

**Arkansas State University System**

**Little Rock, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2023**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
House Vice Chair

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

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

### INDEPENDENT AUDITOR'S REPORT

Arkansas State University System  
Legislative Joint Auditing Committee

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2023, 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.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We did not audit the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., is based solely on the reports of the other auditors. The financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 7-32, 126-127, and 128-133 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 Statement of Net Position by Campus (Schedule 2), the Statement of Revenues, Expenses, and Changes in Net Position by Campus (Schedule 3), the Statement of Cash Flows by Campus (Schedule 4), the Statement of Fiduciary Net Position by Campus (Schedule 5), and the Statement of Changes in Fiduciary Net Position by Campus (Schedule 6) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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, the Statement of Fiduciary Net Position by Campus, and the Statement of Changes in Fiduciary Net Position by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
November 13, 2023  
EDHE12523

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



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House 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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units 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, 2023, 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 13, 2023. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. as described in our report on the University's financial statements. The financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc.

#### **Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

#### **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive style with a large, prominent "M" and "F".

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 13, 2023

# Arkansas



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## 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, 2023, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2022</u>	<u>Fall Term</u> <u>2022</u>	<u>Spring Term</u> <u>2023</u>	<u>Summer I Term</u> <u>2023</u>
Student Headcount	7,657	24,280	23,100	10,478
Student Semester Credit Hours	31,740	219,603	203,634	51,456

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

Handwritten signature of Matt Fink in cursive.

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 13, 2023

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## 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, 2023. 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, 2022 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.

In June 2015, the GASB issued Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement revises existing standards for measuring and reporting retiree benefits provided by the University to its employees.

In March 2016, the GASB issued Statement no. 81, *Irrevocable Split-Interest Agreements*. The statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance in which a government is a beneficiary of the agreement.

In January 2017, the GASB issued Statement no. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

In June 2017, the GASB issued Statement no. 87, *Leases*. This statement improves accounting and financial reporting for leases.

In June 2018, the GASB issued Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Additionally, it simplifies accounting for interest cost incurred before the end of a construction period.

The University's financial statements for the year ended June 30, 2023, 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, 2023, and 2022 where appropriate.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## 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, 2023, 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.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2023:

- 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?

<b>Condensed Statement of Net Position</b>				
	2023	2022	Increase/ (Decrease)	Percent Change
<b>Assets and Deferred Outflows:</b>				
Current Assets	\$ 134,518,021	\$ 145,644,155	\$ (11,126,134)	(7.64%)
Capital Assets, net	550,765,518	551,826,565	(1,061,047)	(0.19%)
Other Noncurrent Assets	131,154,667	143,418,536	(12,263,869)	(8.55%)
Total Assets	<u>816,438,206</u>	<u>840,889,256</u>	<u>(24,451,050)</u>	<u>(2.91%)</u>
Deferred Outflows	11,963,468	11,232,832	730,636	6.50%
Total Assets and Deferred Outflows	<u>\$ 828,401,674</u>	<u>\$ 852,122,088</u>	<u>\$ (23,720,414)</u>	<u>(2.78%)</u>
<b>Liabilities and Deferred Inflows:</b>				
Current Liabilities	\$ 49,959,962	\$ 53,689,961	\$ (3,729,999)	(6.95%)
Noncurrent Liabilities	265,118,855	273,871,141	(8,752,286)	(3.20%)
Total Liabilities	<u>315,078,817</u>	<u>327,561,102</u>	<u>(12,482,285)</u>	<u>(3.81%)</u>
Deferred Inflows	27,528,902	43,624,670	(16,095,768)	(36.90%)
Total Liabilities and Deferred Inflows	<u>342,607,719</u>	<u>371,185,772</u>	<u>(28,578,053)</u>	<u>(7.70%)</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	316,976,307	303,804,842	13,171,465	4.34%
Restricted, Nonexpendable	16,427,009	16,810,155	(383,146)	(2.28%)
Restricted, Expendable	10,394,467	11,024,084	(629,617)	(5.71%)
Unrestricted	141,996,172	149,297,235	(7,301,063)	(4.89%)
Total Net Position	<u>485,793,955</u>	<u>480,936,316</u>	<u>4,857,639</u>	<u>1.01%</u>
Total Liabilities and Net Position	<u>\$ 828,401,674</u>	<u>\$ 852,122,088</u>	<u>\$ (23,720,414)</u>	<u>(2.78%)</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Assets and Deferred Outflows**

Total assets and deferred outflows decreased by \$23.7 million.

**Current Assets**

Current assets decreased by \$11.1 million.

**Cash and Cash Equivalents**

Cash and cash equivalents decreased by \$15.5 million. Henderson State University had a substantial decrease of \$10 million, primarily due to a reclassification of HEERF institutional funds from restricted current assets to undesignated reserve plant funds. From 2022 to 2023, the Jonesboro campus saw increased salary and fringe expenses for their A-State Online program which contributed to a decrease of \$3.7 million. Since interest rates were higher, Mountain Home used cash to purchase additional certificate of deposits, resulting in a decrease of about \$2.3 million. Three Rivers' decrease of \$632,000 was mostly attributable to outstanding reimbursements from insurance claims to cover water damage that occurred during the winter from frozen pipes and from Saline County for classroom supplies. Much of Newport's \$439,000 decrease was due to increased personnel costs. Beebe and Mid-South were the only campuses that experienced increases in the amounts of \$1.5 million and \$73,000, respectively. Beebe converted certificate of deposits to cash.

**Short-term Investments**

Short-term investments increased by \$5.2 million; although only two campuses experienced increases. Mountain Home and Mid-South had increases of \$7 million and \$11,000, respectively. Due to the rise in interest rates, Mountain Home invested in additional certificate of deposits with terms of twelve months or less. The Jonesboro campus reclassified certificate of deposits held by the Arkansas State University Foundation for license plate scholarships to restricted investments, resulting in a \$400,000 decrease. Newport had a decrease of \$800,000 from two certificate of deposits with maturity dates of less than 90 days shown as cash equivalents. Beebe did not invest in any certificate of deposits during fiscal year 2023 which caused a decrease of roughly \$605,000. The other campuses did not have short term investments.

**Accounts Receivable**

Accounts receivable decreased by approximately \$800,000. Gross receivables decreased by \$1.5 million. Jonesboro, Henderson State University, Beebe, and Three Rivers had decreases while the other campuses showed increases. Beebe had the largest decrease of \$1.2 million and was a result of recording HEERF III funds during fiscal year 2022. Jonesboro had a decline of approximately \$734,000. This was caused from a large decrease in accounts receivable from students. For the summer term, there was a higher percentage attributed to the second part of the term which in turn increased unearned revenue for the year. Three Rivers' decrease of \$450,000 was due to a decrease in Pell and direct lending receivables at the end of the year. Henderson State University experienced a decrease of about \$449,000. Their decline was due to receivables from students. From fiscal year 2022 to fiscal year 2023, the University experienced an enrollment decline of 11.4%. Of the remaining campuses which had increases, Newport had the largest increase of about \$1.5 million. This was largely due to an increase in their receivables from students. Over the past two years, the campus applied HEERF funds to their student accounts which caused lower receivables at the end of the year. Additionally, the campus is continuing to receive institutional HEERF funds and had an increase of about \$500,000 in these receivables when compared to fiscal year 2022. Both the Mid-South and Mountain Home campuses had increases of around \$300,000 each. Mid-South's increase was due to writing off small balances of accounts receivables related to students. Mountain Home's increase was in part due to an increase in grants receivable related to their regional workforce grants from the Arkansas Department of Higher Education, as well as an increase in property tax receivables. 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 balances are closely monitored and the allowance for doubtful accounts methodology is reviewed and revised. Overall, allowance for doubtful accounts decreased by about \$700,000. Three campuses had decreases, three campuses had increases, and one campus (Mountain Home), had no change. Jonesboro had the largest decrease of about \$461,000. This was due to a change in accounting for online courses. The amounts for accounts receivable, the allowance, and unearned revenues are now a better reflection of year end activity. Henderson State University had a decrease of approximately \$331,000 due to the lower student enrollment as previously mentioned. Of the remaining campuses, the combined increase of \$48,000 was minimal.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Current Assets (Continued)**

**Inventories**

Inventories decreased slightly by \$22,000. Jonesboro was the only campus with a significant decrease of \$76,000, primarily due to the closure of the campus IT Store and a reduction in Information and Technology Services project supplies inventory. Beebe's decrease was trivial. All other campuses experienced increased inventories. The \$28,000 increase at the Three Rivers campus was attributable to their bookstore purchasing athletics apparel in preparation of new baseball and softball programs beginning in the Fall 2023 semester. Newport's food service, bookstore, and central stores inventory increased by \$12,500. Henderson State University's inventory for their aviation program rose by roughly \$6,000; while Mid-South's central stores inventory increased by about \$5,000. Mountain Home began operating their own food service program which led to an increase of almost \$2,000.

**Leases Receivable**

During fiscal year 2022, the University implemented GASB Statement no. 87, *Leases*. The Jonesboro campus and Henderson State University are the only campuses with leases receivable. The Jonesboro campus has three lease agreements leasing ground owned by the campus. Henderson State University leases a building and then subleases two different spaces in the building. Additional information about these leases may be found in Note 6. The current portion of leases receivable declined from \$641,050 to \$403,984 due to receiving fiscal year 2023 payments.

**Deposits with Trustees**

Deposits with trustees increased minimally by \$36,000. Of the five campuses having deposits with trustees, four had increases. The largest increase was \$78,000 at Henderson State University due to receiving an IRS subsidy payment of \$102,000 into one of their accounts. The remaining increases totaled around \$15,000 and was the result of higher interest rates. The only decrease was \$56,000 at Jonesboro. This was due to a refunding issue from fiscal year 2022. All of the issuance costs had not been paid by the trustee at the end of the year but were paid in fiscal year 2023. Three Rivers does not have bonds issued and had no deposits with trustees.

**Prepaid Expenses**

Prepaid expenses increased slightly by \$10,000. All campuses experienced increases, except for Newport and Three Rivers. The largest increase was at Henderson State University in the amount of \$33,000 for aviation insurance and two other professional liability insurance policies. Jonesboro and Beebe had increases of \$13,000 and \$17,000, respectively, due to larger postage balances at the end of the fiscal year. Mid-South's increase of \$16,000 was mainly attributable to the purchase of Element 451 software which helps schools manage engagement, enrollment, marketing, and student success. The Newport campus engaged in long term contracts that were previously recorded as prepaid expenses, but these contracts ended during fiscal year 2023. This resulted in a decrease of \$66,000. Mountain Home had a minor increase of \$4,000; while Three Rivers had a minor decrease of \$6,000.

**Capital Assets, net**

Capital assets, net decreased by about \$1.1 million. Accumulated depreciation/amortization increased from \$622,310,364 in 2022 to \$651,138,240 in 2023. This increase, of approximately \$28.8 million, is due to the recording of one additional year of depreciation/amortization for assets that have already been depreciating. Additionally, there was new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2022 and began depreciating in 2023. The increase in accumulated depreciation was offset by the addition of \$39 million in capital assets and the retirement of \$11.2 million in capital assets with accumulated depreciation of \$3.9 million. Of the \$39 million added to capital assets, \$15.5 million was construction in progress, \$10.8 million was buildings, \$3.3 million was improvements and infrastructure, \$7.5 million was equipment, and \$1.2 million was intangibles related to software in development. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Other Noncurrent Assets**

Other noncurrent assets decreased by \$12.3 million.

**Noncurrent Cash**

Noncurrent cash decreased by \$15.9 million and restricted cash decreased by approximately \$2.5 million. Only four campuses have a noncurrent cash balance; Jonesboro, Mid-South, Mountain Home, and Henderson State University. The largest decrease was at the Jonesboro campus in the amount of \$24.6 million. The campus spent more on capital projects during 2023 and made a payment to the Red Wolves Foundation which was used to purchase 37.37% of the North End Zone located at the football stadium. In addition to this, \$10 million was used to purchase investments. Mid-South also paid for several capital projects throughout the fiscal year with excess millage, including renovations to the FedEx Aviation Technology building, which led to their decrease of \$1.2 million. Mountain Home had a decrease of \$686,000 due to purchasing additional certificate of deposits. Henderson State University was the only campus with an increase of \$10.5 million, primarily due to a reclassification of HEERF institutional funds from restricted current assets to undesignated reserve plant funds. Additionally, they received a revolving loan fund totaling \$996,450 which was classified as undesignated reserves.

**Endowment Investments**

Endowment investments increased by approximately \$860,000. Jonesboro and Beebe were the only campuses with endowment investments and both experienced increases of \$808,000 and \$52,000, respectively. This was due to higher interest earnings.

**Leases Receivable**

During fiscal year 2022, the University implemented GASB Statement no. 87, *Leases*. The Jonesboro campuses and Henderson State University are the only campuses with leases receivable. The Jonesboro campus has three lease agreements leasing ground owned by the campus. Henderson State University leases a building and then subleases two different spaces in the building. Additional information about these leases may be found in Note 6. The noncurrent portion of leases receivable declined from \$11,846,079 to \$11,713,986 due to receiving fiscal year 2023 payments.

**Other Long-term Investments**

Other long-term investments increased by \$4.6 million. Jonesboro purchased \$10 million of investments towards the end of the fiscal year, resulting in an \$8.3 million increase from the previous year. Mountain Home's decrease of \$3.7 million is a result of moving certificate of deposits from long-term to short-term investments. The other campuses did not have long-term investments.

**Irrevocable Split-Interest Agreement**

The Jonesboro campus implemented GASB no. 81, *Irrevocable Split-Interest Agreements*, which was effective July 1, 2017. There was an increase of roughly \$67,000 during fiscal year 2023 as the trustee re-appraised the value of the asset.

**Deposits with Trustees**

Deposits with trustees increased by \$462,000. Of the four campuses having deposits with trustees; three of them had increases and one (Henderson State University) was unchanged. The Mid-South campus had the majority of the increase with \$458,000. This was due to the timing of the January 2023 property tax payment that was not sent to the trustee in time for the excess millage distribution which was done in February. Additionally, the excess millage distribution was \$208,000 lower in fiscal year 2023 which increased the amount of the deposit with trustee. Both Jonesboro and Mountain Home had minimal increases. Additional information on the bond refunding may be found in Note 5.

**Deferred Outflows**

Deferred outflows increased by approximately \$731,000. Roughly \$2 million of this increase was due to an increased amount of deferred outflows related to pensions. All of the campuses had increases due to the adjustment of deferred outflows related to pensions for the 2023 fiscal year. Additional information about the deferred outflows related to pensions may be found in Note 8 and the Required Supplementary Information. Deferred outflows related to other postemployment benefits (OPEB) decreased by about \$975,000. All of the campuses recorded decreases for the year. Additional information about the deferred outflows related to OPEB may be found in Note 12 and the Required Supplementary Information. Deferred outflows related to the excess of bond reacquisition costs over carrying value decreased by \$333,000. All the campuses had decreases due to the amortization of these amounts. None of the campuses issued refunding bonds during fiscal year 2023.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Liabilities and Deferred Inflows**

Total liabilities and deferred inflows decreased by \$28.6 million.

**Current Liabilities**

Current liabilities decreased by \$3.7 million.

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities decreased by roughly \$2.1 million; although Jonesboro and Mid-South were the only campuses with decreases. Prior to fiscal year 2023, Jonesboro made manual entries to accounts payable based on the ending balance in the Academic Partnership fund which accumulated a large balance based on amounts that would not be paid, such as silver scholars. This process was changed which contributed to the substantial decrease of \$2.8 million. Mid-South's decrease of \$304,000 was mostly due to outstanding invoices for computers and equipment that was purchased at the end of the prior fiscal year that did not occur again in 2023. Mountain Home and Three Rivers experienced increases of \$290,000 and \$213,000, respectively, mostly from payroll related liabilities. The Beebe campus ordered robotics equipment for their Office of Skills Development grant towards the end of the year, resulting in an increase of \$250,000. Newport had an increase of \$196,000 due to outstanding invoices to contractors. Henderson State University had a small increase of \$97,000.

**Bonds, Notes, Leases, and Installment Contracts Payable**

Bonds, notes, leases, and installment contracts payable increased slightly by \$666,000. There was a mix of increases and decreases among the campuses. The only additional debt recorded during the fiscal year was leases payable for Jonesboro, Henderson State University, and Mid-South. Jonesboro recorded a lease for office space and one for equipment. The lease for office space is for space that was leased previously, and the debt matured during fiscal year 2023; therefore a new lease was recorded. Additionally, Jonesboro had another lease for office space that matured on June 30th. Henderson recorded one for office space and one for the lease of the airport. Mid-South recorded a new printer lease. Additionally, two leases were terminated early. Jonesboro terminated a lease for land and Mid-South terminated their lease for printers. Additional information on the terms of each lease may be found in Note 5 and Note 6. Additional details on bonds, notes, and installment contracts may be found in Note 5.

**Unearned Revenues**

Unearned revenues decreased by \$3 million. Jonesboro had the largest decrease of about \$2.9 million, primarily due to changing the process for the Academic Partnership fund discussed above. Academic Partnership is now accounted for with a 50% entry to accounts payable and a 50% entry to revenue. In previous years, the entry was to fund balance adjustments and manual entries were made at year end to move to accounts payable and unearned revenue. This change greatly affected the calculation for unearned revenue and changed how unearned revenue is recorded. Henderson State University's unearned revenue mostly consists of summer II revenue. There was a decline in enrollment for summer II compared to the previous year which contributed to a decrease of \$322,000. The Mountain Home and Newport campuses saw minor decreases of approximately \$30,000 and \$27,000, respectively. Due to the implementation of the Banner ERP (Enterprise Resource Planning) system, Mountain Home no longer collects Fall tuition before July 1st. Newport's prior year unearned revenues was unusually high because HEERF funded financial aid had been available for students to prepay summer and fall semesters. Beebe changed their calculation method, resulting in an increase of \$140,000. Mid-South saw an increase of \$53,000 related to their Ascendium and Ready for Life grants. Three Rivers did not have any unearned revenues.

**Deposits**

Deposits decreased by \$46,000. There was a decline in enrollment for Henderson State University's aviation program, resulting in a decrease of \$62,000 for deposits of flight hours. Newport had a decrease of about \$12,000 because there was less HEERF funded financial aid available to students which led to fewer prepayments. Jonesboro saw a minimal increase of \$27,000. Mid-South had a trivial increase; while Beebe's deposits remained unchanged. Mountain Home and Three Rivers did not have any deposits.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Current Liabilities (Continued)**

**Other Postemployment Benefits (OPEB) Liability**

The current portion of this liability, a very slight increase of about \$2,000, was recorded during the year in accordance with GASB no. 75. The current portion of this total liability represents the amount that is the expected employer contributions for fiscal year 2024. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

**Noncurrent Liabilities**

Noncurrent liabilities decreased by \$8.8 million.

**Bonds, Notes, Leases, and Installment Contracts Payable**

Bonds, notes, leases, and installment contracts payable decreased by \$16.6 million. All campuses had decreases when compared to 2022. The decrease is a reflection of the reduction of principal amounts owed by all the campuses for bonds, notes, leases, and installment contracts payable. As previously mentioned, the only new debt recorded was two leases for Jonesboro, two leases for Henderson State University, and one lease for Mid-South. Additionally, Jonesboro and Mid-South both terminated leases early during the fiscal year. Jonesboro was the only campus to have debt with a final payment in 2023. There were two leases payable that reached maturity during the fiscal year.

**Other Postemployment Benefits (OPEB) Liability**

The noncurrent portion of this liability decreased by about \$688,000 and was recorded during the year in accordance with GASB no. 75. Additional information about OPEB may be found below in the deferred inflows section, in Note 12, and the Required Supplementary Information.

**Net Pension Liability**

The University's portion of the net pension liability increased by around \$9.6 million. These amounts were recorded in accordance with GASB no. 68. Additional information about the net pension liability may be found in Note 8 as well as the Required Supplementary Information.

**Deferred Inflows**

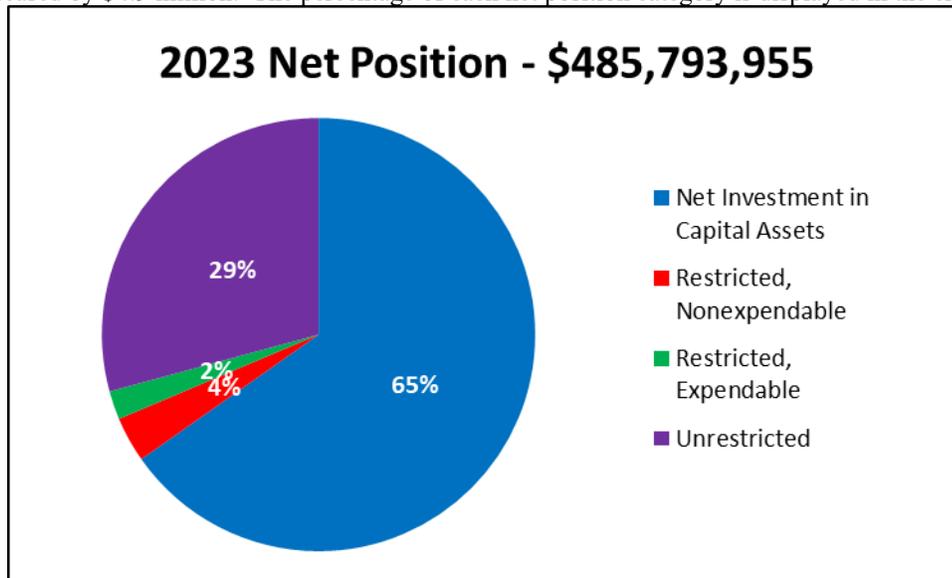
Deferred inflows decreased by \$16.1 million. About two-thirds of this decrease, \$10.4 million, was the amount related to the recording of pensions which was recognized in fiscal year 2023 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows and net pension liability discussed previously. There was also a sizable decrease of \$5.5 million related to other postemployment benefits. This amount is recorded in accordance with GASB no. 75 and as mentioned previously, the campuses recorded small changes in the deferred outflows, current liability, and noncurrent liability related to OPEB. The overall effect of recording the OPEB amounts showed a decrease of about \$5.2 million. The change in deferred inflows related to leases was around \$192,000. As previously mentioned, Jonesboro and Henderson State University are the only campuses to record an amount related to leases receivable and there is also a deferred inflow amount related to those leases. Additional information on the leases may be found in Note 6. The remaining minimal increase of \$67,000 was recorded as part of the irrevocable split-interest agreement at the Jonesboro campus as previously mentioned in the Noncurrent Asset section.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Net Position**

Total net position increased by \$4.9 million. The percentage of each net position category is displayed in the chart below.



ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Net Position (Continued)**

Net investment in capital assets

Net investment in capital assets increased by \$13.2 million. This increase was mainly attributable to a reduction of long-term debt associated with capital projects. There was about \$16.4 million of debt paid during the year. In comparison, only \$500,000 in new debt was added. Additionally, the amount of capital asset additions exceeded the amount of depreciation and amortization. In previous years, the amount of depreciation/amortization has been greater than the amount of capital assets added. For 2023, there was \$39 million in capital assets additions compared to \$32.7 million of depreciation and amortization expense. The campuses have several ongoing construction projects. Details of several of the projects may be found in Note 7.

Restricted, Nonexpendable

Restricted, nonexpendable net position decreased by \$383,000.

- *Scholarships and Fellowships*— Restricted, nonexpendable net position for scholarships and fellowships increased by \$230,000. This was due to the Jonesboro campus's increase and the Beebe campus's slight decrease in the fair value of endowment investments held by the Arkansas State University Foundation for scholarship purposes.
- *Renewal and Replacement*— The Mid-South campus has restricted, nonexpendable net position for renewal and replacement. There were no changes to the net position during the fiscal year.
- *Loans*— The restricted, nonexpendable net position for loans decreased in the amount of \$83,000. This change was related to the Federal Perkins Loan activity at the Jonesboro campus and Henderson State University. This amount will continue to decrease as the Federal Perkins Loan Program expired on September 30, 2017.
- *Other*— Restricted, nonexpendable net position for other purposes than those mentioned above decreased by \$530,000. This was due to a decrease in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net position decreased by roughly \$630,000.

