ 789,762	5.07%
Series 2012B Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Building-Construction of Transportation Technology Center building	Gross Tuition and Fees	see below	1,875,000	75,000	42,594	1,725,000	455,119	1.90%

Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue--\$6,175,805

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 16: Risk Management

The University is exposed to various risks of loss including, but not necessarily limited to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. In response to this diverse risk exposure, the University has established a comprehensive risk management approach including, where acceptable and prudent, retention of the associated risks to the extent that funds are available from general operations or reserves to cover losses. In those situations where risk retention has been deemed not acceptable or prudent, the University has practiced risk transfer through participation in the State of Arkansas's risk management programs or through the purchase of commercial insurance coverage.

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Government Bonding Board. The fund provides coverage of actual losses incurred as a result of fraudulent or dishonest acts committed by state officials or employees. Each loss is limited to \$250,000 with a \$2,500 deductible. Beginning July 1, 2015, the loss will be limited to \$300,000. Premiums for coverage are remitted by the Arkansas Department of Finance and Administration from funds deducted from the University's state treasury funds.

The University secures vehicle insurance coverage through participation in the Arkansas Multi-Agency Insurance Trust Fund administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow participating agencies an affordable means of insuring their vehicle fleets. The University pays an annual premium for this coverage. The fund provides a coverage pool, but, employs a reinsurance policy to reduce its exposure to large losses.

The University also participates in the Worker's Compensation Revolving Fund administered by the Arkansas Department of Finance and Administration. Premium assessments are determined annually by the Department of Finance and Administration and deducted on a quarterly basis from the University's state treasury funds.

Additional information relating to the state's insurance plans and funds is available in the State of Arkansas's Annual Comprehensive Financial Report.

The University also purchases commercial property insurance coverage to indemnify against unacceptable losses to buildings and business personal property through participation in the Arkansas Multi-Agency Insurance Trust Fund administered by the Risk Management Division of the Arkansas Insurance Department. Decisions concerning the appropriate retention levels and types of coverage are made by the campus administrators. During the past three fiscal years, no claims have exceeded the amount of coverage. There have been no significant reductions in insurance coverage from the prior year in the major categories of risk. The University pays an annual premium for this coverage. The fund provides a coverage pool, but, employs a reinsurance policy to reduce its exposure to large losses.

Additional policies purchased by the University include a group accident policy that provides accidental death and dismemberment and accident medical expenses coverage for certain categories of participants in intercollegiate sport activities of the University; a business travel policy that provides accidental death and dismemberment, medical evacuation and repatriation coverage for individuals traveling on University business; and a comprehensive K&R policy to cover costs and provide assistance in certain crisis events involving University directors, officers, employees, faculty, and students.

NOTE 17: Financial Statement Restatement

The University has restated its fiscal year beginning net position in accordance with GASB no. 68, *Accounting and Financial Reporting for Pensions*. GASB no. 68 states if restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. The University has chosen to restate the FY 15 beginning net position and to display only the FY 15 financial statements rather than comparative statements.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 17: Financial Statement Restatement (Continued)

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of GASB no. 68, as amended had the following impact on the financial statements for the year ended June 30, 2015:

FY 2014 Ending Net Position     \$309,777,058

FY 2015 Beginning Net Position \$289,559,796

NOTE 18: Optional Voluntary Retirement Incentive Program

System Office

During fiscal year 2015, the campus offered an optional voluntary retirement incentive program to certain employees. To be eligible, an employee must have been 55 years of age as of December 31, 2014. Employees will receive one-half of their salary for a period of two years. An annual payment will be paid to the employee's retirement fund on December 31, 2014 and again on December 31, 2015. The University has accrued the payable for the four (4) employees who elected to participate in this program. As of June 30, 2015, the liability totaling \$112,936 has been recorded on the University's financial statements as a current liability.

Mountain Home

During fiscal year 2015, the campus offered an optional voluntary incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2015. Employees will receive one-half of their salary for a period of two years. An annual payment will be paid to the employee's retirement fund in July 2015 and again in July 2016. The University has accrued the payable for the one (1) employee who elected to participate in this program. As of June 30, 2015, the liability totaling \$25,419 has been recorded on the University's financial statements with \$12,710 recorded as a current liability and the remaining \$12,709 as a noncurrent liability.