- *Scholarships and Fellowships*— Restricted, expendable net position for scholarships and fellowships increased slightly by \$74,000. Jonesboro and Beebe had increases of \$8,000 and \$63,000, respectively. This was due to increases in the fair value of endowment investments held by the Arkansas State University Foundation for scholarship purposes. Three Rivers had an increase of about \$39,000 due to a classification change from nonexpendable to expendable. Henderson State University had a decrease of \$32,000; while Mid-South had a minor decrease of \$4,000.
- *Capital Projects*— The restricted, expendable net position for other purposes than those listed above decreased by \$1.1 million to \$0. Last year, both Jonesboro and Henderson State University had state treasury funds for capital projects. The funds for those projects were spent in 2023.
- *Debt Service*— The restricted, expendable net position for other purposes than those listed above decreased slightly by \$12,500. Mid-South is the only campus to have funds restricted for debt service due to their debt structure for bonds payable.
- *Renewal and Replacement*— The Mid-South campus has restricted, expendable net position for renewal and replacement. There was an increase of about \$91,000 due to the bond requirements of these funds.
- *Other*— The restricted, expendable net position for other purposes than those listed above increased by roughly \$341,000. The Jonesboro campus had higher balances in endowment funds classified as other due to improved interest rates, resulting in an increase of \$343,000. Beebe's increase of \$235,000 is from including accrued interest on bonds as part of net investment in capital assets instead of as other. This was the first fiscal year since the COVID pandemic that Mountain Home's Performing Arts was able to have a show season, and they received more gifts from the Arkansas State University Foundation; both of which contributed to their increase of \$151,000. Henderson State University's decrease of \$341,000 is attributable to a reduction in restricted grant balances. Mid-South and Newport had minor decreases of \$18,000 and \$30,000, respectively. Three Rivers does not have a balance for this.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

**Statement of Net Position (Continued)**

**Net Position (Continued)**

*Unrestricted*

Unrestricted net position decreased by \$7.3 million. The Jonesboro campus saw the largest decrease of roughly \$10 million, primarily due to a payment to the Red Wolves Foundation which was used to purchase 37.37% of the North End Zone located at the football stadium. The unrestricted balance at Three Rivers included HEERF institutional expenses, but all related HEERF revenue was recognized during the previous year, resulting in a decrease of \$841,000. Newport also had a decrease of \$626,000 due to a rise in operating expenses, most notably in personnel and supplies. Henderson State University's increase of \$2.5 million is mainly attributable to expense minimizing efforts that began in fiscal year 2022 after the campus entered financial exigency. Mid-South reclassified accrued interest from unrestricted to net investment in capital assets, and they had a large receivable for an insurance claim for flood damages to two buildings during the Christmas break. This led to an increase of \$690,000. Mountain Home's increase of \$559,000 was due to increases in property tax, investment income, and gifts. Beebe had an increase of \$401,000 related to a rise in sales and use tax.

**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, 2023.

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 2023 compared to fiscal year 2022 is shown on the next page.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>				
	2023	2022	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 71,516,564	\$ 71,463,532	\$ 53,032	0.07%
Grants and Contracts	42,946,287	38,524,894	4,421,393	11.48%
Auxiliary Enterprises, Net	33,316,595	34,380,782	(1,064,187)	(3.10%)
Other	12,997,426	12,037,535	959,891	7.97%
Total Operating Revenues	<u>160,776,872</u>	<u>156,406,743</u>	<u>4,370,129</u>	2.79%
Operating Expenses	377,483,705	386,473,481	(8,989,776)	(2.33%)
Nonoperating Revenues (Expenses)				
State Appropriations	136,939,791	135,413,506	1,526,285	1.13%
Grants and Contracts	54,229,798	54,020,204	209,594	0.39%
Interest on Capital Asset - Related Debt	(8,703,617)	(9,143,386)	439,769	(4.81%)
Other	35,323,579	60,205,033	(24,881,454)	(41.33%)
Total Nonoperating Revenues (Expenses)	<u>217,789,551</u>	<u>240,495,357</u>	<u>(22,705,806)</u>	(9.44%)
Income Before Other Revenues, Expenses, Gains or Losses	<u>1,082,718</u>	<u>10,428,619</u>	<u>(9,345,901)</u>	(89.62%)
Capital Appropriations	1,545,590	1,201,455	344,135	28.64%
Capital Grants and Gifts	7,085,837	1,639,612	5,446,225	332.17%
Right to use assets		13,880,104	(13,880,104)	(100.00%)
Removal of right to use assets	(4,545,369)		(4,545,369)	100.00%
Other	(311,137)	(165,169)	(145,968)	88.37%
Total	<u>3,774,921</u>	<u>16,556,002</u>	<u>(12,781,081)</u>	
Increase (Decrease) in Net Position	<u>\$ 4,857,639</u>	<u>\$ 26,984,621</u>	<u>\$ (22,126,982)</u>	(82.00%)
Net Position, Beginning of Year	\$ 480,936,316	\$ 453,687,491	\$ 27,248,825	6.01%
Restatement for GASB 87		\$ 264,204		
Net Position, End of Year	\$ 485,793,955	\$ 480,936,316	\$ 4,857,639	1.01%

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

### Revenues

Total revenues decreased by approximately \$21.3 million.

### Operating Revenues

Total operating revenues increased by \$4.4 million.

### Tuition and Fees, net

Net tuition and fees increased slightly by \$53,000. Gross tuition and fee revenue decreased by \$237,000. The Jonesboro campus saw the largest increase in the amount of \$1.6 million. Beginning in fall 2022, there was a 4.6% increase in the amount charged for tuition and fees. Additionally, fall enrollment was the highest it had been since 2018. Mountain Home showed an overall increase in student semester credit hours, as well as a renewed focus on continuing education. Their rise in out-of-state tuition was a direct correlation to their recent addition of athletic programs. This all contributed to their increase of \$890,000. Three Rivers had an increase of \$455,000, primarily from their workforce training fee revenue. Henderson State University and Beebe began calculating scholarship allowances differently after transitioning to the Banner student module. This, along with a decline in enrollment at Henderson State University, led to their decreases of \$1.8 million and \$561,000, respectively. Mid-South's decrease of \$275,000 and Newport's decrease of \$216,000 was also due to lower enrollment. Declines in student enrollment at some of the campuses led to an overall decrease in scholarship allowances. Scholarship allowances decreased by \$290,000.

### Grants and Contracts

Operating grants and contracts increased by \$4.4 million. All campuses experienced increases, except for Henderson State University. The Arkansas Small Business Development Center was discontinued at Henderson State University, resulting in their decrease of approximately \$286,000. Three Rivers and Beebe received new grants from Regional Workforce and the Office of Skills Development which contributed to their increases of \$1.4 million and \$1.1 million, respectively. Three Rivers also saw increased revenue from the Saline County Career Technical Center. At the Mountain Home campus, Regional Workforce, Office of Skills Development, and Delta Regional Authority grants covered salaries and supplies to set up new programs in both commercial truck driving and marine manufacturing. It was also their first full year of the Title III grant, and they received additional funding for Career Pathways and the Secondary Career Center; all resulting in an increase of \$945,000. Newport had an increase of nearly \$600,000 from new grants, such as Temporary Assistance for Needy Families (TANF) and Arkansas Workforce Challenge, and from additional funding available for previous grants, such as Career Pathways Initiative and Carl Perkins. Jonesboro and Mid-South also had increases of \$567,000 and \$105,000, respectively, due to higher balances at the end of the year. Overall, the change across the campuses was an increase of 11.48%. There will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars. Additionally, timing issues of receipts and expenses also plays a role in the ending balances for grants and contracts.

### Sales and Services

Sales and services decreased by approximately \$260,000. Of the four campuses that show sales and services revenue, two had increases and two had decreases. Henderson State University's decrease of \$341,000 was primarily due to reclassifying certain types of receipts to nonoperating revenues and other operating revenues during the fiscal year. The decrease of \$4,000 at the Beebe campus was due to lower revenues from livestock sales. This was the first fiscal year since the COVID pandemic that Mountain Home's Performing Arts was able to have a show season which contributed to their increase of \$55,000. Jonesboro had a minor increase of roughly \$30,000.

### Auxiliary Enterprises, net

Auxiliary enterprises, net decreased by approximately \$1.1 million. Henderson State University experienced a decline in enrollment which directly affected many auxiliary services; such as housing occupancy, meal plans, athletic fees, and student recreation center fees. This led to a decrease of about \$1.7 million. Newport's decrease of \$33,000 was the result of a higher volume of financial aid applications which increased the scholarship allowance applied to auxiliary revenue. The Mid-South and Three Rivers campuses had minor decreases of \$7,000 and \$9,000, respectively. Beebe and Mountain Home changed their method of calculating scholarship allowance after transitioning to the Banner student module, resulting in increases of \$395,000 and \$82,000, respectively. Jonesboro had a minimal increase of \$182,000. In addition to the decreased revenues, scholarship allowances related to auxiliaries decreased by almost \$1 million.

### Self-Insurance

Self-insurance revenues increased slightly by \$138,000. During fiscal year 2023, there were no increases in premiums for the employee withholding amount. The increase was a result more retirees paying for health insurance.

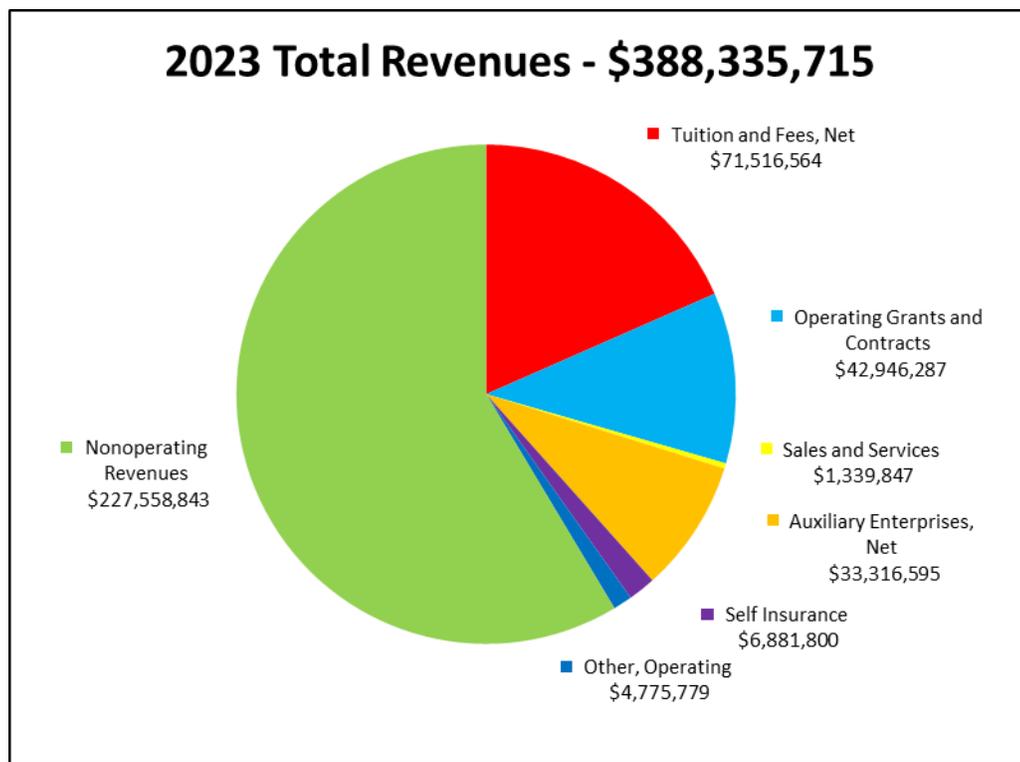
ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Operating Revenues (Continued)**

*Other*

Other operating revenues increased by about \$1.1 million. The largest increase was at the Jonesboro campus in the amount of \$597,000, primarily due to funds received from Arkansas State University campus Querétaro and for the Women’s Leadership Academy. Mid-South and Three Rivers recorded receivables for insurance claims for water damage that occurred during the winter, resulting in their increases of \$264,000 and \$169,000, respectively. Henderson State University’s increase of \$130,000 is mostly attributable to reclassifying certain types of receipts that were previously recorded as sales and services. Mountain Home received fewer host fees from the Jonesboro campus and fewer funds from the Department of Finance and Administration Marketing and Redistribution Center, resulting in a decrease of \$45,000. Beebe also had a decrease of \$27,000 from not receiving any host fees from the Jonesboro campus during the fiscal year. Newport had a minor decrease of \$6,000.



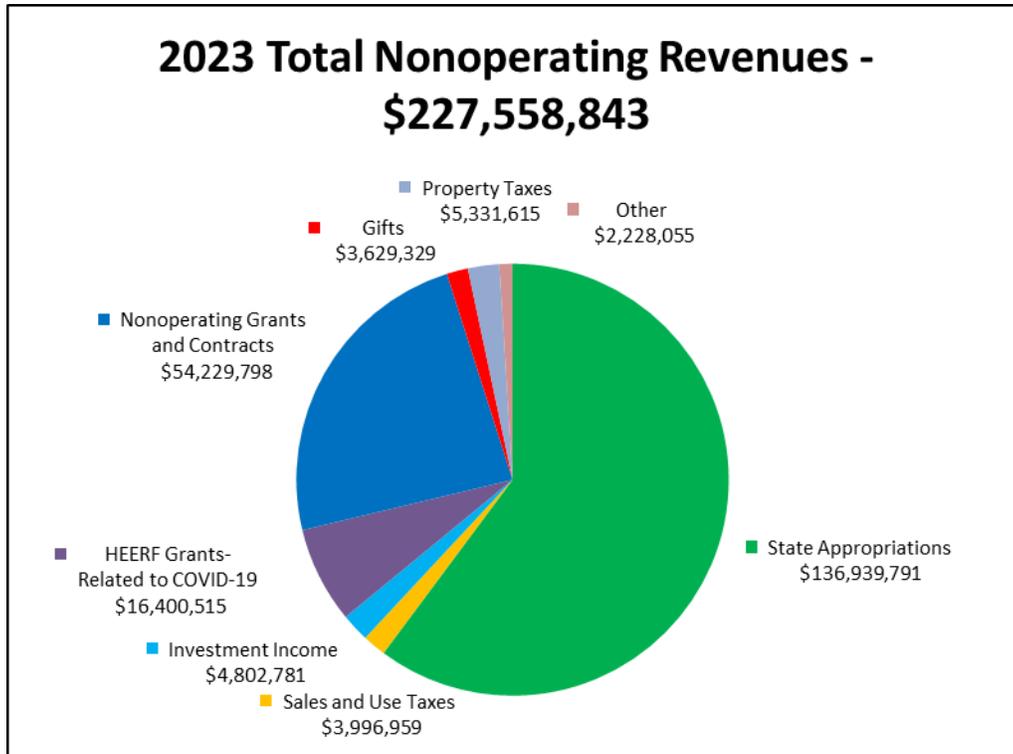
**Nonoperating Revenues**

Total nonoperating revenues decreased by \$25.6 million.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Nonoperating Revenues (Continued)**



**Federal Appropriations**

Federal appropriations decreased slightly by \$30,000. In previous fiscal years, the Jonesboro campus received several federal awards related to grants and contracts. As available grant resources decline, these funds have continued to fall and none were received during this fiscal year. The emphasis is shifting more towards other types of grant funding.

**State Appropriations**

State appropriations increased by \$1.5 million overall; although only three campuses experienced increases. The Jonesboro campus had the largest increase of \$1.5 million; while Newport had the largest decrease of about \$148,000. The increases and decreases at the campuses were due to variances in general appropriation funding and miscellaneous appropriations that are received in one year, but not another. Act 148 of 2017 repealed the needs-based and outcome-centered funding and directed the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in the state.

**Grants and Contracts**

Nonoperating grants and contracts increased by approximately \$210,000. Jonesboro saw an increase of \$1 million, primarily due to increased Pell from higher enrollment. The Beebe campus saw additional funds from Pell and Workforce Challenge grants which led to their increase of \$677,000. The Mid-South and Three Rivers campuses had minor increases of \$73,000 and \$30,000, respectively. The decreases at the other campuses were mainly attributable to declines in student enrollment. Henderson State University received fewer funds from Pell grants and Arkansas Academic Challenge scholarships, resulting in a decrease of \$1.2 million. Newport's decrease of \$219,000 was due to less Pell grants, Arkansas ACT 456 Concurrent scholarships, and Federal Supplemental Educational Opportunity Grant (FSEOG) funding. Mountain Home also had a decrease of \$183,000.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Nonoperating Revenues (Continued)**

HEERF Grants-Related to COVID-19

The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress on March 27, 2020. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF (now referred to as HEERF I). The campuses recorded almost \$18.3 million related to this in fiscal year 2020. A portion of these funds (the student portion) stipulated that the amount would be used to provide emergency grants to students. Once those funds had been expended; the institution may then receive the institutional portion of HEERF I. The total HEERF award for the student portion and the institutional portion were equal awards to institutions. Most of the student payments were made in 2020, however, \$1.2 million was paid during 2021.

In addition to HEERF I, the Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260 and was signed into law on December 27, 2020. In total, the CRRSAA authorized \$81.88 billion in support for education.

The Higher Education Emergency Relief Fund III (HEERF III) was authorized by the American Rescue Plan (ARP), Public Law 117-2, and was signed into law on March 11, 2021. This provided \$39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. ARP funds are in addition to funds authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260 and the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136.

As with HEERF I, both HEERF II and HEERF III provided a portion of institutional funds and a portion of funds dedicated to students. During fiscal year 2022, there were \$306,000 in direct payments to students from HEERF II funds and about \$29 million in direct payments to students from HEERF III funds. All of the direct payments to student were made in fiscal years 2020, 2021, and 2022.

Additionally, the campuses qualified for either SIP (Strengthening Institutions Program) funds or MSI (Minority Serving Institutions) funds. Mid-South was the only campus to receive MSI funds; the remaining campuses received SIP funds. Both the institutional portion of HEERF I, HEERF II, HEERF III, SIP and the MSI awards were used to provide relief to institutions for reimbursement items such as, room and board refunds to students, purchases of equipment related to moving to online learning, provide additional emergency payments to students, and provide funds for lost revenue.

During 2023, there was a decline of about \$34.1 million in HEERF funds across the campuses. This is due to receiving all of the student funds in the previous three fiscal years. The funds that were received in 2023 were either the small remaining amounts of the institutional portion of HEERF III or grants received through various agencies with HEERF funding. For example, Jonesboro received a three-year \$25 million project from the Division of Elementary and Secondary Education to oversee the ARP ESSER III subawards for afterschool, summer, and extended year learning programs to support student learning and social emotional development.

Sales and Use Taxes

Sales and use taxes increased by \$411,000. Both Beebe and Newport saw increases of \$219,000 and \$192,000, respectively, due to a rise in tourism and local consumer spending.

Property Taxes

Property tax revenues increased by \$655,000. Mid-South had an increase of \$468,000, and Mountain Home had an increase of \$187,000.

Gifts

Revenues from gifts increased by approximately \$149,000. The Jonesboro and Mountain Home campuses saw a rise in funds received from the Arkansas State University Foundation, resulting in increases of \$206,000 and \$222,000, respectively. The Newport campus received an \$8,000 one-time gift from a local industry to present a lecture and concert series. Mid-South had a decrease of \$284,000 due to one-time gifts received in the prior fiscal year for their hospitality and automotive programs. Henderson State University had a trivial decrease of \$3,500; while Beebe and Three Rivers did not receive any gifts.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Nonoperating Revenues (Continued)**

**Investment Income**

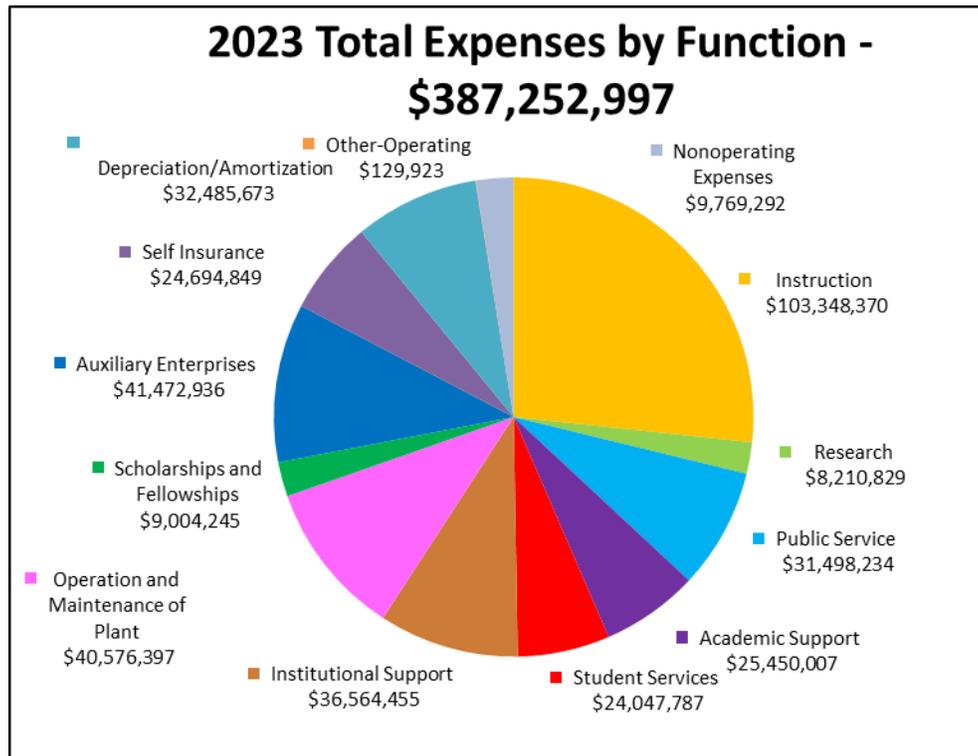
Investment income increased by \$6.7 million. All campuses benefitted from increased interest rates throughout the year, resulting in higher investment income when compared to 2022. Jonesboro had the largest increase of \$5.3 million.

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

During the fiscal year, the University had a gain of \$1.5 million on capital assets compared to a loss of \$88,000 in fiscal year 2022. Both Jonesboro and Henderson State University showed gains for the year. The Jonesboro campus had a gain of about \$3.7 million during the year. This gain was mainly a result of the sale of the remaining land where the Arkansas Services Center was located. Henderson State University had a small gain of about \$21,000. This was a result of selling land to the city of Arkadelphia for a dog park. Beebe had a loss of nearly \$1.2 million and Newport had a loss of about \$1 million. Both of these amounts resulted from the campuses disposing of their prior ERP (Enterprise Resource Planning) systems since all modules of their new ERP system are fully functioning and have been capitalized.

**Expenses**

Total expenses decreased by \$11.9 million.