Newport

During fiscal year 2015, the campus offered an optional voluntary incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2015. Employees will receive one-fourth of their base salary for 2014 plus 1% of their salary for each year of continuous full-time employment with the University. The maximum payment to an employee is limited to one-half of their annual base salary for 2014. An annual payment will be paid to the employee's retirement fund on July 1, 2015 and again on July 1, 2016. The University has accrued the payable for the three (3) employees who elected to participate in this program. As of June 30, 2015, the liability totaling \$58,418 has been recorded on the University's financial statements with \$29,209 recorded as a current liability and the remaining \$29,209 as a noncurrent liability.

NOTE 19: Lease Obligations with Red Wolves Foundation

In January 2015, the University entered into an agreement with the Red Wolves Foundation. This lease agreement allowed the Red Wolves Foundation to obtain financing to complete the expansion of the football stadium and press box (Centennial Bank Stadium). The agreement allows the Red Wolves Foundation to utilize the space and complete construction of the facility which will ultimately belong to the University. The term of the lease is 10 years and the amount of the financing is \$13 million.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 20: Subsequent Events

System

On January 9, 2015, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and Mid-South Community College. The merger will be effective on July 1, 2015 and Mid-South Community College will become Arkansas State University Mid-South.

Jonesboro

On August 27, 2015, the Board of Trustees approved the Wilson Hall renovation project and related financing. The renovation project includes the reconfiguration of the building infrastructure for new laboratories and learning environments, plus life and safety, technology and ADA improvements. The New York Institute of Technology (NYIT) will lease Wilson Hall to provide appropriate space for the new Doctor of Osteopathy Program. The cost of the project is projected to be \$12.6 million.

On November 5, 2015, the University borrowed \$8 million at an interest rate of 2.97% for a term of 8 years. The University will make semi-annual payments beginning in May 2016.

The University has entered into contracts after June 30 for these renovations. The current balance of these commitments is \$8,813,895.

On August 27, 2015, the lease agreement with the Red Wolves Foundation (Note 19) was modified to secure additional financing for the Centennial Bank Stadium project. The amount has been increased from 13 million to 17 million.

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Other Postemployment Benefits

**Determination of Annual Required Contribution (ARC) and End of Year Accrual**

Cost Element	Fiscal Year Ending			
	June 30, 2015		June 30, 2014	
	Amount	Percent of Payroll <sup>1</sup>	Amount	Percent of Payroll <sup>2</sup>
1. Beginning of year unfunded actuarial accrued liability	\$ 16,271,097	15.31%	\$ 15,342,391	14.59%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,507,087		\$ 1,463,191	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ <u>2,337,226</u>	2.20%	\$ <u>2,245,948</u>	2.14%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,507,087		\$ 1,463,191	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
7. Amortization of beginning of year accrual	(477,916)		(381,976)	
8. Interest on beginning of year accrual	281,021		224,607	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	\$ <u>2,140,331</u>	2.01%	\$ <u>2,088,579</u>	1.99%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 9,367,362		\$ 7,486,899	
11. Annual OPEB cost	2,140,331		2,088,579	
12. Employer contribution (benefit payments)	245,533		208,116	
13. End of year accrual (10. + 11. - 12.) <sup>3</sup>	\$ <u>11,262,160</u>	10.60%	\$ <u>9,367,362</u>	8.91%

<sup>1</sup> Annual payroll for the approximately 2,224 plan participants for fiscal year beginning July 1, 2014 is \$106,249,782.

<sup>2</sup> Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638.

<sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2015 of \$613,478 less participant contributions of \$367,945; \$518,461 and \$310,345, respectively, in fiscal year 2014. The employer contributed 11.5% of annual OPEB cost during fiscal year 2015, compared to 10.0% during fiscal year 2014.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contributions	Actual Contributions <sup>4</sup>	Percentage Contributed
June 30, 2015	\$ 2,140,331	\$ 245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%
June 30, 2013	1,832,274	198,835	10.9%

<sup>4</sup> Since there is no funding, these are actual benefit payments less retiree contributions. For 2015, these amounts are \$613,478 and \$367,945, respectively. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively.

**Schedule of Funding Progress**

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

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll <sup>5</sup> (c)	UAAL as a Percentage Of Covered Payroll <sup>5</sup> [(b)-(a)]/(c)
June 30, 2015	\$ 0	\$ 16,271,097	\$ 16,271,097	0%	\$ 106,249,782	15.31%
June 30, 2014	0	15,342,391	15,342,391	0%	105,128,638	14.59%
June 30, 2013	0	12,920,854	12,920,854	0%	100,382,429	12.87%

<sup>5</sup> Payroll as of July 1, 2014, July 1, 2013, and July 1, 2012 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,337,226 for fiscal year 2015 and accrual of \$11,262,160 as of June 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust; \$2,245,948 and \$9,367,362, respectively, as of June 30, 2014; and \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013.

**Three-Year Schedule of Percentage of OPEB Cost Contributed**

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 2,140,331	11.5%	\$ 11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362
June 30, 2013	1,832,274	10.9%	7,486,899

**Summary of Key Actuarial Methods and Assumptions**

Valuation year	July 1, 2014 – June 30, 2015, rolled forward
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization <sup>6</sup>
Asset valuation method	N/A

<sup>6</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

Discount rate	3.0%
Inflation rate	2.5%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

**General Overview of the Valuation Methodology**

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2015.

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

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

Valuation Year	July 1, 2014 – June 30, 2015, rolled forward
Date of Census Data	April 1, 2014

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

**Actuarial Cost Method** Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

**Retiree Premiums**

Health (monthly rate)	Employee Cost	Employer Cost	Total
Single	\$ 212.77	\$ 212.77	\$ 425.54
Family (retired after 6/30/2001)	516.24	516.24	1,032.48

**Annual Health Care Trend Rate** Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

**Discount Rate** 3.0% per annum

**Inflation** 2.5% per annum

**Spouse Age Difference** Husbands are assumed to be three years older than wives for current and future retirees who are married.

**Mortality** IRS 2013 Combined Static Mortality Table has been used.

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

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

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48 – 49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53 – 54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60 – 61	100%	14%
62	100%	28%
63 – 64	100%	17%
65	100%	27%
66 – 74	100%	30%
75 and older	100%	100%



ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

**Sample Withdrawal and Disability Rates** Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

Age	Terminate Rate (Male)	Terminate Rate (Female)
25	46.0	47.0
30	43.4	46.6
35	36.4	38.8
40	30.0	27.4
45	24.5	21.2
50	19.0	18.8
55	15.7	16.2
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0
75	0.0	0.0
80	0.0	0.0

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Pension Plans

Schedule of the University's Proportionate Share of the Net Pension Liability  
Arkansas Teacher Retirement System

	<b><u>2015*</u></b>					
Proportion of the net pension liability (asset)	0.36%					
Proportionate share of the net pension liability (asset)	\$ 9,331,442					
Covered employee payroll	\$ 10,114,727					
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	92.26%					
Plan fiduciary net position as a percentage of the total pension liability	84.98%					

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

Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Schedule of University Contributions

Arkansas Teacher Retirement System

	<b><u>2015</u></b>					
Contractually required contribution	\$ 1,320,906					
Contributions in relation to the contractually required contribution	\$ (1,320,906)					
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 9,404,438					
Contributions as a percentage of covered employee payroll	14.05%					

Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Pensions Plans

Arkansas Teacher Retirement System

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules

A. Changes in benefit terms

There was a benefit change recognized during the year reflecting an increase in the T-DROP reduction factor from 0.6% to 1.0%.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2014.

C. Method and assumptions used in calculations of actuarially determined contributions

Valuation date: June 30, 2014

The actuarially determined contribution rates are calculated as of June 30 of every year, which is one year prior to the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

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

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

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

Arkansas Public Employees Retirement System

	<b><u>2015*</u></b>					
Proportion of the net pension liability (asset)	0.44%					
Proportionate share of the net pension liability (asset)	\$ 6,175,989					
Covered employee payroll	\$ 7,573,967					
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	81.54%					
Plan fiduciary net position as a percentage of the total pension liability	84.15%					

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

Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Schedule of University Contributions  
Arkansas Public Employees Retirement System

	<b><u>2015</u></b>					
Contractually required contribution	\$ 1,027,156					
Contributions in relation to the contractually required contribution	\$ (1,027,156)					
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 6,903,139					
Contributions as a percentage of covered employee payroll	14.88%					

Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

Pensions Plans

Arkansas Public Employees Retirement System

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules

A. Changes in benefit terms

There were no significant changes in benefit terms for the year ended June 30, 2014.

B. Changes in assumptions

Amounts reflect a change in economic assumptions used in the June 30, 2014, valuation. The investment return assumption used was 7.75% and the wage inflation assumption was 3.75%.