**Operating Expenses**

Total operating expenses increased by \$9 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, 2023

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

**Operating Expenses (Continued)**

Personal Services

Personal services increased by approximately \$1.5 million. There were five campuses with increases during the year. Jonesboro had an increase of about \$2.5 million. Although the campus eliminated eleven faculty positions and created a \$1 million permanent reduction in salaries; Jonesboro also provided faculty promotions, market salary adjustments for university police officers, a 2% merit raise for faculty, non-classified employees, and graduate assistants, and a 2% cost of living adjustment for classified employees. Newport had an increase of \$1 million. This increase was a result of a 2% cost of living adjustment and newly added positions. Beebe and Three Rivers each had about a \$500,000 increase. Beebe provided a 2% cost of living adjustment for employees. Three Rivers had an increase due to increased instructional staff at the Saline County Career Technical Center. Fiscal year 2023 was the second year of operations for the Saline County Career Technical Center which provides career technical classes to high school students. Mountain Home also had a slight increase of \$271,000. This was related to an increase of grant positions on the campus. Of the two campuses with decreases; Henderson State University had the largest at nearly \$3 million. This change from the prior year was a result of the campus declaring financial exigency in February 2022. Due to this, the campus has gone through a massive academic restructuring and consolidation. Because of this, personal services have decreased in both 2022 and 2023 as planned. The Mid-South campus had a slight decrease of about \$308,000. Although overall expenses related to personal services increased, the campuses continue to have difficulty in filling positions. Positions are becoming increasingly harder to fill as more employees focus on remote work, higher pay, and other options not always available to colleges and universities. Another factor in the amount of personal expenses for the year is OPEB and pension expenses. Overall, both of these decreased when compared to 2022. All of the campuses had lower expenses in both of these categories when compared to fiscal year 2022. The entries related to the pension liability decreased by \$2.9 million. More information on this may be found in Note 8. Entries related to OPEB decreased by about \$5.2 million. More information on this may be found in Note 12.

Scholarships and Fellowships

Scholarships and fellowships decreased by \$32.6 million. Gross scholarships and fellowships decreased by \$33.9 million. All campuses showed sizable decreases in scholarships and fellowships due to HEERF funds that were disbursed directly to students as financial aid during the prior fiscal year. Jonesboro had the largest decrease of \$16.5 million. Although federal and state financial aid fluctuates throughout the years, the campuses continue to offer competitive institutional scholarships to students. The institutional scholarships continue to increase at each campus and displays the University's commitment to students.

Supplies and Services

Supplies and services increased by \$19.4 million. All campuses saw increases when compared to the prior year. Although the campuses do practice cost containment and other prudent measures, such as budget cuts, inflation played a large role in the increased amount. The majority of the increase was at the Jonesboro campus. Their increase was \$14.9 million. As previously mentioned, the campus received a \$25 million project from the Division of Elementary and Secondary Education to oversee the ARP ESSER III subawards for afterschool, summer, and extended year learning programs to support student learning and social emotional development. The supplies and services related to this have increased about \$7.4 million when compared to 2022. Although this sizable increase occurred, it should also be noted that there were grants and contracts revenue received to offset this increase. The campus also saw an overall increase in costs with comparisons of 2022 costs. For example, the cost of electricity rose by \$1.3 million in 2023. Additionally, as travel resumes to pre-COVID levels, travel related expenses increased across the campus by around \$2.5 million. Henderson State University experienced a \$1.9 million increase. As previously discussed, the campus declared financial exigency in February 2022. While this led to a reduction in staff; the campus has a shared services agreement with the Jonesboro campus to provide certain functions for a set amount. Fiscal year 2023 was the first full year of this agreement. Additionally, the campus has a new ERP (Enterprise Resource Planning) system and paid for consulting and additional training after the implementation and go-live. Newport's increase of around \$1.1 million was due to expenses related to non-capitalized improvements and repairs. Also, the campus saw an increase in non-capital equipment purchases during the year. The Three Rivers campus increased by about \$450,000. This was a result of increased costs related to the Saline County Career Technical Center and costs related to the campus's truck driving academy. The other three campuses had a combined minimal increase of about \$1 million.

Self-Insurance

Self-insurance expenses increased by \$1.1 million. Although, there was a decrease of \$400,000 in the unpaid claims liability recorded at year end; overall costs related to self-insurance increased. Medical and pharmaceutical claims, as well as administration fees related to self-insurance, rose during 2023.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Operating Expenses (Continued)**

Depreciation and Amortization

Depreciation and amortization expenses increased by \$1.4 million. All of the campuses, other than Newport, experienced increases when compared to 2022. The largest increase was Jonesboro in the amount of \$1 million due to the addition of assets in fiscal year 2022 that began depreciating in fiscal year 2023. Additionally, the amortization on right to use assets and leases payable has now been added to this line on the Statement of Revenues, Expenses, and Changes in Net Position. For 2023, this total was \$706,000. Henderson State University's increase was \$421,000. During 2023, the campus reclassified their building improvements from buildings to improvements. Prior to this, these assets were depreciating over 50 years and have been updated to 30 years. Additionally, the campus updated their useful lives on improvements and infrastructure from 20 years to 30 years. Henderson State University also had amortization for leases payable that is now included on this line. The total for the year was \$192,000. The remaining campuses had a minimum net effect of a \$10,500 decrease. Additionally, as new projects were completed in 2023, depreciation expense will increase next year as a result of these. The amount of completed projects was \$33.5 million when compared to the \$12.2 million in 2022; depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

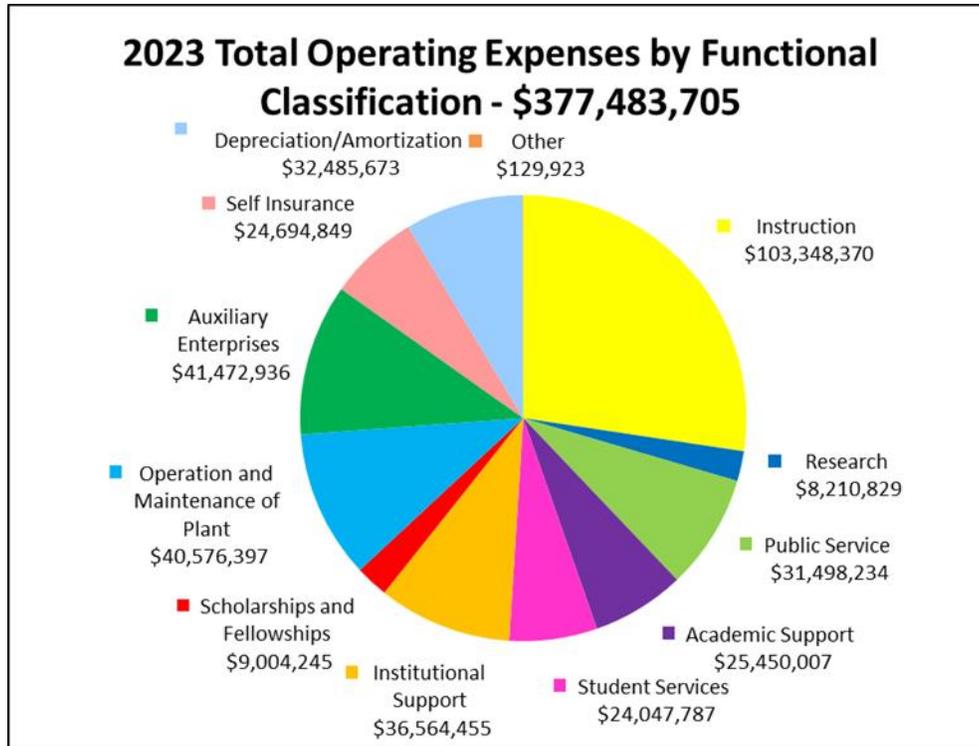
Other operating expenses increased by about \$42,000. These expenses are related to the Federal Perkins Loan program on the Jonesboro campus and Henderson State University.

<b>Operating Expenses by Function</b>				
	2023	2022	Increase/ (Decrease)	Percent Change
Instruction	\$ 103,348,370	\$ 104,119,726	\$ (771,356)	(0.74%)
Research	8,210,829	8,816,562	(605,733)	(6.87%)
Public Service	31,498,234	20,158,306	11,339,928	56.25%
Academic Support	25,450,007	23,279,994	2,170,013	9.32%
Student Services	24,047,787	23,402,443	645,344	2.76%
Institutional Support	36,564,455	40,383,964	(3,819,509)	(9.46%)
Scholarships and Fellowships	9,004,245	42,672,022	(33,667,777)	(78.90%)
Operation and Maintenance of Plant	40,576,397	31,603,723	8,972,674	28.39%
Auxiliary Enterprises	41,472,936	37,332,411	4,140,525	11.09%
Self Insurance	24,694,849	23,546,876	1,147,973	4.88%
Depreciation/Amortization	32,485,673	31,069,319	1,416,354	4.56%
Other	129,923	88,135	41,788	47.41%
<b>Total Operating Expenses</b>	<b><u>\$ 377,483,705</u></b>	<b><u>\$ 386,473,481</u></b>	<b><u>\$ (8,989,776)</u></b>	<b>(2.33%)</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Operating Expenses (Continued)**

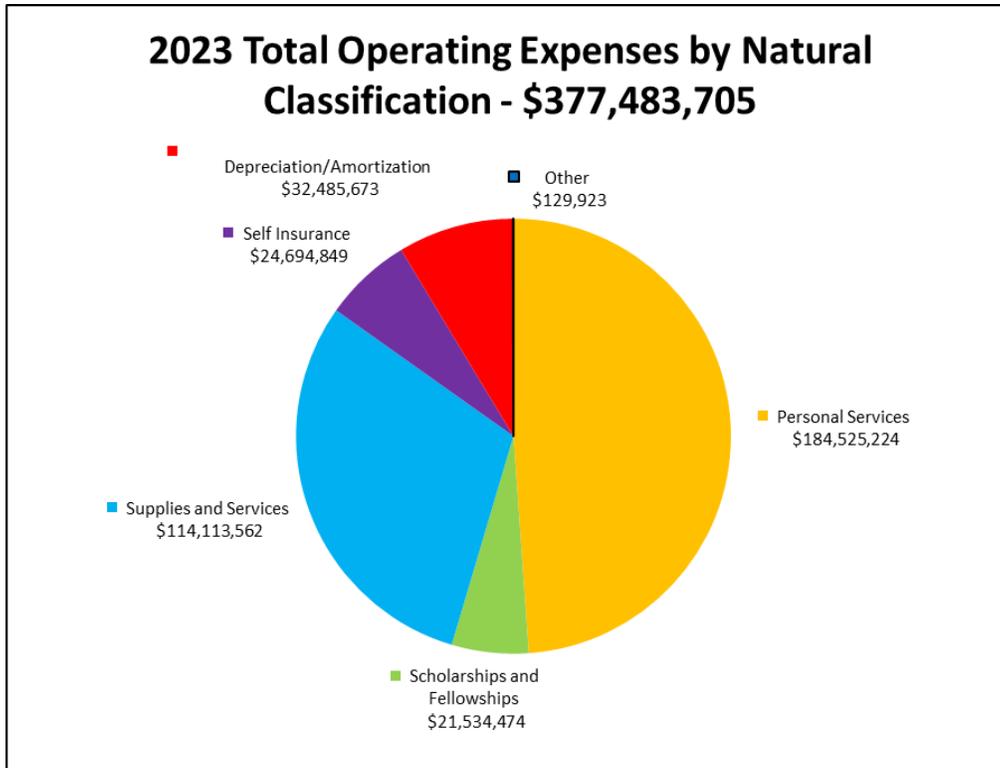


<b>Operating Expenses by Natural Classifications</b>				
	2023	2022	Increase/ (Decrease)	Percent Change
Personal Services	\$ 184,525,224	\$ 182,978,436	\$ 1,546,788	0.85%
Scholarships and Fellowships	21,534,474	54,137,972	(32,603,498)	(60.22%)
Supplies and Services	114,113,562	94,652,743	19,460,819	20.56%
Self Insurance	24,694,849	23,546,876	1,147,973	4.88%
Depreciation/Amortization	32,485,673	31,069,319	1,416,354	4.56%
Other	129,923	88,135	41,788	47.41%
<b>Total Operating Expenses</b>	<b><u>\$ 377,483,705</u></b>	<b><u>\$ 386,473,481</u></b>	<b><u>\$ (8,989,776)</u></b>	<b>(2.33%)</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Operating Expenses (Continued)**



**Nonoperating Expenses**

Total nonoperating expenses decreased by \$2.9 million.

**Interest**

Interest expense decreased minimally by nearly \$440,000. All the campuses showed decreases. Jonesboro experienced the largest decrease of \$169,000 due to savings from bond refundings that have been done recently. As previously mentioned, the only new debt during fiscal year 2023 was for leases. The added interest expense for these leases is minimal. The lower interest expense for the year is expected due to minimum interest being added and the fact that more of the payments are being applied to principal rather than interest. Additional information on debt administration may be found in the Debt Administration section that follows.

**Other Changes**

Other revenues, expenses, and gains and losses totaled \$3.8 million. This amount decreased by \$12.8 million.

**Capital Appropriations**

Capital appropriations increased by \$344,000. Henderson State University and Three Rivers were the only campuses with capital appropriations in 2023. Henderson State University received around \$987,000 for their Caddo Center Renovation, the University’s front door and welcome center. Three Rivers received about \$558,000 for the Ritz Theatre renovation. The campuses also received amounts for these projects in 2022. In fiscal year 2022, Three Rivers received about \$774,000 and Henderson State University received \$418,000. Jonesboro was the only other campus with an amount in 2022. For 2022, the amount received was \$9,094. This amount was related to the Lakeport Plantation; part of the campus’s Delta Heritage Office.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

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

**Other Changes (Continued)**

**Capital Grants and Gifts**

Capital grants and gifts increased by \$5.4 million. The Jonesboro campus accounted for about half of this increase. During 2023, about \$2.3 million was received through the Arkansas State University Foundation, Inc. for capital projects. The majority of the funds received was for the new building at the Judd Hill Farmers' Market. The new building adds indoor spaces, classroom facilities, and other amenities to significantly expand the operations of the Judd Hill Farmers' Market. In addition to this, the campus also recorded \$1.5 million for a portion of the North End Zone located at the football stadium, Centennial Bank Stadium. The campus purchased a percentage of the North End Zone from the Red Wolves Foundation, Inc. More information on this may be found in the section below and in Note 18. Mountain Home had an increase of \$1.3 million as a result of two new grants. The first grant provides for equipment to be used in the new commercial truck driving program. This includes two over-the-road semi-trucks, one semi-trailer, and a truck simulator. The second grant was utilized to purchase equipment for the new marine manufacturing program and provide funding for the Technical Center expansion. Mid-South's increase of \$857,000 was due to a grant received to build a truck driving range and buy trucks and trailers for the new commercial truck driving program. Newport had an increase of \$660,000. This increase was due to new grant funds to purchase equipment and provide improvements in the transportation area. Additionally, the campus received funds to construct a memorial trail on campus. Henderson State University and Beebe both had declines from the previous year. Both of these campuses received capital gifts in 2022 but did not in 2023.

**Right to use Assets/Removal of right to use assets**

During fiscal year 2022, the Jonesboro campus recorded two right to use assets. The campus has agreements to use two buildings on campus built on University property owned by outside parties. In 2023, Jonesboro purchased an ownership of the North End Zone located at the University's football stadium. Additionally, an amount of this property was given to the University by the Red Wolves Foundation, Inc. The campus's ownership in the North End Zone is 37.37%. With this ownership, a corresponding percentage of the right to use asset was removed during fiscal year 2023. Additional information on the right to use assets may be found in Note 18.

**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 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.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2023 and June 30, 2022 were as follows:

<b>Capital Assets (net of accumulated depreciation and amortization)</b>				
	2023	2022	Increase/ (Decrease)	Percent Change
Land and land improvements	\$ 22,677,931	\$ 22,702,110	\$ (24,179)	(0.11%)
Construction in progress	20,642,658	11,296,744	9,345,914	82.73%
Livestock	225,817	210,867	14,950	7.09%
Intangibles-Software in development	-	3,940,588	(3,940,588)	(100.00%)
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	6,962,996	3,188,007	3,774,989	118.41%
Buildings	287,512,322	329,409,483	(41,897,161)	(12.72%)
Improvements and infrastructure	177,570,107	143,667,261	33,902,846	23.60%
Equipment	18,942,223	15,404,443	3,537,780	22.97%
Library/audiovisual holdings	4,176,147	4,775,154	(599,007)	(12.54%)
Right to use assets-Buildings	7,977,482	13,054,853	(5,077,371)	(38.89%)
Leases-Office space	1,275,532	1,225,352	50,180	4.10%
Leases-Airport	9,453	-	9,453	100.00%
Leases-Land	-	208,428	(208,428)	(100.00%)
Leases-Equipment	117,850	68,275	49,575	72.61%
<b>Total</b>	<b>\$ 550,765,518</b>	<b>\$ 551,826,565</b>	<b>\$ (1,061,047)</b>	<b>(0.19%)</b>

### Land

The University had no additions of land and land improvements during the year. Both Jonesboro and Henderson State University sold land in 2023. Jonesboro reduced their land by \$21,417 for the sale of the remaining property where the Arkansas Services Center was located. Henderson State University sold land recorded for \$2,762. This was land located at Mill Creek. The property was sold to the city of Arkadelphia for use as a dog park.

### Construction in progress

Construction in progress increased by 82.73%. All campuses, with the exception of Newport, showed increases during the year. Jonesboro had an increase of \$7 million for a number of projects. Some of these projects included the upgrades to the lighting on campus, an additional building at the Judd Hill Farmers' Market, upgrades to elevators, renovations to on-campus housing facilities, improvements to heat and air systems, and parking lot improvements. Henderson State University's increase was due to renovations at the Caddo Center and Wells Hall. Beebe started work on their One Stop Project for student services. Mid-South had two renovation projects. Renovations are being made to their FedEx Aviation Technology building to accommodate program expansion. Also, the Reynolds Center/University Center chiller replacement has been started. Mountain Home was approved to expand their Technical Center to support boat, injection molding, and extrusion manufacturers. The boat manufacturing expansion includes a 3,150 square foot area on the front of the building which will provide the space to house a new gel coat booth. The injection and extrusion expansion will also include 3,150 square feet. Newport had several construction projects throughout the year. These include renovations to their Jonesboro campus, an access control project, signage improvements, IT infrastructure, White River Hall renovations, renovations of the nursing building at the Marked Tree campus, and a memorial trail. Three River's increase was due to renovations of their Ritz Theatre.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## Capital Assets (Continued)

### Livestock

The change of 7.09% is attributable to a decrease of the Jonesboro campus livestock herds of \$3,573 and an increase of the Beebe campus's herds in the amount of \$18,523.

### Intangibles-Software in development

All of the campuses, other than Jonesboro, have been implementing a new ERP (Enterprise Resource Planning) system. The new software was still in development as of June 30, 2022, but the transition to the new ERP was completed in December 2022. The University's threshold for capitalizing software is \$1 million and each campus met this threshold with the exception of Mountain Home and Three Rivers. An amount of \$423,167 was recorded in 2023 by Henderson State University. The campuses transferred their balances of software in development to software in 2023. This amount totaled \$4,363,755, leaving the current balance of software in development at \$0.

### Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2023.

### Intangibles-Software

The University's had both additions and disposals of software during fiscal year 2023. Additionally, \$5,201,867 was transferred from software in development. Beebe, Mid-South, and Newport added \$793,931 for the new ERP (Enterprise Resource Planning) system. Both Beebe and Newport had a prior ERP system and removed those systems during fiscal year 2023. The net effect of these disposals was a decrease of software in the amount of \$2,131,441. In addition, \$89,368 was depreciated for software during the fiscal year. Mid-South was the only campus to begin depreciating their new ERP system based on their depreciation setup. The remaining campuses will begin depreciating their system in fiscal year 2024.

### Buildings

The University experienced a decrease of \$41.9 million in the total value of buildings. This is a result of depreciation expense exceeding the amount of building additions during the year, as well as some classification adjustments during the year. Prior to 2023, Henderson State University was classifying building improvements as part of buildings. About \$71 million with \$31 million of accumulated depreciation was transferred from buildings to improvements. This accounted for nearly \$40 million of the change in buildings. Additionally, Jonesboro purchased part of the North End Zone and two other properties which added about \$10.7 million in buildings. Newport was the only other campus which added a building in 2023. They purchased a small building to be used in their new athletic program. Jonesboro and Henderson State University were the only two campuses with building retirements. Jonesboro demolished the Art Annex on campus and also disposed of the pavilion on the leased land at Imboden. Additional information on Imboden follows in the section discussing Leases-Land. Henderson State University's retirement was related to a portion of their Reynolds Science Center. This was an impairment loss to the campus. Additional information on the Reynolds Science Center may be found in Note 4 and Note 20. There was a decrease from 2022 to 2023 in depreciation expense related to buildings. In 2022, the total was about \$14.3 million. In 2023, this total decreased to \$12.8 million. The majority of this decrease was due to the change in classification at Henderson State University.

### Improvements and infrastructure

The 23.60%, or \$33,902,846, increase in improvements and infrastructure is mainly attributable to classification changes. As mentioned in the Buildings section above, Henderson State University made classification changes to move building improvements from buildings to improvements. This had a net effect of about \$40 million. Henderson State University also had a capital asset impairment for a portion of the Reynolds Science Center. Additional information may be found in Note 4 and Note 20. In addition to this, in 2022, there were completed projects totaling approximately \$5.7 million. These 2022 projects at Jonesboro, Beebe, and Henderson State University included renovations to the Armory, roof replacements, parking lot improvements, residence hall upgrades, and energy improvements. In fiscal year 2023, there were \$8.4 million in additions. All campuses, other than Beebe, had additions during the year. The projects completed during the year at Jonesboro included residence hall renovations, lab upgrades, parking lot improvements, a football practice field, parking and lighting enhancements, and phase II of the walking/biking trail. The improvements at Henderson consisted of a roof replacement. Mid-South completed a driving range and a new fire alarm system. Completed projects at Mountain Home were a walking/biking trail, new statue and fountain, and amphitheater. Newport's projects included an access control panel, fiber optic cable networking, and enhanced wayfaring signage. Three Rivers completed a truck driving pad to be used for the campus's truck driving academy. The amount of depreciation increased compared to 2022 as a result of the changes made at Henderson State University. Fiscal year 2022 depreciation was about \$11.1 million compared to \$14.1 million in 2023. Also, Jonesboro and Henderson State University were the only campuses with retirements during the year. The net effect of these retirements was a reduction of \$207,000.

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## Capital Assets (Continued)

### Equipment

Equipment increased by 22.97%, or \$3,537,780, during the year. Equipment additions increased from \$5,281,186 in 2022 to \$7,536,906 in 2023; an increase of about \$2.3 million. Of the additions for fiscal year 2023, \$74,262 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. A large portion of the increase in equipment purchases is a result of the campuses receiving capital grants to purchase equipment as previously discussed. Beebe had purchases in IT and OSD Robotics from grant funds. Mid-South, Mountain Home, Newport, and Three Rivers all had grant funds to purchase equipment related to their truck driving programs. This totaled to nearly \$1.2 million. Mid-South also had funds of \$136,000 to buy equipment to expand their automotive program. Mountain Home had purchases of \$192,000 related to their new marine manufacturing and boat manufacturing programs. They also updated the technology on campus using HEERF funds of around \$233,000. Newport purchased about \$132,000 of welding equipment for their welding program. Three Rivers purchased about \$411,000 of equipment with grant funds for workforce training. Depreciation expense increased from \$3,974,099 in 2022 to \$4,103,795 in 2023. The campuses disposed of equipment during the year with a net value of \$49,636.

### Library/Audiovisual Holdings

The University's decrease of \$599,007, or 12.54%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases continue to decrease each year as online formats become in greater demand. During the fiscal year, there were \$66,770 in purchases compared to \$353,962 in 2022. Depreciation expense decreased from \$761,268 in 2022 to \$665,777 in 2023. Library holdings that were removed during the year were fully depreciated.

### Right to use assets-Buildings

There was a decrease of almost \$5.1 million when compared to last year. In 2022, Jonesboro recorded two right to use assets. These included the Welcome Center and the North End Zone which is part of the football stadium. During 2023, the campus purchased a 37.37% ownership in the North End Zone which removed a portion of the right to use asset. The amount removed was \$5.1 million with \$586,000 in amortization. Additionally in 2023, \$532,000 was recorded in amortization for the Welcome Center and the remaining 62.63% of the North End Zone. More information may be found on these right to use assets in Note 18.

### Leases-Office space

There was a slight increase of about \$50,000 or 4.10% when compared to 2022. Both Jonesboro and Henderson State University lease portions of buildings used for office space. The Jonesboro campus recorded one new lease for space; the prior lease ended as of October 31, 2022. Henderson State University also recorded a lease for office space. Additional information on these leases may be found in Note 4, Note 5, and Note 6.

### Leases-Airport

Henderson State University leases space at an airport as part of their aviation program. The amount of the lease is about \$38,000 and about \$28,000 has been amortized for the lease.

### Leases-Land

The Jonesboro campus had recorded a lease for land. This lease was with the City of Imboden and was used to construct a facility for the disaster preparedness training program. The lease for the land started in October 2017 and went through September 2092. During 2023, the campus decided to terminate this lease.

### Leases-Equipment

Jonesboro and Mid-South have leases for equipment. In 2023, both of the campuses added a lease for equipment. There was an increase of about \$50,000 from 2022. As previously mentioned, Mid-South terminated their lease for printers and began a new lease. Jonesboro added a new lease for a painting robot. In addition to these leases, Jonesboro has a lease for farm equipment and Mid-South has a lease for copiers.

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

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## Debt Administration

The University's financial statements indicate \$186,184,973 in bonds payable, \$35,048,970 in notes/bonds from direct placement payable, \$1,500,596 in leases payable, and \$20,060,159 in installment contracts payable at June 30, 2023.

The University did not issue any bonds during 2023.

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

The \$35,048,970 in notes/bonds from direct placement payable consists of four notes for the Jonesboro campus. These include \$604,000 and \$600,000 notes for energy improvement projects through the state's sustainable revolving loan fund, and a \$1,000,000 note for pedestrian improvements. Additionally, there is a \$1,000,000 note for renovations to the Armory. The campus has benefited from securing zero or very low interest rates for each of these notes. At June 30, 2023, the outstanding amounts for these notes were \$151,000, \$150,000, \$101,082, and \$499,774 respectively. Henderson State University has \$31,203,104 in notes payable outstanding at June 30, 2023. These eight notes payable include: \$2,750,000 for the Honors Hall, \$2,366,268 for energy savings, \$1,100,000 for energy savings related to an auxiliary renovation, \$3,623,489 for energy savings, \$6,513,437 for energy savings, a 2019 \$6,000,000 loan from the state of Arkansas used to assist with cash shortfalls for that year, \$15,996,406 for property renovations, and \$996,450 for renovations. At June 30, 2023, the outstanding amounts for these notes were \$2,023,671, \$781,404, \$436,708, \$473,591, \$6,513,437, \$5,750,000, \$14,377,843, and \$846,450 respectively. During fiscal year 2023, the terms of the loan from the state of Arkansas were changed. More information on the change in terms may be found in Note 5. Additionally, Henderson State University has a bond from direct placement. The current outstanding amount is \$331,525 and the funds were used to renovate the Smith Dorm. The Beebe, Mid-South, and Newport campuses have notes payable related to their energy performance improvements and are paid with savings from utility billings. These amounts at the end of 2023 are \$68,811, \$1,241,119, and \$688,108, respectively. The notes payable for the Three Rivers campus include \$565,000 for the remodel and expansion of a cosmetology building and \$1,000,000 for the purchase and renovation of the Applied Science Technology building. Both notes were secured through Arkansas Higher Education Coordinating Boards' College Savings Bond Revolving Loan Fund at exceptionally low interest rates. The outstanding amounts for these notes were \$115,518 and \$404,320 respectively.

The campuses recorded leases payable in accordance with GASB statement no. 87 during fiscal year 2022. Three campuses have leases payable at June 30, 2023. The Jonesboro campus has four leases payable for office space and equipment. The outstanding amount of these leases is \$459,672. During the year, the campus added two new leases. One lease is for equipment and the second lease is for office space. The lease for office space replaces a lease that had ended during the year. Additionally, the campus terminated a lease for land in 2023. Henderson State University has three leases in total. These leases are for office space and space at airport for their aviation program and have an outstanding amount of \$993,400. The campus added the lease for the airport space and a lease for office space during the fiscal year. The Mid-South campus has two leases for copiers and printers with a total outstanding amount of \$47,524. The campus terminated their lease for printers and replaced the lease in 2023. Additional information on the types and terms of each lease may be found in Note 5 and Note 6.

The Jonesboro campus issued an installment contract payable during 2016 in the amount of \$15,226,080 for energy savings projects on the campus. The savings from utility billings will be used to pay the debt. Principal payments began in 2019 and the current balance of the debt is \$12,985,805. The Beebe and Newport campuses added installment contracts payable in the amounts of \$4,930,498 and \$2,951,079, respectively, during fiscal year 2018. Both of these leases payable were for energy performance improvements and will be paid with savings from utility billings. These balances are \$4,425,511 and \$2,648,843, respectively at June 30, 2023.

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

ARKANSAS STATE UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

## **Economic Outlook**

The economic outlook of the University remains sound.

The Congressional Budget Office predicted that over the 2023-2025 period, U.S. economic growth will slow down and then pick back up. The growth of real gross domestic product (GDP) will slow to 0.4% during the second half of 2023. After 2023, growth will accelerate as monetary policy eases; with real GDP increasing by 1.5% in 2024 and by 2.4% in 2025. Inflation rates and price hikes due to supply-chain shortages caused by the COVID pandemic began to fall during 2023. The Federal Open Market Committee's (FOMC) preferred inflation measure is the personal consumption expenditures price index (PCE inflation). PCE inflation is projected to continue declining from 4.1% in 2023 to 3.5% in 2024, to 3.0% in 2025, and to 2.0% in the longer run.

At the state level, the economy is stable, and revenues are tracking 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.

Act 148 of 2017 repealed the needs-based and outcome-centered funding and directed the Arkansas Higher Education Coordinating Board to adopt policies developed by the Arkansas Department of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in the state.

The University continues to maintain a strong credit rating of A1 by Moody's Investors Service. Achieving and maintaining this credit rating provides the University with significant flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the University to provide the necessary resources to support a consistent level of excellence in service to students, the local communities, the state and the nation.

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. 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 and opportunities posed by the current economic environment and the furtherance of its mission.

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION  
JUNE 30, 2023

Exhibit A

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current Assets:

Cash and cash equivalents	\$ 86,491,612
Short-term investments	10,272,116
Accounts receivable (less allowances of \$2,629,648)	32,875,161
Leases receivable	403,984
Notes and deposits receivable (less allowances of \$96,989)	603,290
Accrued interest and late charges	312,083
Inventories	1,479,451
Deposits with trustees	1,519,371
Deposit with paying agent	87,985
Unamortized bond insurance	92,990
Prepaid expenses	379,978
Total Current Assets	134,518,021

Noncurrent Assets:

Cash and cash equivalents	70,686,457
Restricted cash and cash equivalents	1,877,880
Unrestricted investments	5,831,622
Restricted investments	5,518,956
Endowment investments	16,522,708
Other long-term investments	9,162,625
Irrevocable split-interest agreement	2,231,636
Accrued interest and late charges	763,373
Deposits with trustees	2,920,039
Accounts receivable	1,990,139
Leases receivable	11,713,986
Notes and deposits receivable (less allowances of \$190,441)	1,935,246
Capital assets (net of accumulated depreciation and amortization of \$651,138,240)	550,765,518
Total Noncurrent Assets	681,920,185

TOTAL ASSETS

**816,438,206**

**DEFERRED OUTFLOWS OF RESOURCES**

Excess of bond reacquisition costs over carrying value	4,228,009
Pensions	6,467,948
Other postemployment benefits (OPEB)	1,267,511

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

**828,401,674**

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

Current Liabilities:

Accounts payable and accrued liabilities	12,459,618
Bonds, notes, leases, and installment contracts payable	16,771,380
Compensated absences	6,973,106
Unearned revenue	9,625,764
Deposits	1,356,204
Interest payable	2,397,628
Other postemployment benefits (OPEB) liability	376,262
Total Current Liabilities	49,959,962

Noncurrent Liabilities:

Bonds, notes, leases, and installment contracts payable	226,023,318
Compensated absences	5,696,998
Other postemployment benefits (OPEB) liability	10,594,362
Net pension liability	18,877,651
Deposits	217,400
Refundable federal advances	3,709,126
Total Noncurrent Liabilities	265,118,855

TOTAL LIABILITIES

**315,078,817**

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION  
JUNE 30, 2023

Exhibit A

<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions		\$ 5,279,996
Other postemployment benefits (OPEB)		8,155,530
Irrevocable split-interest agreement		2,231,636
Leases		11,861,740
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		<b><u>342,607,719</u></b>
<b>NET POSITION</b>		
Net investment in capital assets		316,976,307
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		6,196,073
Renewal and replacement		967,261
Loans		127,373
Other-College and Department Purposes		9,136,302
Expendable:		
Scholarships and fellowships		1,075,573
Loans		10,000
Debt service		1,738,436
Renewal and replacement		1,734,914
Other		5,835,544
Unrestricted		<u>141,996,172</u>
<b>TOTAL NET POSITION</b>		<b><u>\$ 485,793,955</u></b>

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

Exhibit A-1

**ASSETS**

Cash and cash equivalents	\$	13,375,731
Certificates of deposit		3,556,725
Prepaid expenses		43,288
Contributions receivable, net		873,512
Grant receivable		28,537
Investments, at fair value		109,875,334
Property and equipment, net		4,871,980
Other assets		<u>121,730</u>
 Total Assets	 \$	 <u><u>132,746,837</u></u>

**LIABILITIES**

Accounts payable	\$	48,891
Annuity obligations		9,000
Refundable advance		94,465
Due to Arkansas State University campuses		96,278
Amounts held on behalf of Arkansas State University related entities		<u>14,723,183</u>
Total Liabilities		<u><u>14,971,817</u></u>

**NET ASSETS**

Without donor restrictions		
Undesignated		1,406,206
Board designated		<u>7,039,774</u>
Total without donor restrictions		<u><u>8,445,980</u></u>
With donor restrictions		
Restricted as to purposes		15,656,172
Restricted in perpetuity		<u>93,672,868</u>
Total with donor restrictions		<u><u>109,329,040</u></u>
 Total Net Assets		 <u><u>117,775,020</u></u>
 Total Liabilities and Net Assets	 \$	 <u><u>132,746,837</u></u>

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

Exhibit A-2

**ASSETS**

**Current Assets**

Cash	\$ 87,204
Cash - restricted	470,219
Cash - board restricted	2,666,752
Investment securities -board restricted	2,289,589
Receivables, current portion	3,825,495
Related party prepaid lease, current portion	1,700,000
	<u>\$ 11,039,259</u>

**Property and Equipment**

Buildings	\$ 18,730,414
Furniture and equipment	666,450
Parking lot	57,005
	<u>19,453,869</u>
<b>Less accumulated depreciation</b>	<b>(1,777,555)</b>
	<u>\$ 17,676,314</u>

**Other Assets**

Receivables, net of current portion and amortization	\$ 16,098,003
Related party prepaid lease, net of current portion	991,667
Real estate	206,100
Construction in progress	107,935
	<u>\$ 17,403,705</u>

**Endowment Investments, at fair value**

\$ 1,968,295

**Total Assets**

\$ 48,087,573

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 1,723,388
Accrued interest payable	24,575
Current portion long-term debt	1,233,470
Current portion deferred revenue	3,285,191
	<u>\$ 6,266,624</u>

**Long-Term Liabilities**

Long-Term Debt, net of current portion	\$ 17,723,597
Deferred Revenue, net of current portion	18,546,504
	<u>\$ 36,270,101</u>

**Total Liabilities**

\$ 42,536,725

**Net Assets**

Without donor restrictions	
Undesignated	\$ (332,876)
Designated as board restricted	3,444,941
With donor restrictions	2,438,783
	<u>\$ 5,550,848</u>

**Total Liabilities and Net Assets**

\$ 48,087,573

HENDERSON STATE UNIVERSITY FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

Exhibit A-3

**ASSETS**

Cash and cash equivalents	\$	1,280,752
Investments		24,821,713
Contributions receivable, net		<u>249,228</u>

Total Assets	\$	<u><u>26,351,693</u></u>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Note payable	\$	<u>226,210</u>
Total Liabilities		<u>226,210</u>

**NET ASSETS**

Without donor restrictions		394,376
With donor restrictions		<u>25,731,107</u>
Total Net Assets		<u>26,125,483</u>

Total Liabilities and Net Assets	\$	<u><u>26,351,693</u></u>
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ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$60,378,388)	\$ 71,516,564
Grants and contracts	42,946,287
Sales and services	1,339,847
Auxiliary enterprises (net of scholarship allowances of \$9,073,661)	33,316,595
Self-insurance	6,881,800
Other operating revenues	4,775,779
TOTAL OPERATING REVENUES	<u>160,776,872</u>
OPERATING EXPENSES	
Personal services	184,525,224
Scholarships and fellowships	21,534,474
Supplies and services	114,113,562
Self-insurance	24,694,849
Depreciation and amortization	32,485,673
Other	129,923
TOTAL OPERATING EXPENSES	<u>377,483,705</u>
OPERATING INCOME (LOSS)	<u>(216,706,833)</u>
NON-OPERATING REVENUES (EXPENSES)	
State appropriations	136,939,791
Grants and contracts	54,229,798
HEERF Grants-Related to COVID-19	16,400,515
Sales and use taxes	3,996,959
Property taxes	5,331,615
Gifts	3,629,329
Investment income	4,802,781
Interest on capital asset - related debt	(8,703,617)
Gain or loss on disposal on capital assets	1,454,751
Payment of student activity fee/other amounts to fiduciary accounts	(810,865)
Refunds to grantors	(254,810)
Amortization of leases receivable	382,679
Interest earned on leases	246,417
Other nonoperating revenues (expenses)	144,208
NET NON-OPERATING REVENUES (EXPENSES)	<u>217,789,551</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>1,082,718</u>
Capital appropriations	1,545,590
Capital grants and gifts	7,085,837
Adjustments to capital assets	(289,602)
Removal of right to use assets	(4,545,369)
Capitalization of library holdings at rate per volume	5,025
Livestock additions	18,523
Extraordinary item - impairment loss	(45,083)
INCREASE (DECREASE) IN NET POSITION	<u>4,857,639</u>
NET POSITION - BEGINNING OF YEAR	480,936,316
NET POSITION - END OF YEAR	<u>\$ 485,793,955</u>

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions	\$ 41,191	\$ 6,507,081	\$ 6,548,272
Contributions of nonfinancial assets	276,096	1,995,503	2,271,599
Investment return, net	759,679	7,900,596	8,660,275
Other income	211,677	390,613	602,290
Net assets released from restrictions	7,937,298	(7,937,298)	-
<b>Total Revenue and Other Support</b>	<u>9,225,941</u>	<u>8,856,495</u>	<u>18,082,436</u>
<b>Expenses</b>			
Program services	8,376,202		8,376,202
Management and general supporting services	214,689		214,689
Change in split-interest agreements		9,000	9,000
<b>Total Expenses</b>	<u>8,590,891</u>	<u>9,000</u>	<u>8,599,891</u>
<b>(Decrease) increase in net assets</b>	635,050	8,847,495	9,482,545
<b>Net assets at beginning of year</b>	<u>7,810,930</u>	<u>100,481,545</u>	<u>108,292,475</u>
<b>Net assets at end of year</b>	<u>\$ 8,445,980</u>	<u>\$ 109,329,040</u>	<u>\$ 117,775,020</u>

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Support</b>			
Contributions	\$ 3,442,980	\$ 492,004	\$ 3,934,984
In-kind contributions	159,570		159,570
Special events/fundraising	543,612		543,612
Other income	2,656,026	112,164	2,768,190
Investment income	136,929	193,931	330,860
Loss on sale of asset	(1,226,426)		(1,226,426)
Net assets released from restrictions	652,401	(652,401)	-
	<u>\$ 6,365,092</u>	<u>\$ 145,698</u>	<u>\$ 6,510,790</u>
<b>Expenses</b>			
General and administrative	\$ 491,439		\$ 491,439
Athletic program services	7,181,722		7,181,722
Special events/fundraising	55,483		55,483
	<u>\$ 7,728,644</u>		<u>\$ 7,728,644</u>
<b>Transfers</b>			
ASU athletic programs	\$ -	\$ 60,309	\$ 60,309
ASU other	1,970,170		1,970,170
	<u>\$ 1,970,170</u>	<u>\$ 60,309</u>	<u>\$ 2,030,479</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (3,333,722)</u>	<u>\$ 85,389</u>	<u>\$ (3,248,333)</u>
Beginning Net Assets	\$ 6,445,787	\$ 2,353,394	\$ 8,799,181
<b>Ending Net Assets</b>	<u>\$ 3,112,065</u>	<u>\$ 2,438,783</u>	<u>\$ 5,550,848</u>

HENDERSON STATE UNIVERSITY FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B-3

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

**Support and Revenue Without Donor Restrictions**

Investment return, net	\$ 828
Net assets released from restrictions	1,806,512

Total Support and Revenue Without Donor Restrictions	1,807,340
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**Expenses**

Program services	1,552,594
General and administrative supporting services	195,529

Total Expenses	1,748,123
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<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<b>59,217</b>
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**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Contributions of cash and other financial assets	1,377,817
Contributions of nonfinancial assets	33,894
Impairment loss on assets	(480,778)
Investment return, net	2,271,802
Net assets released from restrictions	(1,806,512)

<b>Increase (Decrease) in Net Assets With Donor Restrictions</b>	<b>1,396,223</b>
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<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>	<b>1,455,440</b>
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<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>24,670,043</b>
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<b>NET ASSETS, END OF YEAR</b>	<b>\$ 26,125,483</b>
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ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 72,334,472
Grants and contracts	43,290,419
Auxiliary enterprises revenues	32,670,711
Sales and services	1,351,209
Self-insurance program receipts	6,936,344
Collection of principal and interest related to student loans	247,468
Other receipts	4,860,881
Payments to employees	(162,717,451)
Payments for employee benefits	(29,454,344)
Payments to suppliers	(118,530,624)
Scholarships and fellowships	(21,534,474)
Self-insurance program payments	(24,768,904)
Other payments	(427,964)
Net cash provided (used) by operating activities	(195,742,257)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	135,412,791
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,527,000
Grants and contracts	54,091,901
HEERF Grants-Related to COVID-19	15,587,084
Private gifts and grants	3,872,764
Sales and use taxes	3,979,021
Property taxes	4,952,679
Direct lending, PLUS and FFEL loan receipts	103,301,979
Direct lending, PLUS and FFEL loan payments	(103,074,761)
Payment of student activity fee/other amounts to fiduciary accounts	(810,865)
Refunds to grantors	(166,864)
Net cash provided (used) by noncapital financing activities	218,672,729
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt	261,972
Proceeds from lease arrangements	888,249
Capital appropriations	1,719,011
Capital gift and grants	4,703,183
Proceeds from sale of capital assets	4,033,869
Purchases of capital assets	(36,010,826)
Payments to trustees for bond principal	(11,425,004)
Payments to trustees for bond interest and fees	(6,225,975)
Payments to trustees/paying agent for next fiscal year	(360,865)
Payments to debt holders for principal (other than bonds)	(3,582,332)
Payments to debt holders for interest and fees (other than bonds)	(1,862,214)
Property taxes remitted to bond trustees	(3,404,172)
Distribution of excess property taxes from bond trustees	1,622,665
Net cash provided (used) by capital and related financing activities	(49,642,439)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	8,937,535
Interest on investments (net of fees)	3,426,162
Purchases of investments	(19,549,943)
Net cash provided (used) by investing activities	(7,186,246)
Net increase (decrease) in cash and cash equivalents	(33,898,213)
Cash and cash equivalents - beginning of year	192,954,162
Cash and cash equivalents - end of year	\$ 159,055,949

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

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

Operating income (loss)	\$ (216,706,833)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	32,485,673
Change in assets and liabilities:	
Receivables, net	1,831,238
Inventories	22,410
Prepaid expenses	(10,187)
Accounts and salaries payable	(2,542,025)
Other postemployment benefits (OPEB)	(5,244,182)
Pension obligations	(2,887,585)
Unearned revenue	(2,563,484)
Deposits	(159,724)
Refundable federal advances	(634,150)
Compensated absences	666,592
Net cash provided (used) by operating activities	\$ (195,742,257)

Reconciliation of Cash and Cash Equivalents

Current Assets:	
Cash and Cash Equivalents	\$ 86,491,612
Noncurrent Assets:	
Cash and Cash Equivalents	70,686,457
Restricted Cash and Cash Equivalents	1,877,880
Total cash and cash equivalents	\$ 159,055,949

NONCASH TRANSACTIONS

**JONESBORO**

Equipment-capital gift of \$19,948

Portion of building received as a capital gift-\$1,500,000

Portion of recreational improvements received as a capital gift-\$277,945

Value of equipment received from vendor discounts-\$29,030

Interest earned on reserve accounts held by trustee-\$22,018

Interest paid from accounts held by trustee-\$48,129

Interest earned on investments-\$1,353,444

New lease for equipment-\$74,684

New lease for office space-\$319,746

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

Removal of right to use asset (less amortization)-\$4,545,369

**HENDERSON STATE UNIVERSITY**

Amount received from motor vehicle acquisition revolving fund used to purchase vehicle-\$29,575

Interest earned on reserve accounts held by trustee-\$22,969

Principal paid from accounts held by trustee-\$44,547

Principal paid from accounts held by trustee from cash transferred in the prior fiscal year-\$240,000

Interest paid from accounts held by trustee-\$1,960

Interest paid from accounts held by trustee from cash transferred in the prior fiscal year-\$81,018

Fees paid from accounts held by trustee-\$440

Added lease for airport-\$37,696

Added lease for office space-\$37,812

**BEEBE**

Interest earned on reserve accounts held by trustee-\$7,157

Interest paid from accounts held by trustee-\$4,459

**MID-SOUTH**

Interest earned on reserve accounts held by trustee-\$70,594

Trustee payments for retirement of bond principal-\$615,000

Trustee payment for bond interest-\$691,496

Trustee payment for bond fees-\$4,890

Amount of interest earned on CD's reinvested with CD's-\$36,695

New lease for printers-\$50,666

**MOUNTAIN HOME**

Interest earned on reserve accounts held by trustee-\$1,102

Interest paid from accounts held by trustee-\$964

**NEWPORT**

Equipment-capital gift of \$54,314

Interest earned on reserve accounts held by trustee-\$159

Amount of interest earned on CD's reinvested with CD's-\$121

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

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023

Exhibit D

**ASSETS**

Cash and cash equivalents	\$ 2,201,179
Accounts receivable	<u>3,600</u>
TOTAL ASSETS	<u>2,204,779</u>

**LIABILITIES**

Accounts payable	<u>8,868</u>
TOTAL LIABILITIES	<u>8,868</u>

**NET POSITION**

Restricted for:	
Individuals and organizations	<u>2,195,911</u>
TOTAL NET POSITION	<u>\$ 2,195,911</u>

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

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit E

<b>ADDITIONS</b>	
Gifts	\$ 381,394
Contributions	4,350,597
Transfer from Student Activity Fee	491,150
Prior Year Correction	378,157
<b>TOTAL ADDITIONS</b>	<u>5,601,298</u>
<b>DEDUCTIONS</b>	
Supplies	\$ 294,676
Travel	28,341
Scholarships	4,265,194
<b>TOTAL DEDUCTIONS</b>	<u>4,588,211</u>
<b>INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	<u>1,013,087</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	1,182,824
<b>NET POSITION-END OF YEAR</b>	<u><u>\$ 2,195,911</u></u>

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

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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.