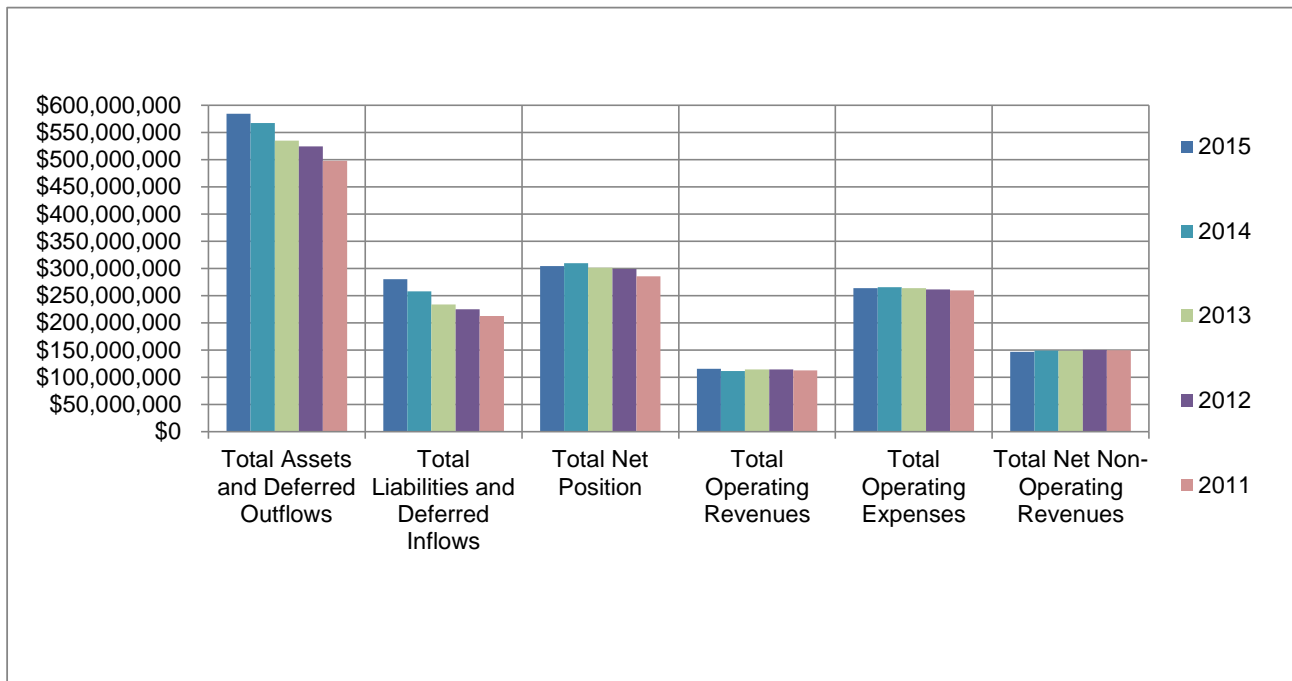
C. Method and assumptions used in calculations of actuarially determined contributions

Valuation date:	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (14 years for District Judges New Plan/Paid Off Old Plan and 21 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed marked; 25% corridor (Market Value for Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75 – 10.35% including inflation (3.75% - 7.71% including inflation for District Judges)
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

ARKANSAS STATE UNIVERSITY SYSTEM  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets and Deferred Outflows	\$ 584,319,573	\$ 567,433,881	\$ 535,203,798	\$ 524,263,612	\$ 497,959,394
Total Liabilities and Deferred Inflows	280,090,274	257,656,823	233,858,273	225,138,771	212,621,822
Total Net Position	304,229,299	309,777,058	301,345,525	299,124,841	285,337,572
Total Operating Revenues	115,442,238	111,351,089	114,344,793	114,404,920	112,267,518
Total Operating Expenses	263,700,741	265,248,995	263,915,529	261,327,398	259,832,294
Total Net Non-Operating Revenues	146,521,857	149,153,026	148,356,757	150,286,032	149,617,555
Total Other Revenues, Expenses, Gains or Losses	16,406,149	13,176,413	4,468,270	10,423,715	18,694,335





ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION BY CAMPUS  
JUNE 30, 2015