**Henderson State University**

Henderson State University was founded in 1890 as a four-year coeducational baccalaureate liberal arts college and was named Arkadelphia Methodist College. The name was changed to Henderson College in 1904 to honor Charles Christopher Henderson, a trustee and prominent local businessman. In 1911, the name was amended to Henderson-Brown College to honor Walter William Brown, who was also a trustee. The Arkansas General Assembly enacted legislation to establish a standard teachers' college in Arkadelphia and the institution was transferred to the State of Arkansas in 1929. The name then was changed to Henderson State Teachers College. In 1967, the name was changed to Henderson State College and in 1975 to Henderson State University. The University is the only Arkansas university which has been controlled by both church and State and is the only public one named for an individual. Of the ten Arkansas public universities, Henderson State University is one of only two originally established as a four-year, degree-conferring institution and is the second oldest university under state control. Effective January 1, 2021 under the provisions of Ark. Code Ann. § 6-60-102, Henderson State University merged with the Arkansas State University System.

**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 and consists of two campuses located at Marked Tree and Jonesboro.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

**Mid-South**

Mid-South Vocational Technical School, an institution of higher education of the State of Arkansas and located in West Memphis, began operations January 18, 1982. Effective July 1, 1991, the College's name was changed to Mid-South Technical College under the provision of Ark. Code Ann. § 6-53-301. On February 16, 1993, the voters approved a four mill property tax for the creation of the community college. During April 1993, the Arkansas State Board of Higher Education approved the change in status of Mid-South Technical College to Mid-South Community College. Effective July 1, 2015 under the provisions of Ark. Code Ann. § 6-60-102, Mid-South Community College merged with the Arkansas State University System to become Arkansas State University Mid-South.

**Three Rivers**

Ouachita Vocational Technical School began operations in January 1972. Effective July 1, 1991, the entity's name was changed to Ouachita Technical College under the provisions of Act 617 of 1991. The College became under the jurisdiction of the Arkansas State Board of Higher Education. On March 8, 2011, Act 208 of 2011 was approved changing the name of the entity to College of the Ouachitas effective July 27, 2011. Effective January 1, 2020 under the provisions of Ark. Code Ann. § 6-60-102, College of the Ouachitas merged with the Arkansas State University System to become Arkansas State University Three Rivers.

**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 seven 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.

**Component Units**

**Arkansas State University System Foundation, Inc.**

The Arkansas State University System Foundation, Inc. (the ASU Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The ASU 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 ASU 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 ASU Foundation, the majority of resources, or income thereon, which the ASU Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the ASU Foundation may only be used by, or for the benefit of the University, the ASU 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 ASU 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, 2023, the ASU Foundation transferred property, equipment and funds of \$6,354,464 to the University for academic support. Complete financial statements for the ASU Foundation may be obtained from the ASU Foundation at P.O. Box 1990, State University, AR 72467-1990.

The ASU 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 ASU Foundation's financial information in the University's financial statements.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

**Component Units (Continued)**

**Arkansas State University Red Wolves Foundation, Inc.**

The Arkansas State University Red Wolves Foundation, Inc. (the RW Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The RW Foundation is dedicated to aid, assist, and promote the development of intercollegiate athletics at the Jonesboro campus and to work with the University's administration in serving the institution. The RW Foundation's support comes primarily through donor contributions. The RW 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 RW 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, 2023, the RW Foundation transferred property, equipment and funds of \$2,030,479 to the University for support. Complete financial statements for the RW Foundation may be obtained from the RW Foundation at P.O. Box 2219, State University, AR 72467-1990.

The RW 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 RW Foundation's financial information in the University's financial statements.

**Henderson State University Foundation, Inc.**

The Henderson State University Foundation, Inc. (the HSU Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The HSU Foundation operates for charitable educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of Henderson State University. The board of directors consist of 12 members including 2 members who are members of the former Henderson State University Board of Trustees, and two ex-officio members who are also employees of the University. The HSU 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 RW 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, 2023, the HSU Foundation transferred property, equipment and funds of \$1,552,594 to the University for academic support. Complete financial statements for the HSU Foundation may be obtained from the HSU Foundation at 324 North 12<sup>th</sup> Street, Arkadelphia, AR 71923.

The HSU 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 RW 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 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.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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

In 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.

In June 2015, the GASB issued Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement revises existing standards for measuring and reporting retiree benefits provided by the University to its employees.

In March 2016, the GASB issued Statement no. 81, *Irrevocable Split-Interest Agreements*. The statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance in which a government is a beneficiary of the agreement.

In January 2017, the GASB issued Statement no. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

In June 2017, the GASB issued Statement no. 87, *Leases*. This statement improves accounting and financial reporting for leases.

In June 2018, the GASB issued Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Additionally, it simplifies accounting for interest cost incurred before the end of a construction period.

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 seven (7) campuses. Financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 acquisition value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated acquisition 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 no longer capitalized during the period of construction.

At the Jonesboro campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 50 years for buildings, 30 years for residence halls, 20 years for improvements and infrastructure, 15 years for library and audiovisual holdings, 10 years for leasehold improvements, and 3 to 7 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.

At Henderson State University, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 50 years for buildings, 30 years for improvements and infrastructure, 10 years for library and audiovisual holdings, and 7 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.

At the Beebe campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 30 years for buildings, 30 years for residence halls, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, 15 years for leasehold improvements, and 3 to 7 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.

At the Mid-South campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 50 years for buildings, 20 years for mobile classrooms and metal structures, 20 years for improvements and infrastructure, 15 years for library and audiovisual holdings, 20 years for leasehold improvements, and 5 to 10 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is started in the month of acquisition. No depreciation is taken the year of disposal.

At the Mountain Home campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 15 years for buildings, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, 15 years for leasehold improvements, and 3 to 7 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. Depreciation is taken the year of disposal.

At the Newport 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 15 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. Depreciation is taken the year of disposal.

At the Three Rivers campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 20 to 50 years for buildings, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, 15 years for leasehold improvements, and 3 to 7 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.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

Easements are considered intangible assets and are capitalized at either the cost at the date of acquisition or acquisition 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.

Right to Use Assets

The University has accounted for the authority to use these assets as on the Statement of Net Position and amortizes them over the term of the contract. These include the Welcome Center and the North End Zone of the Football Stadium.

Leases Payable

The University has leases including those for land, office space, and equipment. The leased asset is recorded on the Statement of Net Position and amortized over the term of the contract. The amount payable over the contract is recorded as a lease payable on the Statement of Net Position.

Detailed information on leases payable can be found in Note 4 and Note 6.

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.

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, 2023. 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.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

Investments

An investment is a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The University accounts for its investments, except for nonparticipating contracts, at fair value in accordance with GASB Statement no. 72, *Fair Value Measurement and Application*. Fair value is the defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 in accordance with GASB Statement no. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*.

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

Detailed information of the University's investments is provided in Note 2.

Leases Receivable

The University has certain contractual agreements with outside parties to receive an amount regularly over the term of a contract. These agreements are recorded on the Statement of Net Position as a lease receivable and a deferred inflow.

Detailed information on leases receivable can be found in Note 6.

Inventories

Inventories are valued at cost. The Jonesboro, Beebe, Mountain Home, Newport, and Three Rivers campuses use a first-in, first-out basis. Henderson State University uses a last-in, first-out basis and the Mid-South campus uses an average cost 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, 2023 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

Employee vacation, sick leave, and compensatory time 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, 2023

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, lease obligations with contractual maturities greater than one year, and installment contracts payable; (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) other postemployment benefits; (4) net pension liability; (5) estimated amounts for deposits held that will not be paid within the next fiscal year; and (6) 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 Mid-South and Mountain Home campuses receive 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.

Fiduciary Activities

The University holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the University. These amounts are not University funds and are shown in separate statements.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

**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)	\$ 3,924,388	\$ 3,958,804
Collateralized:		
Collateral held by the pledging bank or pledging bank's agent in the University's name	170,200,312	174,304,468
Total Deposits	\$ 174,124,700	\$ 178,263,272

The above deposits do not include cash on hand maintained by the University in the amount of \$59,120 at June 30, 2023. Also, the above amount does not include \$85,280 in cash and cash equivalents and \$400,000 in certificates of deposits held by the ASU Foundation for license plate scholarships classified as restricted investments and \$442,096 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of \$13,454,068 reported as investments and classified as nonnegotiable certificates of deposit. Additionally, the deposits do not include money market checking accounts of \$346,036 reported as deposits with trustees. The above total deposits include cash held for fiduciary activities of \$2,201,179 reported on the Statement of Fiduciary Net Position.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments

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's policy states that investments made by the University, excluding those funds donated for endowment purposes, should be secure with no risk of loss. All investments must be fully collateralized with such collateral being evidenced by a bonded, third-party custody receipt provided to the campus making the investment. Collateral may be of three types including: (a) United States government securities, (b) securities of agencies of the United States, or (c) general obligation bonds of cities, counties, or school districts of the state of Arkansas. The University's bank balance of \$178,263,272 was fully collateralized at June 30, 2023.

Deposits with Trustees

At June 30, 2023, the University's deposits with trustees totaled \$4,439,410. Other than the money market checking accounts of \$346,036, the details of the deposits with trustee by campus are below.

Arkansas State University Jonesboro

At June 30, 2023, the University's deposits with trustee of \$325,310 were primarily invested in the Federated Hermes Treasury Obligations Fund, the Federated Hermes U.S. Treasury Cash Reserves, and Goldman Sachs Financial Square Government, all money market treasury funds. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 8 days. The Federated U.S. Treasury Cash Reserves consisted of short-term U.S. Treasury securities and had a weighted average maturity of 34 days. The Goldman Sachs Financial Square Government primarily consisted of short-term U.S. Treasury securities and had a weighted average maturity of 35 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.

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the deposits with trustee at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
<u>\$ 325,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,310</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Henderson State University

At June 30, 2023, the University's deposits with trustee of \$710,318 were primarily invested in the Federated Hermes Treasury Obligations Fund, a money market treasury fund and the Federated Hermes Government Obligations Fund, both money market treasury funds. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 8 days. The Federated Hermes Government Obligations Fund consisted of short-term U.S. Treasury securities and had a weighted average maturity of 27 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.

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the deposits with trustee at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
<u>\$ 710,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,318</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South

At June 30, 2023, the University's deposits with trustee of \$3,057,589 were invested by US Bank. The fund invests solely in First American Government Obligations, a money market treasury fund. This fund was rated Aaa-Mf by Moody's Investors Service. The effective average maturity was approximately 22 days.

The deposits with trustee consist of funds obligated as debt reserves for the University's bond issues.

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the deposits with trustee at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
<u>\$ 3,057,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,057,589</u>

Arkansas State University Mountain Home

At June 30, 2023, the University's deposits with trustee of \$157 were invested in Morgan Stanley Government Portfolio, a money market treasury fund. This fund was rated Aaa-mf by Moody's Investors Service and consisted of Treasury bills, bonds and notes. The effective average maturity was approximately 32 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.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mountain Home (Continued)

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the deposits with trustee at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 157	\$ -	\$ -	\$ 157

University Investments (Excluding Endowment Funds)

At June 30, 2023, the University's investments, excluding endowment funds, consisted of corporate bonds of \$1,964,564, U.S. agencies of \$8,788,085, and U.S. Treasury notes of \$6,178,602. Details of the investments by campus are below.

Arkansas State University Jonesboro

At June 30, 2023, the University's investments, excluding endowment funds, consisted of corporate bonds of \$565,735, U.S. agencies of \$8,596,890, and U.S. Treasury notes of \$1,482,165.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
\$ 147,504	\$ 418,231	\$ -	\$ -	\$ 565,735

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
\$ -	\$ 8,384,468	\$ -	\$ 212,422	\$ 8,596,890

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Jonesboro (Continued)

The U.S. Treasury notes will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ 1,482,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,482,165</u>

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 468,773</u>	<u>\$ 96,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,735</u>

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 8,384,468</u>	<u>\$ 212,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,596,890</u>

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 1.720 years at June 30, 2023. The U.S. agencies had an estimated weighted average maturity of 2.501 years at June 30, 2023. The U.S. Treasury notes had an estimated weighted average maturity of 0.234 years at June 30, 2023. 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.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments. At June 30, 2023, none of the University's investments were exposed to custodial credit risk.

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Jonesboro (Continued)

The fair value of the corporate bonds at June 30, 2023 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ -</u>	<u>\$ 565,735</u>	<u>\$ -</u>	<u>\$ 565,735</u>

The fair value of the U.S. agencies at June 30, 2023 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 8,596,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,596,890</u>

The fair value of the U.S. Treasury notes at June 30, 2023 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 1,482,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,482,165</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South

At June 30, 2023, the University's investments consisted of corporate bonds of \$1,398,829, U.S. agencies of \$191,195, and U.S. Treasury notes of \$4,696,437.

The corporate bonds will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ 197,624</u>	<u>\$ 896,515</u>	<u>\$ 304,690</u>	<u>\$ -</u>	<u>\$ 1,398,829</u>

The U.S. agencies will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 191,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,195</u>

The U.S Treasury notes will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ 1,044,151</u>	<u>\$ 2,417,852</u>	<u>\$ 1,234,434</u>	<u>\$ -</u>	<u>\$ 4,696,437</u>

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
<u>\$ 139,726</u>	<u>\$ 234,601</u>	<u>\$ 1,024,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,829</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South (Continued)

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

Aaa	Aa	A	Baa	Not Rated	Total
\$ 191,195	\$ -	\$ -	\$ -	\$ -	\$ 191,195

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 3.560 years at June 30, 2023. The U.S. agencies had an estimated weighted average maturity of 1.880 years at June 30, 2023. The U.S. Treasury notes had an estimated weighted average maturity of 3.950 years at June 30, 2023. 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.

Fair value – The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the corporate bonds at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
\$ -	\$ 1,398,829	\$ -	\$ 1,398,829

The fair value of the U.S. agencies at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
\$ 191,195	\$ -	\$ -	\$ 191,195

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South (Continued)

The fair value of the U.S. Treasury notes at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
<u>\$ 4,696,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,696,437</u>

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Educational Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. Endowment investments totaling \$5,002,237 were exposed to custodial credit risk because they were uninsured securities held by the Counterparty Trust Department or Agent and not in the University's name.

The Jonesboro campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 9.74% or \$10,694,840 and consisted of the following types of investments:

<u>Type</u>	<u>Amount</u>
Bonds/Fixed Income Mutual Funds	\$ 2,746,942
Cash/Cash Equivalents	346,962
Domestic Equity Mutual Funds	1,906,657
Domestic Equities	1,500,560
Global Equity Funds	676,128
Hedge Fund	506,136
International Equities	520,853
International Equity Mutual Funds	1,634,599
Real Estate	109,881
Real Estate Funds	158,489
Venture Capital and Partnerships	<u>587,633</u>
Total	<u>\$ 10,694,840</u>

The ASU 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, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The fair value of the investments at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 7,469,776	\$ 2,021,413	\$ 1,203,651	\$ 10,694,840

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.75% or \$825,631 and consisted of the following types of investments:

Type	Amount
Bonds/Fixed Income Mutual Funds	\$ 212,446
Cash/Cash Equivalents	26,279
Domestic Equity Mutual Funds	147,459
Domestic Equities	116,052
Global Equity Funds	52,291
Hedge Fund	39,144
International Equities	40,282
International Equity Mutual Funds	126,418
Real Estate	8,498
Real Estate Funds	12,257
Venture Capital and Partnerships	44,505
Total	\$ 825,631

The ASU 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, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The fair value of the investments at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 577,151	\$ 156,334	\$ 92,146	\$ 825,631

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,411,716 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Bond Funds	\$ 230,077
Corporate Bonds	383,608
Cash Equivalents	71,469
U.S. Agencies	474,428
Equities	2,252,134
Total	\$ 3,411,716

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

	Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
Corporate Bonds	\$ 26,453	\$ 212,186	\$ 94,800	\$ 50,169	\$ 383,608
U.S. Agencies	-	102,970	52,386	319,072	474,428
Total	\$ 26,453	\$ 315,156	\$ 147,186	\$ 369,241	\$ 858,036

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments (Continued)

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	Not Rated	Total
Corporate Bonds	\$ -	\$ 43,130	\$ 238,364	\$ 93,612	\$ 8,502	\$ 383,608
U.S. Agencies	215,546	-	-	-	258,882	474,428
Total	<u>\$ 215,546</u>	<u>\$ 43,130</u>	<u>\$ 238,364</u>	<u>\$ 93,612</u>	<u>\$ 267,384</u>	<u>\$ 858,036</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 5.864 and 18.326 years, respectively, at June 30, 2023.

The fair value of the investments at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 3,028,108</u>	<u>\$ 383,608</u>	<u>\$ -</u>	<u>\$ 3,411,716</u>

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

The V.C. and Bertie H. Kays Educational Trust of \$1,590,521 consisted of the following types of investments held in trust by a third party:

Type	Amount
Bond Funds	\$ 121,602
Corporate Bonds	176,966
Cash Equivalents	44,692
U.S. Agencies	211,845
Equities	1,030,316
Other	5,100
Total	<u>\$ 1,590,521</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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:

	<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	\$ 11,757	\$ 96,264	\$ 44,329	\$ 24,616	\$ 176,966
U.S. Agencies	-	48,107	29,023	134,715	211,845
Total	<u>\$ 11,757</u>	<u>\$ 144,371</u>	<u>\$73,352</u>	<u>\$ 159,331</u>	<u>\$ 388,811</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	-	\$ 20,654	\$ 109,899	\$ 42,634	\$ 3,779	\$ 176,966
U.S. Agencies	100,108	-	-	-	111,737	211,845
Total	<u>\$ 100,108</u>	<u>\$ 20,654</u>	<u>\$ 109,899</u>	<u>\$ 42,634</u>	<u>\$ 115,516</u>	<u>\$ 388,811</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.057 and 17.757 years, respectively, at June 30, 2023.

The fair value of the investments at June 30, 2023 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 1,413,555</u>	<u>\$ 176,966</u>	<u>\$ -</u>	<u>\$ 1,590,521</u>

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, 2023

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2023:

Arkansas State University Jonesboro

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 8,288,041			\$ (21,417)	\$ 8,266,624
Livestock for educational purposes	143,361			(3,573)	139,788
Construction-in-progress	7,377,022	\$ 11,528,315	\$ (4,472,596)	(13,000)	14,419,741
Intangibles-Easements	2,675,000				2,675,000
Total nondepreciable capital assets	<u>\$ 18,483,424</u>	<u>\$ 11,528,315</u>	<u>\$ (4,472,596)</u>	<u>\$ (37,990)</u>	<u>\$ 25,501,153</u>
Other capital assets:					
Improvements and infrastructure	\$ 184,810,725	\$ 1,294,513	\$ 4,472,596	\$ (295,913)	\$ 190,281,921
Buildings	373,712,125	10,746,000		(326,298)	384,131,827
Equipment	51,146,912	1,937,039		(368,783)	52,715,168
Library/audiovisual holdings	11,979,542			(250,800)	11,728,742
Intangibles-software	6,960,645				6,960,645
Right to use assets-buildings	14,745,887 *			(5,131,868)	9,614,019
Leases-office space	938,552 *	319,746		(374,743)	883,555
Leases-land	222,521 *			(222,521)	-
Leases-equipment	43,428 *	74,684			118,112
Total other capital assets	<u>644,560,337</u>	<u>14,371,982</u>	<u>4,472,596</u>	<u>(6,970,926)</u>	<u>656,433,989</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	69,658,421	8,643,981		(150,915)	78,151,487
Buildings	206,938,165	5,781,455		(209,671)	212,509,949
Equipment	42,883,704	2,213,361		(319,147)	44,777,918
Library/audiovisual holdings	11,516,986	39,041		(250,800)	11,305,227
Intangibles-software	5,904,079	75,469			5,979,548
Right to use assets-buildings	1,691,034 *	532,002		(586,499)	1,636,537
Leases-office space	752,868 *	150,454		(381,450)	521,872
Leases-land	14,093 *	2,967		(17,060)	-
Leases-equipment	20,203 *	20,193			40,396
Total accumulated depreciation/amortization	<u>339,379,553</u>	<u>17,458,923</u>	<u>-</u>	<u>(1,915,542)</u>	<u>354,922,934</u>
Other capital assets, net	<u>\$ 305,180,784</u>	<u>\$ (3,086,941)</u>	<u>\$ 4,472,596</u>	<u>\$ (5,055,384)</u>	<u>\$ 301,511,055</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 18,483,424	\$ 11,528,315	\$ (4,472,596)	\$ (37,990)	\$ 25,501,153
Other capital assets, at cost	644,560,337	14,371,982	4,472,596	(6,970,926)	656,433,989
Total cost of capital assets	<u>663,043,761</u>	<u>25,900,297</u>	<u>-</u>	<u>(7,008,916)</u>	<u>681,935,142</u>
Less accumulated depreciation/amortization	339,379,553	17,458,923	-	(1,915,542)	354,922,934
Capital assets, net	<u>\$ 323,664,208</u>	<u>\$ 8,441,374</u>	<u>\$ -</u>	<u>\$ (5,093,374)</u>	<u>\$ 327,012,208</u>

\*Right to use assets and leases were not included in fiscal year 2022 balances. Additional information on right to use assets may be found in Note 18. Additional information on leases may be found in Note 5 and Note 6.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Henderson State University					
	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 1,975,554			\$ (2,762)	\$ 1,972,792
Construction-in-progress	613,367	\$ 1,013,130	\$ (481,495)	(695)	1,144,307
Intangibles-software in development	1,802,629	423,167 **	(2,225,796)		-
Total nondepreciable capital assets	<u>\$ 4,391,550</u>	<u>\$ 1,436,297</u>	<u>\$ (2,707,291)</u>	<u>\$ (3,457)</u>	<u>\$ 3,117,099</u>
Other capital assets:					
Improvements and infrastructure	\$ 24,351,406		\$ 71,734,515 ***	\$ (137,747) *****	\$ 95,948,174
Buildings	155,896,011		(71,253,020) ***	(34,327) *****	84,608,664
Equipment	6,230,635	\$ 29,575		(141,217)	6,118,993
Library/audiovisual holdings	15,200,659	5,025			15,205,684
Intangibles-software			2,225,796		2,225,796
Lease-office space	1,299,585 *	37,696 **			1,337,281
Lease-airport		37,812 **			37,812
Total other capital assets	<u>202,978,296</u>	<u>110,108</u>	<u>2,707,291</u>	<u>(313,291)</u>	<u>205,482,404</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	10,367,673	3,252,646 ****	31,481,201 ***	(75,924) *****	45,025,596
Buildings	72,570,549	1,412,838	(31,481,201) ***	(34,327) *****	42,467,859
Equipment	5,562,235	146,646		(141,217)	5,567,664
Library/audiovisual holdings	11,567,195	500,663			12,067,858
Intangibles-software					
Lease-office space	259,917 *	163,515 **			423,432
Lease-airport		28,359 **			28,359
Total accumulated depreciation/amortization	<u>100,327,569</u>	<u>5,504,667</u>	<u>-</u>	<u>(251,468)</u>	<u>105,580,768</u>
Other capital assets, net	<u>\$ 102,650,727</u>	<u>\$ (5,394,559)</u>	<u>\$ 2,707,291</u>	<u>\$ (61,823)</u>	<u>\$ 99,901,636</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 4,391,550	\$ 1,436,297	\$ (2,707,291)	\$ (3,457)	\$ 3,117,099
Other capital assets, at cost	202,978,296	110,108	2,707,291	(313,291)	205,482,404
Total cost of capital assets	207,369,846	1,546,405	-	(316,748)	208,599,503
Less accumulated depreciation/amortization	100,327,569	5,504,667	-	(251,468)	105,580,768
Capital assets, net	<u>\$ 107,042,277</u>	<u>\$ (3,958,262)</u>	<u>\$ -</u>	<u>\$ (65,280)</u>	<u>\$ 103,018,735</u>

\* Leases were not included in fiscal year 2022 balances. Additional information on leases may be found in Note 5 and Note 6.

\*\* Includes \$56,947 for prior year additions for intangibles, \$37,696 for prior year additions for lease-office space, and \$37,812 for prior year additions for lease-airport, \$14,137 for prior year depreciation expense for lease-office space, and \$9,453 for prior year depreciation expense for lease-airport.

\*\*\* Building improvements were split from buildings during fiscal year 2023. This amount was \$71,253,020 from buildings to building improvements and \$31,481,201 in related depreciation from buildings to building improvements.

\*\*\*\*In fiscal year 2023, the University had a change in estimate for depreciation. This change is: Improvements and infrastructure from 20 years to 30 years. Includes \$172,377 for prior year depreciation expense for building improvements.

\*\*\*\*\*Includes capital asset impairment loss. \$34,327 was removed from buildings and \$34,327 was removed from accumulated depreciation related to buildings. \$137,747 was removed from building improvements and \$75,924 was removed from accumulated depreciation related to building improvements. Additional information on this capital asset impairment may be found in Note 20.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Arkansas State University Beebe

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 3,370,634				\$ 3,370,634
Livestock for educational purposes	67,506	\$ 18,523			86,029
Construction-in-progress		203,695			203,695
Intangibles-software in development	781,306		\$ (781,306)		-
Total nondepreciable capital assets	<u>\$ 4,219,446</u>	<u>\$ 222,218</u>	<u>\$ (781,306)</u>	<u>\$ -</u>	<u>\$ 3,660,358</u>
Other capital assets:					
Improvements and infrastructure	\$ 21,917,589				\$ 21,917,589
Buildings	67,022,124				67,022,124
Equipment	6,464,279	\$ 1,660,137 *		\$ (56,454)	8,067,962
Library/audiovisual holdings	2,791,363	38,650		(26,135)	2,803,878
Intangibles-software	1,935,886	387,524	\$ 781,306	(1,935,886)	1,168,830
Total other capital assets	<u>100,131,241</u>	<u>2,086,311</u>	<u>781,306</u>	<u>(2,018,475)</u>	<u>100,980,383</u>
Less accumulated depreciation for:					
Improvements and infrastructure	14,063,306	1,276,973			15,340,279
Buildings	37,941,245	1,969,021			39,910,266
Equipment	4,977,100	299,619		(56,454)	5,220,265
Library/audiovisual holdings	2,367,827	86,467		(26,135)	2,428,159
Intangibles-software	774,355			(774,355)	-
Total accumulated depreciation/amortization	<u>60,123,833</u>	<u>3,632,080</u>	<u>-</u>	<u>(856,944)</u>	<u>62,898,969</u>
Other capital assets, net	<u>\$ 40,007,408</u>	<u>\$ (1,545,769)</u>	<u>\$ 781,306</u>	<u>\$ (1,161,531)</u>	<u>\$ 38,081,414</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 4,219,446	\$ 222,218	\$ (781,306)	\$ -	\$ 3,660,358
Other capital assets, at cost	100,131,241	2,086,311	781,306	(2,018,475)	100,980,383
Total cost of capital assets	104,350,687	2,308,529		(2,018,475)	104,640,741
Less accumulated depreciation/amortization	60,123,833	3,632,080		(856,944)	62,898,969
Capital assets, net	<u>\$ 44,226,854</u>	<u>\$ (1,323,551)</u>	<u>\$ -</u>	<u>\$ (1,161,531)</u>	<u>\$ 41,741,772</u>

\*Includes \$44,891 for prior year additions for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Arkansas State University Mid-South

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 3,898,076				\$ 3,898,076
Construction-in-progress		\$ 1,444,088			1,444,088
Intangibles-software in development	852,558		\$ (852,558)		-
Total nondepreciable capital assets	<u>\$ 4,750,634</u>	<u>\$ 1,444,088</u>	<u>\$ (852,558)</u>	<u>\$ -</u>	<u>\$ 5,342,164</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,538,828	\$ 858,479			\$ 8,397,307
Buildings	58,672,548				58,672,548
Equipment	11,058,140	508,610			11,566,750
Library/audiovisual holdings	953,129	18,519			971,648
Intangibles-software		314,867	\$ 852,558		1,167,425
Leases-equipment	154,457 *	50,666		\$ (69,460)	135,663
Total other capital assets	<u>78,377,102</u>	<u>1,751,141</u>	<u>852,558</u>	<u>(69,460)</u>	<u>80,911,341</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	5,344,186	210,031			5,554,217
Buildings	28,433,197	1,169,303			29,602,500
Equipment	9,797,078	318,227			10,115,305
Library/audiovisual holdings	880,571	10,611			891,182
Intangibles-software		13,899			13,899
Leases-equipment	109,407 *	35,323		(49,201)	95,529
Total accumulated depreciation/amortization	<u>44,564,439</u>	<u>1,757,394</u>	<u>-</u>	<u>(49,201)</u>	<u>46,272,632</u>
Other capital assets, net	<u>\$ 33,812,663</u>	<u>\$ (6,253)</u>	<u>\$ 852,558</u>	<u>\$ (20,259)</u>	<u>\$ 34,638,709</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 4,750,634	\$ 1,444,088	\$ (852,558)	\$ -	\$ 5,342,164
Other capital assets, at cost	78,377,102	1,751,141	852,558	(69,460)	80,911,341
Total cost of capital assets	83,127,736	3,195,229		(69,460)	86,253,505
Less accumulated depreciation/amortization	44,564,439	1,757,394		(49,201)	46,272,632
Capital assets, net	<u>\$ 38,563,297</u>	<u>\$ 1,437,835</u>	<u>\$ -</u>	<u>\$ (20,259)</u>	<u>\$ 39,980,873</u>

\* Leases were not included in fiscal year 2022 balances. Additional information on leases may be found in Note 5 and Note 6.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Arkansas State University Mountain Home

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction-in-progress	614,147	\$ 239,418			853,565
Total nondepreciable capital assets	<u>\$ 3,548,955</u>	<u>\$ 239,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,788,373</u>
Other capital assets:					
Improvements and infrastructure	\$ 2,313,346	\$ 818,194			\$ 3,131,540
Buildings	38,285,223				38,285,223
Equipment	2,865,074	879,151			3,744,225
Library/audiovisual holdings	924,788			\$ (40,675)	884,113
Total other capital assets	<u>44,388,431</u>	<u>1,697,345</u>	<u>-</u>	<u>(40,675)</u>	<u>46,045,101</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	2,247,975	17,232			2,265,207
Buildings	32,388,538	1,583,225			33,971,763
Equipment	2,319,764	156,017			2,475,781
Library/audiovisual holdings	837,505	18,928		(40,675)	815,758
Total accumulated depreciation/amortization	<u>37,793,782</u>	<u>1,775,402</u>	<u>-</u>	<u>(40,675)</u>	<u>39,528,509</u>
Other capital assets, net	<u>\$ 6,594,649</u>	<u>\$ (78,057)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,516,592</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 3,548,955	\$ 239,418	\$ -	\$ -	\$ 3,788,373
Other capital assets, at cost	44,388,431	1,697,345	-	(40,675)	46,045,101
Total cost of capital assets	47,937,386	1,936,763		(40,675)	49,833,474
Less accumulated depreciation/amortization	37,793,782	1,775,402		(40,675)	39,528,509
Capital assets, net	<u>\$ 10,143,604</u>	<u>\$ 161,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,304,965</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Arkansas State University Newport

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 1,444,735				\$ 1,444,735
Construction-in-progress	1,193,811	\$ 492,186	\$ (1,119,406)	\$ (74,405)	492,186
Intangibles-software in development	504,095		(504,095)		-
Total nondepreciable capital assets	<u>\$ 3,142,641</u>	<u>\$ 492,186</u>	<u>\$ (1,623,501)</u>	<u>\$ (74,405)</u>	<u>\$ 1,936,921</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,651,852	\$ 187,783	\$ 126,989		\$ 7,966,624
Buildings	31,645,961	58,659			31,704,620
Equipment	7,259,303	1,539,292	154,305		8,952,900
Library/audiovisual holdings	502,890	523			503,413
Intangibles-software	1,709,844	91,540	1,342,207	\$ (1,709,844)	1,433,747
Total other capital assets	<u>48,769,850</u>	<u>1,877,797</u>	<u>1,623,501</u>	<u>(1,709,844)</u>	<u>50,561,304</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	3,280,635	668,805			3,949,440
Buildings	21,194,604	798,581			21,993,185
Equipment	4,985,188	650,937			5,636,125
Library/audiovisual holdings	441,768	3,393			445,161
Intangibles-software	739,934			(739,934)	-
Total accumulated depreciation/amortization	<u>30,642,129</u>	<u>2,121,716</u>	<u>-</u>	<u>(739,934)</u>	<u>32,023,911</u>
Other capital assets, net	<u>\$ 18,127,721</u>	<u>\$ (243,919)</u>	<u>\$ 1,623,501</u>	<u>\$ (969,910)</u>	<u>\$ 18,537,393</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 3,142,641	\$ 492,186	\$ (1,623,501)	\$ (74,405)	\$ 1,936,921
Other capital assets, at cost	48,769,850	1,877,797	1,623,501	(1,709,844)	50,561,304
Total cost of capital assets	<u>51,912,491</u>	<u>2,369,983</u>	<u>-</u>	<u>(1,784,249)</u>	<u>52,498,225</u>
Less accumulated depreciation/amortization	<u>30,642,129</u>	<u>2,121,716</u>	<u>-</u>	<u>(739,934)</u>	<u>32,023,911</u>
Capital assets, net	<u>\$ 21,270,362</u>	<u>\$ 248,267</u>	<u>\$ -</u>	<u>\$ (1,044,315)</u>	<u>\$ 20,474,314</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 4: Capital Assets (Continued)

Arkansas State University Three Rivers

	Balance July 1, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 790,262				\$ 790,262
Construction-in-progress	1,498,397	\$ 586,679			2,085,076
Total nondepreciable capital assets	<u>\$ 2,288,659</u>	<u>\$ 586,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,875,338</u>
Other capital assets:					
Improvements and infrastructure	\$ 339,912	\$ 174,312			\$ 514,224
Buildings	9,775,751				9,775,751
Equipment	3,473,478	983,102			4,456,580
Library/audiovisual holdings	517,222	4,053			521,275
Total other capital assets	<u>14,106,363</u>	<u>1,161,467</u>	<u>-</u>	<u>-</u>	<u>15,267,830</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	294,201	6,845			301,046
Buildings	6,133,962	98,951			6,232,913
Equipment	2,568,309	318,988			2,887,297
Library/audiovisual holdings	482,587	6,674			489,261
Total accumulated depreciation/amortization	<u>9,479,059</u>	<u>431,458</u>	<u>-</u>	<u>-</u>	<u>9,910,517</u>
Other capital assets, net	<u>\$ 4,627,304</u>	<u>\$ 730,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,357,313</u>
Capital asset summary:					
Nondepreciable capital assets	\$ 2,288,659	\$ 586,679	\$ -	\$ -	\$ 2,875,338
Other capital assets, at cost	14,106,363	1,161,467	-	-	15,267,830
Total cost of capital assets	16,395,022	1,748,146	-	-	18,143,168
Less accumulated depreciation/amortization	9,479,059	431,458	-	-	9,910,517
Capital assets, net	<u>\$ 6,915,963</u>	<u>\$ 1,316,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,232,651</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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, 2023	Maturities To June 30, 2023
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 1,915,000	\$ 17,315,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	1,465,000	1,310,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	2,305,000	1,120,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	990,000	510,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	17,710,000	11,185,000
8/1/2013	8/1/2023	0.24%	1,000,000	101,082	898,918
12/1/2013	12/1/2043	2 - 5%	14,685,000	11,965,000	2,720,000
12/1/2014	11/30/2024	3.25%	563,810	96,631	467,179
11/1/2015	11/1/2025	0.00%	600,000	150,000	450,000
11/1/2015	11/1/2025	0.00%	604,000	151,000	453,000
12/17/2015	12/1/2035	3.21%	15,226,080	12,985,805	2,240,275
11/17/2016	3/1/2037	3 - 4%	13,870,000	10,380,000	3,490,000
11/17/2016	3/1/2037	2 - 4%	23,150,000	14,655,000	8,495,000
12/20/2017	3/1/2039	3 - 4%	11,740,000	8,585,000	3,155,000
7/25/2018	5/25/2028	0.00%	1,000,000	499,774	500,226
12/18/2019	3/1/2030	2 - 3%	1,640,000	1,040,000	600,000
12/18/2019	3/1/2042	2.004 - 3.651%	3,750,000	3,250,000	500,000
8/20/2020	8/20/2024	3.25%	43,428	17,636	25,792
3/15/2021	3/1/2042	0.515 - 2.794%	11,670,000	10,710,000	960,000
4/28/2022	12/1/2038	2.25 - 4.15%	13,015,000	12,375,000	640,000
9/29/2022	9/29/2028	6.25%	74,684	62,758	11,926
11/1/2022	10/31/2027	6.25%	319,746	282,647	37,099
Unamortized discount			(90,264)	(77,149)	(13,115)
Unamortized premium			4,750,343	3,027,132	1,723,211
Totals			<u>\$ 173,436,827</u>	<u>\$ 114,642,316</u>	<u>\$ 58,794,511</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities To June 30, 2023
8/31/2011	8/30/2036	5.74%	\$ 2,750,000	\$ 2,023,671	\$ 726,329
7/23/2012	7/23/2026	3.08%	2,366,268	781,404	1,584,864
2/14/2014	2/14/2028	4.98%	1,100,000	436,708	663,292
11/1/2014	11/1/2039	2 - 5%	33,000,000	26,130,000	6,870,000
6/1/2015	7/1/2026	1 - 3.2%	3,780,000	1,040,000	2,740,000
6/30/2015	6/1/2024	4.12%	3,623,489	473,591	3,149,898
6/30/2015	6/1/2035	4.12%	6,513,437	6,513,437	-
2/3/2016	1/1/2032	2 - 3%	6,465,000	4,255,000	2,210,000
9/19/2017	7/15/2035	2 - 3.25%	7,005,000	5,380,000	1,625,000
10/3/2017	9/1/2035	1.25 - 3.25%	3,315,000	2,535,000	780,000
8/14/2018	9/27/2023	3.75%	1,000,000	331,525	668,475
* 7/1/2019	12/1/2029	0.00%	6,000,000	5,750,000	250,000
8/20/2019	11/1/2039	3.73%	15,996,406	14,377,843	1,618,563
7/1/2020	3/31/2030	4.00%	1,299,585	968,390	331,195
1/1/2021	12/1/2024	3.25%	37,696	15,352	22,344
7/1/2021	7/1/2031	0.00%	996,450	846,450	150,000
1/1/2022	12/1/2023	3.25%	37,812	9,658	28,154
Unamortized discount			(49,704)	(32,800)	(16,904)
Unamortized premium-bonds			783,471	501,117	282,354
Unamortized premium-note			115,848	94,609	21,239
Totals			<u>\$ 96,135,758</u>	<u>\$ 72,430,955</u>	<u>\$ 23,704,803</u>

\*The terms of this direct placement note were amended on July 1, 2022; the maturity date was extended from 6-30-2028 to 12-1-2029.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Beebe

<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, 2023</u>	<u>Maturities To June 30, 2023</u>
12/1/2012	12/1/2032	1 - 3%	\$ 1,890,000	\$ 1,055,000	\$ 835,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	230,000	1,665,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	5,915,001	2,089,999
5/1/2015	12/1/2035	2 - 4%	12,930,000	9,045,000	3,885,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	6,370,000	2,815,000
8/8/2017	7/1/2032	1.31%	100,000	68,811	31,189
10/18/2017	10/1/2037	3.04%	4,930,498	4,425,511	504,987
Unamortized discount			(91,432)	(55,946)	(35,486)
Unamortized premium			404,190	233,966	170,224
Totals			<u>\$ 39,248,256</u>	<u>\$ 27,287,343</u>	<u>\$ 11,960,913</u>

Arkansas State University Mid-South

<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, 2023</u>	<u>Maturities To June 30, 2023</u>
8/26/2010	2/1/2040	2 - 4.7%	\$ 5,180,000	\$ 3,730,000	\$ 1,450,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	13,420,000	5,090,000
3/15/2018	3/15/2038	3.30%	1,537,658	1,241,119	296,539
9/1/2019	8/31/2023	2.99%	84,997	6,240	78,757
9/1/2022	8/31/2025	2.99%	50,666	41,284	9,382
Unamortized discount			(47,842)	(27,113)	(20,729)
Unamortized premium			112,689	71,371	41,318
Totals			<u>\$ 25,428,168</u>	<u>\$ 18,482,901</u>	<u>\$ 6,945,267</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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, 2023</u>	<u>Maturities To June 30, 2023</u>
12/18/2019	12/1/2032	2.004 - 3.119%	\$ 4,885,000	\$ 3,755,000	\$ 1,130,000
Totals			<u>\$ 4,885,000</u>	<u>\$ 3,755,000</u>	<u>\$ 1,130,000</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, 2023</u>	<u>Maturities To June 30, 2023</u>
12/1/2012	5/1/2028	0.666 - 3.82%	\$ 3,740,000	\$ 1,295,000	\$ 2,445,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,054,998	820,002
8/8/2017	7/1/2032	1.31%	1,000,000	688,108	311,892
10/18/2017	10/1/2037	3.04%	2,951,079	2,648,843	302,236
Unamortized discount			<u>(22,328)</u>	<u>(10,604)</u>	<u>(11,724)</u>
Totals			<u>\$ 9,543,751</u>	<u>\$ 5,676,345</u>	<u>\$ 3,867,406</u>

Arkansas State University Three Rivers

<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, 2023</u>	<u>Maturities To June 30, 2023</u>
2/28/2011	3/1/2026	0.37%	\$ 565,000	\$ 115,518	\$ 449,482
4/25/2014	5/1/2029	0.24%	<u>1,000,000</u>	<u>404,320</u>	<u>595,680</u>
Totals			<u>\$ 1,565,000</u>	<u>\$ 519,838</u>	<u>\$ 1,045,162</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University Jonesboro

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 107,721,146		\$ 7,426,163	\$ 100,294,983	\$ 7,756,162
Notes payable	1,223,096		321,240	901,856	321,482
Leases payable	451,511	\$ 401,138	392,977 *	459,672	142,273
Installment contracts payable	13,582,165		596,360	12,985,805	665,319
Compensated absences	7,172,751	5,317,383	5,161,362	7,328,772	4,812,873
<b>Totals</b>	<b>\$ 130,150,669</b>	<b>\$ 5,718,521</b>	<b>\$ 13,898,102</b>	<b>\$ 121,971,088</b>	<b>\$ 13,698,109</b>

\*Includes early termination of a lease for land in the amount of \$215,021.

Henderson State University

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 42,052,405		\$ 2,244,088	\$ 39,808,317	\$ 2,334,089
Notes payable and bonds from direct placement	33,538,547		1,909,309	31,629,238	1,961,223
Leases payable	1,083,644	\$ 53,244	143,488	993,400	141,744
Compensated absences	1,147,112	694,052	396,974	1,444,190	474,455
<b>Totals</b>	<b>\$ 77,821,708</b>	<b>\$ 747,296</b>	<b>\$ 4,693,859</b>	<b>\$ 73,875,145</b>	<b>\$ 4,911,511</b>

Arkansas State University Beebe

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 24,324,920		\$ 1,531,899	\$ 22,793,021	\$ 1,575,747
Notes payable	75,212		6,401	68,811	6,485
Installment contracts payable	4,554,173		128,662	4,425,511	143,688
Compensated absences	1,189,227	\$ 1,002,943	979,898	1,212,272	980,000
<b>Totals</b>	<b>\$ 30,143,532</b>	<b>\$ 1,002,943</b>	<b>\$ 2,646,860</b>	<b>\$ 28,499,615</b>	<b>\$ 2,705,920</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mid-South

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 17,811,420		\$ 617,162	\$ 17,194,258	\$ 637,163
Notes payable	1,304,310		63,191	1,241,119	65,276
Leases payable	66,971	\$ 50,666	70,113 *	47,524	20,644
Compensated absences	674,609	120,164	80,226	714,547	47,513
<b>Totals</b>	<b>\$ 19,857,310</b>	<b>\$ 170,830</b>	<b>\$ 830,692</b>	<b>\$ 19,197,448</b>	<b>\$ 770,596</b>

\*Includes early termination of a lease for equipment in the amount of \$30,117.

Arkansas State University Mountain Home

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 4,140,000		\$ 385,000	\$ 3,755,000	\$ 390,000
Compensated absences	514,032	\$ 258,081	257,562	514,551	5,195
<b>Totals</b>	<b>\$ 4,654,032</b>	<b>\$ 258,081</b>	<b>\$ 642,562</b>	<b>\$ 4,269,551</b>	<b>\$ 395,195</b>

Arkansas State University Newport

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable	\$ 2,683,280		\$ 343,886	\$ 2,339,394	\$ 353,884
Notes payable	752,121		64,013	688,108	64,851
Installment contracts payable	2,725,853		77,010	2,648,843	86,003
Compensated absences	919,827	\$ 524,950	366,568	1,078,209	625,361
<b>Totals</b>	<b>\$ 7,081,081</b>	<b>\$ 524,950</b>	<b>\$ 851,477</b>	<b>\$ 6,754,554</b>	<b>\$ 1,130,099</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Notes payable	\$ 624,883		\$ 105,045	\$ 519,838	\$ 105,347
Compensated absences	385,954	\$ 221,208	229,599	377,563	27,709
Totals	<u>\$ 1,010,837</u>	<u>\$ 221,208</u>	<u>\$ 334,644</u>	<u>\$ 897,401</u>	<u>\$ 133,056</u>

Refunding of Debt

Jonesboro

On April 28, 2022, the University issued \$13,015,000 in taxable refunding bonds for the Jonesboro campus with interest rates of 2.25 to 4.15 percent to refund \$3,305,000 of outstanding bonds (Series 2012A) dated March 1, 2012 with interest rates of 0.7 to 4.8 percent and to advance refund \$8,755,000 of outstanding bonds (Series 2013A) dated December 1, 2013 with interest rates of 0.864 to 5.779 percent. Net proceeds of \$12,735,486 after payment of \$210,720 for bond issuance costs and a discount of \$68,794 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$2 was transferred from the bond fund of the 2012A issue and \$1 was transferred from the bond fund of the 2013A issue. U.S. Treasury obligations of \$12,735,486 purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012A and 2013A Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012A bonds were called on May 16, 2022 and the 2013A bonds will be called on December 1, 2023. As of June 30, 2023, the outstanding amount of the 2013A bonds was \$8,529,000 and the amount in the escrow account was \$8,511,800.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Total long-term debt principal and interest payments for bonds, notes, and leases are as follows:

Arkansas State University Jonesboro									
Year ended June 30,	Bonds payable		Notes payable		Leases payable*		Installment contracts payable		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 7,756,162	\$ 3,520,653	\$ 321,482	\$ 243	\$ 142,273	\$ 22,868	\$ 665,319	\$ 407,292	***
2025	6,171,162	3,248,115	220,400		115,853	16,155	738,928	384,867	
2026	5,951,162	3,045,263	160,200		78,910	10,716	817,457	360,008	
2027	6,071,162	2,827,687	100,000		83,963	5,663	835,512	332,815	
2028	6,281,162	2,632,171	99,774		38,673	1,203	787,155	307,389	
2029 - 2033	33,673,496	9,687,667					5,287,983	1,082,669	
2034 - 2038	24,900,784	4,060,798					3,853,451	170,225	
2039 - 2043	8,612,619	994,841							
2044	877,274	21,328							
<b>Totals</b>	<b><u>\$ 100,294,983</u></b>	<b><u>\$ 30,038,523</u></b>	<b><u>\$ 901,856</u></b>	<b><u>\$ 243</u></b>	<b><u>\$ 459,672</u></b>	<b><u>\$ 56,605</u></b>	<b><u>\$ 12,985,805</u></b>	<b><u>\$ 3,045,265</u></b>	

\*Additional information on leases payable can be found in Note 4 and Note 6.