Schedule 2

ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2015	Beebe June 30, 2015	Mountain Home June 30, 2015	Newport June 30, 2015	Total June 30, 2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Current Assets:					
Cash and cash equivalents	\$ 37,743,375	\$ 5,765,010	\$ 6,114,227	\$ 2,661,378	\$ 52,283,990
Short-term investments	413,746	6,264,682		115,557	6,793,985
Accounts receivable (less allowances of \$1,081,926)	11,386,160	833,426	1,779,853	1,361,772	15,361,211
Notes and deposits receivable (less allowances of \$242,093)	934,446				934,446
Accrued interest and late charges	121,082	2,101		1,268	124,451
Inventories	2,913,435	339,914		3,403	3,256,752
Deposits with trustee	67	34,103		46	34,216
Unamortized bond insurance	451,796	101,759	65,483	42,559	661,597
Prepaid expenses	578,965	17,956	18,847	3,089	618,857
Total Current Assets	54,543,072	13,358,951	7,978,410	4,189,072	80,069,505
Noncurrent Assets:					
Cash and cash equivalents	19,091,122				19,091,122
Restricted cash and cash equivalents	5,780,509		807,226		6,587,735
Endowment investments	13,772,293	592,087			14,364,380
Other long-term investments	6,796,586	1,605,445		5,075,115	13,477,146
Accrued interest and late charges	497,337				497,337
Deposits with trustee	2,949,081				2,949,081
Accounts receivable	90,000				90,000
Notes and deposits receivable (less allowances of \$1,309,458)	5,060,297				5,060,297
Capital assets (net of accumulated depreciation of \$304,463,308)	335,156,603	57,553,726	22,220,367	21,718,588	436,649,284
Total Noncurrent Assets	389,193,828	59,751,258	23,027,593	26,793,703	498,766,382
<b>TOTAL ASSETS</b>	<b>443,736,900</b>	<b>73,110,209</b>	<b>31,006,003</b>	<b>30,982,775</b>	<b>578,835,887</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Excess of bond reacquisition costs over carrying value	1,363,933	942,894	26,424	70,806	2,404,057
Pensions	2,092,471	684,993	35,773	266,392	3,079,629
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>447,193,304</b>	<b>74,738,096</b>	<b>31,068,200</b>	<b>31,319,973</b>	<b>584,319,573</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	16,392,175	465,806	141,990	431,152	17,431,123
Bonds, notes, and leases payable	6,155,518	1,351,899	801,863	373,012	8,682,292
Compensated absences	5,462,984	897,251	25,915	665,394	7,051,544
Unearned revenue	6,293,686	123,549	194,540	64,316	6,676,091
Funds held in trust for others	438,867	1,539	35,279	91,544	567,229
Deposits	996,977	37,705		1,341	1,036,023
Interest payable	1,770,713	162,028	27,348	28,756	1,988,845
Total Current Liabilities	37,510,920	3,039,777	1,226,935	1,655,515	43,433,147
Noncurrent Liabilities:					
Accounts payable and accrued liabilities			12,709	29,209	41,918
Bonds, notes, and leases payable	145,784,590	32,711,318	7,184,759	5,741,330	191,421,997
Compensated absences	2,654,155	545,774	406,008	20,579	3,626,516
Accrued other postemployment benefits payable	8,277,687	1,655,537	506,798	822,138	11,262,160
Net pension liability	10,222,625	3,560,851	368,749	1,355,186	15,507,411
Deposits	499,090				499,090
Refundable federal advances	7,477,027				7,477,027
Total Noncurrent Liabilities	174,915,174	38,473,480	8,479,023	7,968,442	229,836,119
<b>TOTAL LIABILITIES</b>	<b>212,426,094</b>	<b>41,513,257</b>	<b>9,705,958</b>	<b>9,623,957</b>	<b>273,269,266</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions	4,476,062	1,566,253	170,338	608,355	6,821,008
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>216,902,156</b>	<b>43,079,510</b>	<b>9,876,296</b>	<b>10,232,312</b>	<b>280,090,274</b>
<b>NET POSITION</b>					
Net investment in capital assets	178,908,938	24,433,403	14,325,652	15,717,611	233,385,604
Restricted for:					
Nonexpendable:					
Scholarships and fellowships	5,028,214	589,359			5,617,573
Loans	950,571	20,000			970,571
Other	8,901,458				8,901,458
Expendable:					
Scholarships and fellowships	569,159	241,125	32,501		842,785
Capital projects	2,322,525	5,334,902	53,264		7,710,691
Other	529,602	136,689	971,461	188,896	1,826,648
Unrestricted	33,080,681	903,108	5,809,026	5,181,154	44,973,969
<b>TOTAL NET POSITION</b>	<b>\$ 230,291,148</b>	<b>\$ 31,658,586</b>	<b>\$ 21,191,904</b>	<b>\$ 21,087,661</b>	<b>\$ 304,229,299</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