\*\*Includes discount amortization of \$5,064 and premium amortization of \$226,226.

\*\*\*Includes interest payable of \$955,432 recorded as a current liability at June 30, 2023.

\*\*\*\*Total principal of \$100,294,983 Includes discount amortization of \$77,149 and premium amortization of \$3,027,132.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

Year ended June 30,	Bonds payable		Notes payable/Bonds from direct placement payable		Leases payable*	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,334,089 **	\$ 1,348,253 ***	\$ 1,961,223 **	\$ 1,008,683 ***	\$ 141,744	\$ 36,957
2025	2,419,088	1,269,041	2,639,049	938,901	134,099	31,581
2026	2,484,088	1,196,603	2,685,772	874,440	136,186	26,224
2027	2,558,030	1,119,866	2,734,209	808,052	143,781	20,658
2028	2,373,030	1,037,205	2,573,554	740,918	151,726	14,742
2029 - 2033	12,544,328	3,895,308	10,003,167	2,751,379	285,864	10,650
2034 - 2038	11,035,392	1,776,788	6,833,432	1,134,816		
2039 - 2040	<u>4,060,272</u>	<u>162,400</u>	<u>2,198,832</u>	<u>123,341</u>		
Totals	<u>\$ 39,808,317</u> ****	<u>\$ 11,805,464</u>	<u>\$ 31,629,238</u> *****	<u>\$ 8,380,530</u>	<u>\$ 993,400</u>	<u>\$ 140,812</u>

\*Additional information on leases payable can be found in Note 4 and Note 6.

\*\*Includes discount amortization of \$2,719 and premium amortization of \$37,599.

\*\*\*Includes interest payable of \$801,771 recorded as a current liability at June 30, 2023.

\*\*\*\*Total principal of \$39,808,317 includes discount amortization of \$32,800 and premium amortization of \$501,117.

\*\*\*\*\*Total principal of \$31,629,238 includes premium amortization of \$94,609.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Beebe

Year ended June 30,	Bonds payable		Notes payable		Installment contracts payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,575,747	* \$ 782,444	** \$ 6,485	\$ 901	** \$ 143,688	\$ 134,535
2025	1,389,923	731,276	6,570	816	161,320	130,167
2026	1,434,923	679,782	6,656	730	178,257	125,263
2027	1,489,922	628,225	6,743	643	197,894	119,844
2028	1,539,923	577,136	6,832	555	216,934	113,828
2029 - 2033	8,540,174	2,046,404	35,525	1,408	1,368,551	460,117
2034 - 2038	6,384,567	559,576			2,158,867	197,993
2039	437,842	15,950				
Totals	<u>\$ 22,793,021</u>	<u>\$ 6,020,793</u>	<u>\$ 68,811</u>	<u>\$ 5,053</u>	<u>\$ 4,425,511</u>	<u>\$ 1,281,747</u>

\*Includes discount amortization of \$3,996 and premium amortization of \$19,743.

\*\*Includes interest payable of \$263,246 recorded as a current liability at June 30, 2023.

\*\*\*Total principal of \$22,793,021 includes discount amortization of \$55,946 and premium amortization of \$233,966.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mid-South

Year ended June 30,	Bonds payable		Notes payable		Leases payable*	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 637,163	** \$ 671,733 ***	\$ 65,276	\$ 40,957 ***	\$ 20,644	\$ 12,876
2025	657,162	650,940	67,430	38,803	20,514	6,486
2026	682,162	626,507	69,656	36,578	6,366	384
2027	707,162	604,033	71,954	34,279		
2028	732,162	576,912	74,329	31,904		
2029 - 2033	4,090,810	2,452,904	410,096	121,070		
2034 - 2038	4,945,810	1,595,482	482,378	48,788		
2039 - 2042	4,741,827	496,485				
Totals	<u>\$ 17,194,258</u> ****	<u>\$ 7,674,996</u>	<u>\$ 1,241,119</u>	<u>\$ 352,379</u>	<u>\$ 47,524</u>	<u>\$ 19,746</u>

\*Additional information on leases payable can be found in Note 4 and Note 6.

\*\*Includes discount amortization of \$1,594 and premium amortization of \$3,756.

\*\*\*Includes interest payable of \$288,493 recorded as a current liability at June 30, 2023.

\*\*\*\*Total principal of \$17,194,258 includes discount amortization of \$27,113 and premium amortization of \$71,371.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home

Year ended June 30,	Bonds payable	
	Principal	Interest
2024	\$ 390,000	\$ 99,972 *
2025	405,000	89,963
2026	415,000	78,684
2027	420,000	67,198
2028	430,000	55,507
2029 - 2033	1,695,000	112,829
Totals	\$ 3,755,000	\$ 504,153

\*Includes interest payable of \$8,411 recorded as a current liability at June 30, 2023.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Newport

Year ended June 30,	Bonds payable		Notes payable		Installment contracts payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 353,884 *	\$ 78,035 **	\$ 64,851	\$ 9,014 **	\$ 86,003	\$ 80,525 **
2025	368,884	65,609	65,701	8,165	96,557	77,910
2026	368,884	52,610	66,561	7,304	106,694	74,975
2027	388,884	39,546	67,433	6,432	118,448	71,731
2028	298,884	25,777	68,317	5,549	129,844	68,131
2029 - 2033	559,974	43,425	355,245	14,082	819,135	275,399
2034 - 2038					1,292,162	118,508
Totals	<u>\$ 2,339,394</u> ***	<u>\$ 305,002</u>	<u>\$ 688,108</u>	<u>\$ 50,546</u>	<u>\$ 2,648,843</u>	<u>\$ 767,179</u>

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

\*\*Includes interest payable of \$79,971 recorded as a current liability at June 30, 2023.

\*\*\*Total principal of \$2,339,394 includes discount amortization of \$10,604.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers

Year ended June 30,	Notes payable	
	Principal	Interest
2024	\$ 105,347	\$ 1,398 *
2025	105,650	1,095
2026	105,954	791
2027	67,467	487
2028	67,629	325
2029	67,791	163
Totals	\$ 519,838	\$ 4,259

\*Includes interest payable of \$304 recorded as a current liability at June 30, 2023.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6: Leases

A. Leases Payable

The net value of assets held under leases totaled \$1,402,835 at June 30, 2023. Leases are amortized using the straight-line method. The details of the leases are as follows:

Arkansas State University Jonesboro

Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Office Space	12/1/2014	11/30/2024	3.25%	\$ 563,810	\$ 479,238	\$ 84,572
Farm Equipment	8/20/2020	8/20/2024	3.25%	43,428	31,060	12,368
Equipment	9/29/2022	9/29/2028	6.25%	74,684	9,336	65,348
Office Space	11/1/2022	10/31/2027	6.25%	319,745	42,634	277,111
Total				<u>\$ 1,001,667</u>	<u>\$ 562,268</u>	<u>\$ 439,399</u>

Henderson State University

Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Office Space	7/1/2020	3/31/2030	4.00%	\$ 1,299,585	\$ 399,872	\$ 899,713
Office Space	1/1/2021	12/1/2024	3.25%	37,696	23,560	14,136
Airport	1/1/2022	12/1/2023	3.25%	37,812	28,359	9,453
Total				<u>\$ 1,375,093</u>	<u>\$ 451,791</u>	<u>\$ 923,302</u>

Arkansas State University Mid-South

Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Copiers	9/1/2019	8/31/2023	2.99%	\$ 84,997	\$ 81,455	\$ 3,542
Printers	9/1/2022	8/31/2025	2.99%	50,666	14,074	36,592
Total				<u>\$ 135,663</u>	<u>\$ 95,529</u>	<u>\$ 40,134</u>

B. Leases Receivable

Arkansas State University Jonesboro

The University has three ground leases with outside parties. The deferred inflow for the leases are amortized using the straight-line method. Below are the details of each lease and a summary of the amounts:

On February 26, 2016, the University entered into a ground lease agreement with Hotel Partners, LLC to construct and operate a hotel, convention center, and restaurant on approximately 11 acres of land owned by the University. Hotel Partners, LLC is responsible for all construction costs, maintenance costs and operational costs of the project. The University began receiving rent annually for the use of the land beginning in fall 2022. The University will receive \$416,650 annually for two years and then will receive \$250,000 for each of the following years. The term of the lease is fifty years plus four (4) options for an additional ten (10 years) each.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6: Leases (Continued)

B. Leases Receivable (Continued)

Arkansas State University Jonesboro (Continued)

On July 21, 2016, the University entered into an agreement with ZP NO. 315, LLC (Zimmer) to construct and operate undergraduate and graduate student housing facilities on approximately 13 acres of land owned by the University. Zimmer is responsible for all construction costs, maintenance costs and operational costs of the housing. The University began receiving rent annually for the use of the land beginning in fall 2017. The term of the lease is thirty-five years. The lease provides an option for the University, not an obligation, to acquire Zimmer's interest in the property from and after the tenth anniversary of the rent commencement date. On the fifth (5th) anniversary of the rent commencement date and every five years thereafter, base rent shall be increased on a percentage basis equal to the lesser of five percent or the average percentage increase of rents payable by tenants across all on-campus apartment housing. In fiscal year 2023, the amount received annually for the undergraduate housing increased from \$200,004 to \$210,000. In fiscal year 2023, the amount received annually for the graduate housing increased from \$105,000 to \$110,256.

The amount of principal and interest and amortization of deferred inflows for the next five years and in five year increments are:

Year ended June 30,	Principal	Interest	Amortization of Deferred Inflow
2024	\$ 282,049	\$ 454,857	\$ 249,120
2025	127,387	442,869	249,120
2026	131,978	438,278	249,120
2027	136,735	433,521	249,120
2028	141,665	428,591	249,120
2029 - 2033	788,750	2,062,530	1,245,600
2034 - 2038	941,712	1,909,568	1,245,600
2039 - 2043	1,124,501	1,726,779	1,245,600
2044 - 2048	1,342,961	1,508,319	1,245,601
2049 - 2053	1,278,676	1,252,351	1,063,196
2054 - 2058	107,075	1,142,925	333,545
2059 - 2063	135,036	1,114,964	333,545
2064 - 2068	170,303	1,079,697	333,545
2069 - 2073	214,779	1,035,221	333,545
2074 - 2078	270,870	979,130	333,547
2079 - 2083	341,612	908,388	333,550
2084 - 2088	430,826	819,174	333,550
2089 - 2093	543,339	706,661	333,550
2094 - 2098	685,239	564,761	333,550
2099 - 2103	864,197	385,803	333,550
2104 - 2108	1,089,890	160,110	333,550
Totals	<u>\$ 11,149,580</u>	<u>\$ 19,554,497</u>	<u>\$ 10,960,224</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6: Leases (Continued)

B. Leases Receivable (Continued)

Henderson State University

The University has two building subleases with outside parties. The deferred inflow for the leases are amortized using the straight-line method. Below are the details of each lease and a summary of the amounts:

On July 1, 2020, the University entered into a building sublease agreement with the Arkansas Department of Commerce-Division of Workforce Services-Rehabilitation Services to sublease 5,462 square feet of a building that Henderson State University leases. The University will receive \$857,370 over the term of the lease. The lease ends on March 31, 2030.

On September 1, 2020, the University entered into a building sublease agreement with the Arkansas Department of Commerce-Division of Workforce Services to sublease 4,501 square feet of a building that Henderson State University leases. The University will receive \$703,731 over the term of the lease. The lease ends on March 31, 2030.

The amount of principal and interest and amortization of deferred inflows for the next five years and in five year increments are:

Year ended June 30,	Principal	Interest	Amortization of Deferred Inflow
2024	\$ 121,935	\$ 36,516	\$ 133,558
2025	128,898	31,532	133,558
2026	136,186	26,224	133,558
2027	143,781	20,658	133,558
2028	151,725	14,742	133,558
2029 - 2030	285,865	10,650	233,726
Totals	<u>\$ 968,390</u>	<u>\$ 140,322</u>	<u>\$ 901,516</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2023:

Project Title	Estimated Completion Date	Contract Balance
<u>Arkansas State University Jonesboro</u>		
Collegiate Park Stairwell	August 2023	\$ 76,468
Kays Hall Shower Valves	August 2023	258,819
Northpark Quads Parking Lot	August 2023	437,855
Farmers Market	September 2023	437,664
College of Business Variable Air Unit Replacement	October 2023	96,737
First National Bank Arena Retaining Wall	October 2023	65,789
Math and Statistics Offices	October 2023	154,874
ABI Boiler Replacement	December 2023	61,763
Repairs due to December 2022 Ice Storm	December 2023	750,592
Dean Street Lighting and Cameras	December 2023	96,819
First National Bank Arena Air Handler Unit Phase I	December 2023	53,559
Lab Science West Fire Alarm Replacement	December 2023	77,160
Student Union Elevator	December 2023	99,128
Student Union Roof Phase I	December 2023	128,031
ABI First Floor Exhaust Upgrades	March 2024	252,461
Campus Lighting Phase III	March 2024	103,000
Kays Hall Structural Inspection	March 2024	83,700
Security Cameras for Entrances	March 2024	70,439
Demolition of Buildings	May 2024	3,320,000
Library Security Access	June 2024	187,777
Quapaw Road Closure and Lighting	August 2024	85,979
ABI Cage Washer	November 2024	413,356
Student Union Security Access	December 2024	209,887
Windgate Hall	December 2025	57,060
Village Apartments Exterior Repairs	December 2026	376,521

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7: Commitments (Continued)

Continued	Estimated Completion Date	Contract Balance
Project Title		
<u>Henderson State University</u>		
Caddo Center	April 2024	\$ 3,862,889
Barkman House	April 2024	850,000
<u>Arkansas State University Beebe</u>		
One-Stop Project	September 2023	622,900
<u>Arkansas State University Mid-South</u>		
FedEx Renovations	August 2023	349,847
Reynolds/University Center Chillers	March 2024	420,875
<u>Arkansas State University Mountain Home</u>		
Tech Center Addition and Renovation	December 2023	827,900
<u>Arkansas State University Newport</u>		
Commercial Driver Track Repairs	August 2023	360,564
<u>Arkansas State University Three Rivers</u>		
New Nursing Building	August 2025	500,000

NOTE 8: Retirement Plans

**Defined Contribution Plans**

**Teachers Insurance and Annuity Association (TIAA)**

Plan Description

The University participates in TIAA, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by TIAA. The plan offers fixed annuities, variable annuities, and mutual funds. Arkansas law authorizes participation in the plan.

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Mid-South campus contributes 14% of earnings for employees hired prior to July 1, 2016. The Three Rivers campus contributes 14% of earnings for all eligible employees. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2023, \$132,035 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2023 were \$12,197,306 and \$10,383,913 respectively.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

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

Plan Description

The Jonesboro, Beebe, Mountain Home, Newport, and Three Rivers campuses participate in VALIC, a defined contribution plan. The plan is a 403(b) program as defined by the Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. The plan also offers fixed annuities, variable annuities and mutual funds. Arkansas law authorizes participation in the plan.

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Three Rivers campus contributes 14% of earnings for all eligible employees. Current participants may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2023, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2023 were \$1,060,156 and \$798,549, respectively.

**VOYA**

Plan Description

The Mid-South campus participates in VOYA, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is through VOYA. The plan offers fixed and variable annuities. Arkansas law authorizes participation in the plan.

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The campus contributes 14% of earnings for employees hired prior to July 1, 2016. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2023, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2023 were \$151,959 and \$76,873, respectively.

**Defined Benefit Pension Plans**

The University's defined benefit pension plan information includes Arkansas Teacher Retirement System and Arkansas Public Employees Retirement System. Following are the details and summary of the plans.

**Plan Descriptions**

Arkansas Teacher Retirement System

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.artrs.gov/publications>.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

**Defined Benefit Pension Plans (Continued)**

Arkansas Public Employees Retirement System

The University (other than the Mid-South and Mountain Home campuses) 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**

Arkansas Teacher Retirement System

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 actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members, as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

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

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credit. 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 contributions and accumulation of service credit will cease once a member enters T-DROP. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits will be calculated beginning with the member's plan benefit reduced by 1% for each year of credited service. The Board of Trustees may authorize early participation in T-DROP for members with at least 28 years but less than 30 years of credited service. The plan deposit for early participation will be calculated the same as the regular T-DROP deposit with a further reduction of at least .5% but not more than 1% for each month of credited service under 30 years. 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, roll it into another tax-deferred account, or defer the distribution into a T-DROP cash balance account held by ATRS.

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.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

**Benefits Provided (Continued)**

Arkansas Teacher Retirement System (Continued)

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 or more of actual service. The minimum benefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and years of contributory service up to a \$10,000 maximum.

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. This became effective on July 1, 2011 for the Jonesboro, Beebe, Mountain Home and Newport campuses and Henderson State University. This was effective for the Mid-South campus on June 8, 2015 and the Three Rivers campus on December 31, 2019.

The University reported payables to ATRS in the amount of \$91,594 as of June 30, 2023. This amount has been reported on the Statement of Net Position as a current liability.

Arkansas Public Employees Retirement System

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits under the following conditions:

- At any age with 28 years of credited service,
- At age 65 with 5 years of actual service except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly, or
- At age 55 with 35 years of credited service as an elected or public safety member.

The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. The plan also provides for disability and survivor benefits.

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. This became effective on January 1, 2012 for the Jonesboro, Beebe, Mountain Home and Newport campuses. This was effective for Henderson State University on July 1, 2018 and the Three Rivers campus on December 31, 2019. The Mid-South campus did not participate in this plan.

The University reported payables to APERS in the amount of \$27,063 as of June 30, 2023. This amount has been reported on the Statement of Net Position as a current liability.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

**Contributions**

**Arkansas Teacher Retirement System**

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 907 of 1999, effective July 1, 1999, requires all new under contract for 181 or more days to be contributory. Act 443 of 2021, effective July 1, 2021, increased the required number of contract days to 185 or more days. Act 385 of 2005 allows noncontributory members 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 15% for the fiscal year ending June 30, 2023. Contributory members are required to contribute 7% 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.

**Arkansas Public Employees Retirement System**

Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan.

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

Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023.

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

The collective net pension liability of \$7,974,814,421 (\$5,278,430,954 related to ATRS and \$2,696,383,467 related to APERS) was measured as of June 30, 2022, 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, 2023, the University reported a liability of \$18,877,651 (\$10,280,864 related to ATRS and \$8,596,787 related to APERS) for its proportionate share of the net pension liability. At June 30, 2022, the University's proportion of the collective net pension liability was 0.19% for ATRS and 0.32% for APERS.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (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, 2023, the University recognized total pension expense of (\$1,219,542). (\$898,364) of this amount was related to ATRS and (\$321,178) was related to APERS. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>ATRS</b>		
Differences between expected and actual experience	\$ 198,160	\$ 22,130
Changes of assumptions	1,066,743	
Net difference between projected and actual earnings on pension plan investments	1,504,737	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,602	2,989,430
Contributions subsequent to the measurement date	886,189	
Totals	\$ 3,658,431	\$ 3,011,560
<b>APERS</b>		
Differences between expected and actual experience	\$ 206,352	\$ 103,793
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	1,813,505	
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,806	2,164,643
Contributions subsequent to the measurement date	781,854	
Totals	\$ 2,809,517	\$ 2,268,436
<b>Totals</b>		
Differences between expected and actual experience	\$ 404,512	\$ 125,923
Changes of assumptions	1,066,743	-
Net difference between projected and actual earnings on pension plan investments	3,318,242	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,408	5,154,073
Contributions subsequent to the measurement date	1,668,043	
Totals	\$ 6,467,948	\$ 5,279,996

The above amount of \$1,668,043 was reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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,	ATRS	APERS	Total
2024	\$ (409,724)	\$ (664,175)	\$ (1,073,899)
2025	(282,442)	(513,848)	(796,290)
2026	(554,145)	(327,468)	(881,613)
2027	1,006,993	1,264,718	2,271,711

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

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

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2022 for both ATRS and APERS. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees and the APERS Board of Trustees were as follows:

	<u>ATRS</u>	<u>APERS</u>
Actuarial cost method	Entry age normal; funding to retirement	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll, closed
Remaining amortization period	30 years	25 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor	4-year smoothed market; 25% corridor
Discount rate	7.25%	7.15%
Wage inflation	2.75%	3.25%
Salary increases	2.75 – 7.75%	3.25 – 9.85%
Investment rate of return	7.25%	7.15%* *Net of investment and administrative expenses

Mortality rate table

**ATRS**

Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

<u>Table</u>	<u>Scaling Factor</u>	
	<u>Males</u>	<u>Females</u>
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

**APERS**

RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The actuarial assumptions used in the June 30, 2022 valuation for ATRS were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

All other actuarial assumptions used in the June 30, 2022 valuation for APERS were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

**Investment Rate of Return**

The investment rate of return was developed for each plan as follows:

**Arkansas Teacher Retirement System**

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, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Total equity	53%	5.3%
Fixed income	15%	1.3%
Alternatives	5%	4.8%
Real assets	15%	4.0%
Private equity	12%	7.6%
Cash equivalents	<u>0%</u>	0.5%
Total	<u>100%</u>	

**Arkansas Public Employees Retirement System**

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 current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 - 2029 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	37%	6.22%
International equity	24%	6.69%
Real assets	16%	4.81%
Absolute return	5%	3.05%
Domestic fixed	<u>18%</u>	0.57%
Total	<u>100%</u>	

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8: Retirement Plans (Continued)

**Discount Rate**

**Arkansas Teacher Retirement System**

A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates as of June 30, 2023 were 7% and 15% of active member payroll, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. 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 Public Employees Retirement System**

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

**Sensitivity of the 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, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Rate	1% Decrease	Rate	Current Discount Rate	Rate	1% Increase
University's proportionate share of the net pension liability						
A TRS	6.25%	\$ 16,343,255	7.25%	\$ 10,280,864	8.25%	\$ 5,251,283
APERS	6.15%	\$ 13,667,320	7.15%	\$ 8,596,787	8.15%	\$ 4,410,607

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2023 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self- insurance	Depreciation	Other	Total
Instruction	\$ 86,290,572	\$ 2,355,851	\$ 14,701,947				\$ 103,348,370
Research	5,296,648	449,192	2,464,989				8,210,829
Public service	14,175,057	710,296	16,612,881				31,498,234
Academic support	16,149,273	107,442	9,193,292				25,450,007
Student services	17,930,683	727,212	5,389,892				24,047,787
Institutional support	23,487,293	10,853	13,066,309				36,564,455
Scholarships and fellowships		9,004,245					9,004,245
Operation and maintenance of plant	11,070,607		29,505,790				40,576,397
Auxiliary enterprises	10,125,091	8,169,383	23,178,462				41,472,936
Self-insurance				\$ 24,694,849			24,694,849
Depreciation and amortization					\$ 32,485,673		32,485,673
Other						\$ 129,923	129,923
Totals	<u>\$ 184,525,224</u>	<u>\$ 21,534,474</u>	<u>\$ 114,113,562</u>	<u>\$ 24,694,849</u>	<u>\$ 32,485,673</u>	<u>\$ 129,923</u>	<u>\$ 377,483,705</u>

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2023 as reported in the Statement of Net Position, were as follows:

Arkansas State University Jonesboro

	Current	Noncurrent	Total
Student receivables, net	\$ 3,610,423		\$ 3,610,423
Grants and contracts	5,942,129		5,942,129
Construction projects	130,341	\$ 135,716	266,057
Travel advances/repayments	21,172		21,172
Auxiliary enterprises	1,816,477		1,816,477
Direct lending	2,819		2,819
Miscellaneous	4,366,796	3,812	4,370,608
Totals	<u>\$ 15,890,157</u>	<u>\$ 139,528</u>	<u>\$ 16,029,685</u>

Henderson State University

	Current	Noncurrent	Total
Student receivables, net	\$ 2,874,583		\$ 2,874,583
Grants and contracts	1,000,598		1,000,598
Auxiliary enterprises	96,851		96,851
Direct lending	3,464		3,464
Miscellaneous	206,573	\$ 108,849	315,422
Totals	<u>\$ 4,182,069</u>	<u>\$ 108,849</u>	<u>\$ 4,290,918</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Beebe			
	Current	Noncurrent	Total
Student receivables, net	\$ 870,776		\$ 870,776
Grants and contracts	722,799		722,799
Sales and use tax	217,353		217,353
Miscellaneous	18,157		18,157
<b>Totals</b>	<b>\$ 1,829,085</b>	<b>\$ -</b>	<b>\$ 1,829,085</b>

Arkansas State University Mid-South

	Current	Noncurrent	Total
Student receivables, net	\$ 114,544		\$ 114,544
Grants and contracts	2,486,908		2,486,908
Construction projects	263,778		263,778
Travel advances/repayments	365		365
Auxiliary enterprises	3,218		3,218
Property tax accrual		\$ 1,741,762	1,741,762
Miscellaneous	329,772		329,772
<b>Totals</b>	<b>\$ 3,198,585</b>	<b>\$ 1,741,762</b>	<b>\$ 4,940,347</b>

Arkansas State University Mountain Home

	Current	Noncurrent	Total
Student receivables, net	\$ 183,744		\$ 183,744
Grants and contracts	939,379		939,379
Property tax accrual	977,034		977,034
Auxiliary enterprises	3,332		3,332
Direct lending	1,312		1,312
Sales tax rebates	27,078		27,078
Miscellaneous	272,125		272,125
<b>Totals</b>	<b>\$ 2,404,004</b>	<b>\$ -</b>	<b>\$ 2,404,004</b>

Arkansas State University Newport

	Current	Noncurrent	Total
Student receivables, net	\$ 2,815,454		\$ 2,815,454
Grants and contracts	1,044,804		1,044,804
Sales and use tax	121,624		121,624
Construction projects	100,229		100,229
Direct lending	14,252		14,252
Miscellaneous	12,558		12,558
<b>Totals</b>	<b>\$ 4,108,921</b>	<b>\$ -</b>	<b>\$ 4,108,921</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Three Rivers

	Current	Noncurrent	Total
Student receivables, net	\$ 334,195		\$ 334,195
Grants and contracts	643,119		643,119
Miscellaneous	285,026		285,026
<b>Totals</b>	<b>\$ 1,262,340</b>	<b>\$ -</b>	<b>\$ 1,262,340</b>

Arkansas State University System

	Current	Noncurrent	Total
Student receivables, net	\$ 10,803,719		\$ 10,803,719
Grants and contracts	12,779,736		12,779,736
Sales and use tax	338,977		338,977
Construction projects	494,348	\$ 135,716	630,064
Travel advances/repayments	21,537		21,537
Property tax accrual	977,034	1,741,762	2,718,796
Auxiliary enterprises	1,919,878		1,919,878
Direct lending	21,847		21,847
Sales tax rebates	27,078		27,078
Miscellaneous	5,491,007	112,661	5,603,668
<b>Totals</b>	<b>\$ 32,875,161</b>	<b>\$ 1,990,139</b>	<b>\$ 34,865,300</b>

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$2,629,648 at June 30, 2023. 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 for vending, bookstore and other types of auxiliaries. Direct lending receivables are federal loans that have been disbursed to students but the University has not yet received the cash.