	Jonesboro 2015	Beebe 2015	Mountain Home 2015	Newport 2015	Consolidation Entries	Total 2015
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$48,458,665)	\$ 45,735,587	\$ 5,783,908	\$ 1,312,333	\$ 3,481,064		\$ 56,312,892
Grants and contracts	18,111,375	3,550,669	1,180,848	982,948		23,825,840
Sales and services of educational departments	1,707,907	130,846				1,838,753
Auxiliary enterprises (net of scholarship allowances of \$9,330,712)	24,537,445	2,137,712	209,191	197,283		27,081,631
Self-insurance	4,078,504					4,078,504
Other operating revenues	1,662,604	297,903	263,871	80,240		2,304,618
TOTAL OPERATING REVENUES	95,833,422	11,901,038	2,966,243	4,741,535		115,442,238
OPERATING EXPENSES						
Personal services	111,058,142	20,447,713	7,474,848	11,096,495	\$ (4,711,127)	145,366,071
Scholarships and fellowships	9,092,884	3,203,185	1,587,835	2,455,771		16,339,675
Supplies and services	46,316,269	7,068,850	3,617,631	4,358,674		61,361,424
Self-insurance	16,605,254				(992,450)	15,612,804
Depreciation	17,027,290	3,245,955	2,913,855	1,766,528		24,953,628
Other	67,139					67,139
TOTAL OPERATING EXPENSES	200,166,978	33,965,703	15,594,169	19,677,468	(5,703,577)	263,700,741
OPERATING INCOME (LOSS)	(104,333,556)	(22,064,665)	(12,627,926)	(14,935,933)	5,703,577	(148,258,503)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	594,401					594,401
State appropriations	68,499,323	14,098,177	4,788,921	7,559,041		94,945,462
Stimulus funds (ARRA)	88,000					88,000
Grants and contracts	35,240,573	7,126,752	4,486,494	4,899,789		51,753,608
Sales and use taxes		1,754,305		996,810		2,751,115
Property taxes			1,316,279			1,316,279
Gifts	1,850,311		185,999	95,807		2,132,117
Investment income	545,112	85,180	1,372	29,178		660,842
Interest on capital asset - related debt	(5,598,823)	(1,041,808)	(254,433)	(197,294)		(7,092,358)
Bond insurance and issuance costs	(21,279)	(437,686)	(6,803)	(2,997)		(468,765)
Gain or loss on disposal of capital assets	(120,631)			(15,090)		(135,721)
Refund to grantors	(46,029)	(2,862)				(48,891)
Other nonoperating revenues (expenses)	(41,179)	(10,677)	78,624	(1,000)		25,768
NET NON-OPERATING REVENUES (EXPENSES)	100,989,779	21,571,381	10,596,453	13,364,244		146,521,857
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(3,343,777)	(493,284)	(2,031,473)	(1,571,689)	5,703,577	(1,736,646)
Capital appropriations	2,126,698	200,000				2,326,698
Capital grants and gifts	13,212,150	88,063		186,385		13,486,598
Additions to endowments		425,546				425,546
Adjustments to capital assets	(7,036)	136,553				129,517
Capitalization of library holdings at rate per volume			20,333			20,333
Livestock additions	766					766
Bond proceeds		16,691				16,691
INCREASE (DECREASE) IN NET POSITION	11,988,801	373,569	(2,011,140)	(1,385,304)	5,703,577	14,669,503
NET POSITION - BEGINNING OF YEAR	231,551,322	35,927,341	23,715,078	24,286,894	(5,703,577)	309,777,058
Adjustment due to GASB 68	(13,248,975)	(4,642,324)	(512,034)	(1,813,929)		(20,217,262)
NET POSITION - BEGINNING OF YEAR, RESTATED	218,302,347	31,285,017	23,203,044	22,472,965	(5,703,577)	289,559,796
NET POSITION - END OF YEAR	\$ 230,291,148	\$ 31,658,586	\$ 21,191,904	\$ 21,087,661	\$ 0	\$ 304,229,299

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

	Jonesboro	Beebe	Mountain Home	Newport	Consolidation	Total
	2015	2015	2015	2015	Entries	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Student tuition and fees	\$ 44,851,800	\$ 5,800,447	\$ 1,291,494	\$ 3,342,996		\$ 55,286,737
Grants and contracts	18,628,705	3,589,278	1,122,046	1,091,771		24,431,800
Auxiliary enterprises revenues	24,579,299	2,123,460	200,452	181,127		27,084,338
Sales and services of educational departments	1,714,037	130,846				1,844,883
Self-insurance program receipts	4,003,636					4,003,636
Collection of principal and interest related to student loans	896,000					896,000
Other receipts	1,655,555	295,705	263,872	80,240		2,295,372
Payments to employees	(92,142,428)	(15,300,165)	(5,488,314)	(8,231,088)		(121,161,995)
Payments for employee benefits	(15,104,595)	(4,448,763)	(1,674,861)	(2,358,195)		(23,586,414)
Payments to suppliers	(47,345,199)	(6,953,423)	(3,626,374)	(4,359,372)		(62,284,368)
Scholarships and fellowships	(9,092,884)	(3,203,185)	(1,587,835)	(2,455,771)		(16,339,675)
Self-insurance program payments	(15,603,442)					(15,603,442)
Loans issued to students	(1,073,043)					(1,073,043)
Net cash provided by operating activities	<u>(84,032,559)</u>	<u>(17,965,800)</u>	<u>(9,499,520)</u>	<u>(12,708,292)</u>		<u>(124,206,171)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Federal appropriations	546,074					546,074
State appropriations	68,499,323	14,098,177	4,788,921	7,508,906		94,895,327
Stimulus (ARRA) funds	81,235					81,235
Grants and contracts	39,103,636	7,126,192	571,330	5,002,280		51,803,438
Private gifts and grants	2,308,876	425,546	185,999	95,807		3,016,228
Payments to other campus for financial aid distribution	(3,915,164)				\$ 3,915,164	
Payment from ASUJ for financial aid distribution			3,915,164		(3,915,164)	
Sales and use taxes		1,770,306		971,574		2,741,880
Property taxes			1,311,144			1,311,144
Direct lending, PLUS and FFEL loan receipts	87,601,750	2,407,087		1,807,042		91,815,879
Direct lending, PLUS and FFEL loan payments	(87,164,668)	(2,397,343)		(1,778,308)		(91,340,319)
Other agency funds - net	(455,411)	(2,955)	52,436	42,900		(363,030)
Refunds to grantors	(46,029)	(978)				(47,007)
Net cash provided by noncapital financing activities	<u>106,559,622</u>	<u>23,426,032</u>	<u>10,824,994</u>	<u>13,650,201</u>	<u>0</u>	<u>154,460,849</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Distributions from trustee of bond proceeds and interest earnings	18,580,638					18,580,638
Capital appropriations	2,126,698	200,000				2,326,698
Capital gifts and grants	11,595,449					11,595,449
Proceeds from sale of capital assets	858,109			6,269		864,378
Purchases of capital assets	(48,171,846)	(1,506,482)	(168,790)	(1,098,059)		(50,945,177)
Payments to trustees for bond principal	(5,550,000)	(1,055,000)	(720,000)	(290,000)		(7,615,000)
Payments to trustees for bond interest and fees	(6,558,497)	(1,162,741)	(241,942)	(141,981)		(8,105,161)
Payments to debt holders for principal (other than bonds)	(1,050,881)		(64,583)	(80,900)		(1,196,364)
Payments to debt holders for interest and fees (other than bonds)	(10,731)		(16,315)	(48,869)		(75,915)
Net cash provided by capital and related financing activities	<u>(28,181,061)</u>	<u>(3,524,223)</u>	<u>(1,211,630)</u>	<u>(1,653,540)</u>		<u>(34,570,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sales and maturities of investments	1,799,109	7,565,283				9,364,392
Interest on investments (net of fees)	395,510	39,291	1,372	29,576		465,749
Purchases of investments	(2,106,134)	(7,975,546)		(510,080)		(10,591,760)
Net cash provided by investing activities	<u>88,485</u>	<u>(370,972)</u>	<u>1,372</u>	<u>(480,504)</u>		<u>(761,619)</u>
Net increase (decrease) in cash and cash equivalents	(5,565,513)	1,565,037	115,216	(1,192,135)		(5,077,395)
Cash and cash equivalents - beginning of year	68,180,519	4,199,973	6,806,237	3,853,513		83,040,242
Cash and cash equivalents - end of year	<u>\$ 62,615,006</u>	<u>\$ 5,765,010</u>	<u>\$ 6,921,453</u>	<u>\$ 2,661,378</u>	<u>\$ 0</u>	<u>\$ 77,962,847</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (104,333,556)	\$ (22,064,665)	\$ (12,627,926)	\$ (14,935,933)	\$ 5,703,577	\$ (148,258,503)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	17,027,290	3,245,955	2,913,855	1,766,528		24,953,628
Change in assets and liabilities:						
Receivables, net	(1,961,365)	35,194	(185,058)	(78,649)		(2,189,878)
Inventories	(292,737)	58,268				(234,469)
Prepaid expenses	(397,179)	6,905	(4,313)	2,825		(391,762)
Accounts and salaries payable	323,006	125,529	31,534	72,878	(992,450)	(439,503)
Other postemployment benefits payable	4,898,698	945,787	300,879	460,561	(4,711,127)	1,894,798
Pension obligations	(642,759)	(200,213)	(8,720)	(116,780)		(968,472)
Unearned revenue	1,029,885	(1,208)	91,945	21,370		1,141,992
Deposits	191,583	(3,334)		(1,026)		187,223
Refundable federal advances	54,804					54,804
Compensated absences	69,771	(105,982)	(11,716)	99,934		52,007
Other liabilities		(8,036)				(8,036)
Net cash provided (used) by operating activities	<u>\$ (84,032,559)</u>	<u>\$ (17,965,800)</u>	<u>\$ (9,499,520)</u>	<u>\$ (12,708,292)</u>	<u>\$ 0</u>	<u>\$ (124,206,171)</u>
Reconciliation of Cash and Cash Equivalents						
Current Assets:						
Cash and Cash Equivalents	\$ 37,743,375	\$ 5,765,010	\$ 6,114,227	\$ 2,661,378		\$ 52,283,990
Noncurrent Assets:						
Cash and Cash Equivalents	19,091,122					19,091,122
Restricted Cash and Cash Equivalents	5,780,509		807,226			6,587,735
	<u>\$ 62,615,006</u>	<u>\$ 5,765,010</u>	<u>\$ 6,921,453</u>	<u>\$ 2,661,378</u>		<u>\$ 77,962,847</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

NONCASH TRANSACTIONS

**JONESBORO**

Equipment-capital gift of \$1,256,000

Land-capital gifts of \$205,559

Capital lease payable-Mower \$42,472

Interest earned on reserve accounts held by trustee-\$324

Interest paid from accounts held by trustee-\$28

Amount earned on endowment investments-\$531,378

Amount of interest earned on CDs reinvested with CDs-\$2,116

Principal paid from remaining unused funds held by lender-\$10,055

**BEEBE**

Equipment-capital gift of \$88,063

Interest earned on reserve accounts held by trustee-\$2,389

Interest paid from accounts held by trustee-\$2,389

Amount of interest earned on CDs reinvested with CDs-\$19,974

The University issued refunding bonds of \$9,185,000, at a premium of \$143,332. The proceeds of this issue, along with accrued interest of \$2,618, were utilized as follows: \$9,214,527 was remitted to an escrow agent; \$109,112 was used to pay the bond issuance costs; and \$7,311 was remitted to the bond trustee.

The University issued refunding bonds of \$1,895,000, at a premium of \$17,130. The proceeds of this issue, along with accrued interest of \$2,383, were utilized as follows: \$1,862,966 was remitted to an escrow agent; \$43,921 was used to pay the bond issuance costs; and \$7,626 was remitted to the bond trustee.

The University issued refunding bonds of \$8,005,000, at a discount of \$69,049. The proceeds of this issue, along with accrued interest of \$13,543, were utilized as follows: \$7,803,595 was remitted to an escrow agent; \$128,684 was used to pay the bond issuance costs; and \$17,215 was remitted to the bond trustee.

The University issued refunding bonds of \$12,930,000, at a premium of \$243,728. The proceeds of this issue, along with accrued interest of \$5,945, were utilized as follows: \$13,019,057 was remitted to an escrow agent; \$151,588 was used to pay the bond issuance costs; and \$9,028 was remitted to the bond trustee.

**NEWPORT**

Equipment-capital gift of \$186,385

Interest paid from accounts held by trustee-\$72

Amount of interest earned on CDs reinvested with CDs-\$580