Notes and Deposits Receivable at June 30, 2023 were as follows:

Arkansas State University Jonesboro

	Current	Noncurrent	Total
Notes receivable, net	\$ 471,937	\$ 1,413,243	\$ 1,885,180
Deposits receivable	2,346	5,759	8,105
<b>Totals</b>	<b>\$ 474,283</b>	<b>\$ 1,419,002</b>	<b>\$ 1,893,285</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10: Receivable and Payable Balances (Continued)

Henderson State University

	Current	Noncurrent	Total
Notes receivable, net	\$ 113,281	\$ 516,244	\$ 629,525
Deposits receivable	15,726		15,726
Totals	\$ 129,007	\$ 516,244	\$ 645,251

Arkansas State University System

	Current	Noncurrent	Total
Notes receivable, net	\$ 585,218	\$ 1,929,487	\$ 2,514,705
Deposits receivable	18,072	5,759	23,831
Totals	\$ 603,290	\$ 1,935,246	\$ 2,538,536

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2023 was reduced by an allowance for doubtful accounts of \$96,989 for the current portion and \$190,441 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2023 are detailed below:

Arkansas State University Jonesboro

	Current	Noncurrent	Total
Vendors	\$ 3,878,485		\$ 3,878,485
Health claims	1,650,500		1,650,500
Salaries and other payroll related items	1,807,302		1,807,302
Miscellaneous	59,860		59,860
Totals	\$ 7,396,147	\$ -	\$ 7,396,147

Henderson State University

	Current	Noncurrent	Total
Vendors	\$ 910,241		\$ 910,241
Sales tax/use tax	7,244		7,244
Salaries and other payroll related items	253,488		253,488
Miscellaneous	309,645		309,645
Totals	\$ 1,480,618	\$ -	\$ 1,480,618

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Beebe

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 216,067		\$ 216,067
Sales tax/use tax	47		47
Salaries and other payroll related items	330,800		330,800
Miscellaneous	111,271		111,271
	<u>658,185</u>		<u>658,185</u>
Totals	<u>\$ 658,185</u>	<u>\$ -</u>	<u>\$ 658,185</u>

Arkansas State University Mid-South

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 1,030,143		\$ 1,030,143
Students	1,500		1,500
Sales tax/use tax	29		29
Arkansas Delta Training and Education Consortium	261,661		261,661
Salaries and other payroll related items	420,742		420,742
Miscellaneous	33,461		33,461
	<u>1,747,536</u>		<u>1,747,536</u>
Totals	<u>\$ 1,747,536</u>	<u>\$ -</u>	<u>\$ 1,747,536</u>

Arkansas State University Mountain Home

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 213,712		\$ 213,712
Students	742		742
Salaries and other payroll related items	203,551		203,551
	<u>418,005</u>		<u>418,005</u>
Totals	<u>\$ 418,005</u>	<u>\$ -</u>	<u>\$ 418,005</u>

Arkansas State University Newport

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 220,156		\$ 220,156
Students	9,114		9,114
Sales tax/use tax	2,367		2,367
Salaries and other payroll related items	144,452		144,452
	<u>376,089</u>		<u>376,089</u>
Totals	<u>\$ 376,089</u>	<u>\$ -</u>	<u>\$ 376,089</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Three Rivers

	Current	Noncurrent	Total
Vendors	\$ 142,207		\$ 142,207
Salaries and other payroll related items	213,423		213,423
Miscellaneous	27,408		27,408
Totals	\$ 383,038	\$ -	\$ 383,038

Arkansas State University System

	Current	Noncurrent	Total
Vendors	\$ 6,611,011		\$ 6,611,011
Students	11,356		11,356
Sales tax/use tax	9,687		9,687
Health claims	1,650,500		1,650,500
Arkansas Delta Training and Education Consortium	261,661		261,661
Salaries and other payroll related items	3,373,758		3,373,758
Miscellaneous	541,645		541,645
Totals	\$ 12,459,618	\$ -	\$ 12,459,618

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 (OPEB)

Plan Description

The University's defined benefit OPEB plan, ASU System OPEB Plan (the Plan), provides postemployment benefits to all employees who officially retire from the University and meet certain age- and service-related requirements. The Plan is a single-employer defined benefit OPEB plan administered by the University. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75.

Benefits Provided

For campuses other than Henderson State University, employees shall become eligible for early retirement benefits at the earlier of (1) age sixty (60) with ten (10) years of continuous service or (2) age fifty-five (55) and at least seventy (70) age plus continuous service points. For Henderson State University, employees shall become eligible for early retirement benefits at age fifty-five (55) and at least seventy (70) age plus continuous service points. Certain employees who retire under a voluntary retirement window approved by the Board of Trustees of Arkansas State University are also eligible for benefits.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12: Other Postemployment Benefits (OPEB) (Continued)

Benefits Provided (Continued)

Employees electing retirement will receive the following benefits:

- Medical benefits – Pre-Medicare benefits are available to retirees and their eligible dependents (if covered at the time the employee retires) under the Arkansas Blue Advantage Plan.
- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives an amount equal to 1.5 times the retiree’s final salary immediately prior to retirement, rounded to the next highest multiple of \$1,000. The maximum benefit is \$50,000. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65. Certain retirees from the Mid-South campus are eligible for a life insurance benefit that continues beyond age 65 for the lifetime of the retiree. For Henderson State University employees retiring prior to January 1, 2022, the beneficiary of a retiree who dies prior to age 65 receives \$20,000. After age 65 but before age 70, retirees can elect to pay the full cost of life insurance benefits. Dependents of retirees are eligible for a death benefit of \$2,000. Benefits are not payable after the retiree attains age 65.

Medical contributions are set based on campus and retirement date as shown below. For Henderson State employees retiring prior to July 1, 2022, benefits end for both the retiree and spouse when the retiree reaches Medicare eligibility. For all others, spouses may continue coverage beyond the retiree’s Medicare eligibility until the spouse becomes Medicare-eligible by paying 100% of the employee plus employer cost for Employee Only coverage. The 2023 monthly retiree contributions by plan are shown below.

Plan	Retiree only	Retiree plus spouse	Spouse only
<u>Non-Henderson State Retirees</u>			
Classic Plan	\$ 314.00	\$ 620.50	\$ 628.00
Premier Plan	\$ 324.00	\$ 639.00	\$ 648.00
HSA Plan	\$ 284.00	\$ 562.00	\$ 568.00
<u>Henderson State employees retiring prior to July 1, 2022</u>			
Classic Plan	\$ 106.00	\$ 385.00	n/a
Premier Plan	\$ 126.00	\$ 422.00	n/a
HSA Plan	\$ 46.00	\$ 268.00	n/a
<u>Henderson State employees retiring on or after July 1, 2022</u>			
Classic Plan	\$ 628.00	\$ 1,241.00	\$ 628.00
Premier Plan	\$ 648.00	\$ 1,278.00	\$ 648.00
HSA Plan	\$ 568.00	\$ 1,124.00	\$ 568.00

No contributions are required for the life insurance benefit.

For campuses other than Henderson State University and Three Rivers, employees hired on or after January 1, 2019 are not eligible to receive these postemployment benefits. For Henderson State University, employees hired after July 1, 2015 are not eligible to receive these postemployment benefits. For Three Rivers, employees hired after January 1, 2020 are not eligible to receive these postemployment benefits.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12: Other Postemployment Benefits (OPEB) (Continued)

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

	Medical benefits	Life insurance benefits*
<u>Active employees</u>		
Fully eligible	507	
Not yet fully eligible	913	
	1,420	
<u>Retired employees</u>		
Retirees	106	149
Spouses	27	85
Surviving spouses	7	n/a
	140	234
 Totals	1,560	234

\*All active eligible employees are assumed to be in the retiree life insurance program.

Total OPEB Liability

The University's total OPEB liability of \$10,970,624 was measured as of June 30, 2023 and determined by an actuarial valuation dated January 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.09% for June 30, 2022 measurement date and fiscal 2023 expense development
	4.13% for June 30, 2023 measurement date
Inflation rate	2.00%
Salary increases	3.00% per year
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees.
	Mortality includes a generational projection for future mortality improvements using Scale MP-2021.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12: Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Healthcare cost trend rates                      Healthcare costs are assumed to increase each year according to the rates shown below.

Year	Medical	Rx	Blended
2023	5.50%	7.50%	6.00%
2024	6.70%	7.90%	7.00%
2025	6.50%	6.50%	6.50%
2026	6.30%	6.30%	6.30%
2027	6.00%	6.00%	6.00%
2028	5.80%	5.80%	5.80%
2029	5.60%	5.60%	5.60%
2030	5.30%	5.30%	5.30%
2031 - 2032	5.10%	5.10%	5.10%
2033	5.00%	5.00%	5.00%
2034 - 2037	4.90%	4.90%	4.90%
2038 - 2044	4.80%	4.80%	4.80%
2045 and beyond	4.70%	4.70%	4.70%

The discount rate is based on the S & P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Mortality rates were selected based on recent research by the Society of Actuaries (SOA) since plan experience alone is not credible.

Healthcare trend rates are developed each year consistent with Lockton’s near-term expectations and the SOA Getzen Long-Term Healthcare Cost Trend model.

The salary scale was set based on a combination of plan sponsor expectations of future payroll increases and historical pay increases for the employees covered by the plan.

The retirement rates, termination rates, spousal assumptions, participation rates, and plan selection were set based on a review of plan experience from 2019 to 2021.

Aging factors were set based on a combination of Lockton proprietary data and SOA research “Health Care Costs – From Birth to Death”.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12: Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study from January 1, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	\$ 10,392,160
Changes for the year:	
Service cost	377,137
Interest	428,262
Differences between expected and actual experience	339,216
Changes in assumptions or other inputs*	36,599
Benefit payments	(602,750)
Net changes	578,464
Balance, June 30, 2023	\$ 10,970,624

\*The discount rate was updated from 4.09% as of June 30, 2022 to 4.13% as of June 30, 2023 to reflect the current economic environment, and is based solely on the S & P Municipal Bond Index rather than an average of three indices.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the University using the discount rate of 4.13%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB Liability	\$ 11,627,451	\$ 10,970,624	\$ 10,364,090

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 6.00% decreasing to 4.70%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00% decreasing to 3.70%) or 1 percentage point higher (7.00% decreasing to 5.70%) than the current rate:

	1% Decrease (5.00% decreasing to 3.70%)	Current Healthcare Cost Trend Rates (6.00% decreasing to 4.70%)	1% Increase (7.00% decreasing to 5.70%)
Total OPEB Liability	\$ 10,245,254	\$ 10,970,624	\$ 11,788,704

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12: Other Postemployment Benefits (OPEB) (Continued)

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

For the year ended June 30, 2023, the University recognized OPEB expense of (\$2,072,371). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,055,781	\$ (4,938,520)
Changes of assumptions or other inputs	211,730	(3,217,010)
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
	<u>\$ 1,267,511</u>	<u>\$ (8,155,530)</u>
Totals	<u>\$ 1,267,511</u>	<u>\$ (8,155,530)</u>

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

Fiscal Year Ending June 30,	Amount
2024	\$ (2,892,806)
2025	(2,817,760)
2026	(1,200,392)
2027	22,939
Total	<u>\$ (6,888,019)</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 Arkansas Blue Advantage Administrators.

At June 30, 2023, approximately 4,336 active employees, their dependents, former employees and retirees were participating in the program. The University offers three health plans: the Classic Plan which uses the Arkansas True-Blue network, the Premium Plan, and the Health Savings Plan which both use the Arkansas True-Blue network and the National Blue Care network. For those participating in single coverage, the University pays 84% of the total premium. The University pays 74% of the total premium for those participating in full family coverage, 70% for those participating in employee & spouse coverage, and 69% for those participating in employee and children coverage. Retirees (for campuses other than Henderson State University), including early retirees, pay 50% of their coverage and the University covers the other 50%. Henderson State University retirees pay the same rates as active employees. The University does not offer insurance to retirees or their spouses who are eligible for Medicare. A retiree's 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.

The University estimates its unpaid health claims liability at June 30, 2023 to be \$1,650,500 with Arkansas Blue Advantage Administrators. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by Lockton. Details of this liability are shown below.

Unpaid Claims Liability

	FY 2023	FY 2022
Unpaid claims and claims adjustment expenses at beginning of year	\$ 1,791,700	\$ 1,543,100
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	18,530,463	16,906,615
Adjustment in provision for insured events of prior years		
Total incurred claims and claim adjustment expenses	20,322,163	18,449,715
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	16,879,963	15,114,915
Claims and claim adjustment expenses attributable to insured events of prior years	1,791,700	1,543,100
Total payments	18,671,663	16,658,015
Total unpaid claims and claims adjustment expenses at end of year	\$ 1,650,500	\$ 1,791,700

The University purchases specific reinsurance to reduce its exposure to large claims. Wellpoint is the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$300,000.

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 cash or investments. Investments reported at fair value, include bonds/fixed income securities, mutual funds and other managed investments. The endowment net position at June 30, 2023 was \$14,724,045. Of this amount, \$13,601,045 was nonexpendable and the remaining \$1,122,611 was expendable.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 14: Endowment Funds (Continued)

Arkansas State University Jonesboro (Continued)

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, 2023 were \$825,631. Of this amount, \$752,720 was nonexpendable and the remaining \$72,911 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, 2023

NOTE 15: Pledged Revenues

The University's pledged revenues at June 30, 2023 are as follows:

Arkansas State University Jonesboro

	Issue Date	Maturity Date	Purpose	Revenue Pledged	Gross Revenue	Amount Issued	Principal Paid	Interest Paid	Principal Outstanding	Interest Outstanding	Revenue Pledged
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Student Union and Parking Garage	Student Union Fee/Parking Fees	\$ 3,115,522	\$ 19,230,000	\$ 1,439,999	\$ 167,750	\$ 1,915,000	\$ 115,750	51.60%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,315,845	3,425,000	120,000	92,606	2,305,000	694,544	16.16%
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	110,000	50,556	1,465,000	307,881	0.18%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,315,845	1,500,000	55,000	31,725	990,000	252,488	6.59%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall and Construction of Family Housing Phase II	Housing Fees	4,326,931	28,895,000	1,285,000	710,000	17,710,000	4,271,025	46.11%
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	340,000	574,550	11,965,000	7,066,794	1.04%
Series 2016 Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Student Fee-Construction of Recreation Center	Recreation Center Fee	1,368,926	13,870,000	550,000	396,956	10,380,000	2,897,044	69.18%

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Jonesboro (Continued)

	Issue Date	Maturity Date	Purpose	Revenue Pledged	Gross Revenue	Amount Issued	Principal Paid	Interest Paid	Principal Outstanding	Interest Outstanding	Revenue Pledged
Series 2016 Housing Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Housing-Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park	Housing Fees	\$ 3,005,456	\$ 23,150,000	\$ 1,350,000	\$ 612,713	\$ 14,655,000	\$ 4,224,500	65.30%
Series 2017 Housing Refunding	12/20/2017	3/1/2039	Refinance Series 2009 and Series 2010 Refunding-Construction of Living Learning Community, Red Wolf Den Commons, housing deferred maintenance and refinancing Family Housing Phase I (Series 2001)	Housing Fees	1,866,328	11,740,000	555,000	336,175	8,585,000	2,331,269	47.75%
Series 2019 Refunding	12/18/2019	3/1/2030	Refinance Series 2010A Refunding-Track Facility (Series 2001)	Gross Tuition and Fees	see below	1,640,000	160,000	30,394	1,040,000	95,619	0.22%
Series 2019 Taxable Housing Refunding	12/18/2019	3/1/2042	Refinance Series 2012C Taxable Housing-Construction of sorority housing	Housing Fees	853,310	3,750,000	125,000	110,627	3,250,000	1,243,963	27.61%
Series 2021 Taxable Housing Refunding	3/15/2021	3/1/2042	Refinance Series 2012A Taxable Housing-Construction of sorority housing and refinance Series 2012B and Series 2012D Housing-construction of honors housing	Housing Fees	1,176,542	11,670,000	475,000	237,651	10,710,000	2,842,149	60.57%
Series 2022 Taxable Student Fee Refunding	4/28/2022	12/1/2038	Refinance Series 2004 Student Fee-Property Purchases and refinance Series 2013A Student Fee-Construction of Student Activities Center	Gross Tuition and Fees	see below	13,015,000	640,000	481,592	12,375,000	3,695,497	1.28%

Note: Issues with Tuition and Fees pledged, 2023 Gross Revenue--\$87,588,643

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15: Pledged Revenues (Continued)

Henderson State University

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2023 Gross Revenue	Amount Issued	2023 Principal Paid	2023 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2014 Auxiliary Refunding	11/1/2014	11/1/2039	Purchase of an existing apartment complex, construction of two new residence halls, renovation of the football stadium, baseball and softball fields, construction of an intramural field, renovation of residence halls, and construction of parking lots	Auxiliary Revenue	see below	\$ 33,000,000	\$ 1,055,000	\$ 1,034,306	\$ 26,130,000	\$ 9,429,503	21.49%
Series 2015 Refunding	6/1/2015	7/1/2026	Renovation of Arkansas Hall, Mooney Hall, and Proctor Hall, property purchases, campus chiller replacements, campus lighting, and other capital improvements	Gross Tuition and Fees	see below	3,780,000	240,000	34,402	1,040,000	65,409	1.38%
Series 2016 Refunding	2/3/2016	1/1/2032	Refinance Series 2007- Construction of parking and the student recreation center	Gross Tuition and Fees	see below	6,465,000	415,000	124,482	4,255,000	628,447	2.71%
Series 2017A Auxiliary Refunding	9/19/2017	7/15/2035	Construction of two residence halls	Auxiliary Revenue	see below	7,005,000	340,000	160,694	5,380,000	1,143,278	5.15%
Series 2017B Auxiliary Refunding	10/3/2017	9/1/2035	Construction of a residence hall	Auxiliary Revenue	see below	3,315,000	165,000	75,600	2,535,000	538,825	2.47%
Auxiliary Enterprises Revenue Secured Bond	8/14/2018	9/27/2023	Renovation of Smith Hall residential facilities	Auxiliary Revenue	see below	1,000,000	331,525	25,106	331,525	12,605	3.67%

Note: Issues with Tuition and Fees pledged, 2023 Gross Revenue--\$19,910,359  
Issues with Auxiliary Revenue pledged, 2023 Revenue--\$9,722,330

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2023 Gross Revenue	Amount Issued	2023 Principal Paid	2023 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
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	\$ 90,000	\$ 30,769	\$ 1,055,000	\$ 160,987	1.57%
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	230,000	10,350	230,000	3,450	3.12%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	\$ 591,509	8,005,000	279,999	209,823	5,915,001	1,902,366	82.81%
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	545,000	329,956	9,045,000	2,195,366	11.35%
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	370,000	252,575	6,370,000	1,758,624	8.07%

Note: Issues with Tuition and Fees pledged, 2023 Gross Revenue-\$7,712,216

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Mid-South

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Type of Revenue Pledged</u>	<u>2023 Gross Revenue</u>	<u>Amount Issued</u>	<u>2023 Principal Paid</u>	<u>2023 Interest Paid</u>	<u>Principal Outstanding</u>	<u>Interest Outstanding</u>	<u>Percent of Revenue Pledged</u>
Series 2010 Construction	8/26/2010	2/1/2040	Construction of Facilities	Property Tax Millage	\$ 3,615,269	\$ 5,180,000	\$ 125,000	\$ 172,813	\$ 3,730,000	\$ 1,922,860	8.24%
Series 2012 Construction	8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	3,615,269	18,510,000	490,000	518,683	13,420,000	5,752,136	27.90%

Arkansas State University Mountain Home

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Type of Revenue Pledged</u>	<u>2023 Gross Revenue</u>	<u>Amount Issued</u>	<u>2023 Principal Paid</u>	<u>2023 Interest Paid</u>	<u>Principal Outstanding</u>	<u>Interest Outstanding</u>	<u>Percent of Revenue Pledged</u>
Series 2019 Refunding	12/18/2019	12/1/2032	Refinance Series 2012 Refunding Student Fee-Construction of Community Development Center	Gross Tuition and Fees	\$ 4,097,873	\$ 4,885,000	\$ 385,000	\$ 108,608	\$ 3,755,000	\$ 504,153	12.05%

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Newport

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Type of Revenue Pledged</u>	<u>2023 Gross Revenue</u>	<u>Amount Issued</u>	<u>2023 Principal Paid</u>	<u>2023 Interest Paid</u>	<u>Principal Outstanding</u>	<u>Interest Outstanding</u>	<u>Percent of Revenue Pledged</u>
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	\$ 255,004	\$ 30,769	\$ 1,295,000	\$ 144,014	4.02%
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	90,002	59,210	1,054,998	160,988	2.10%

Note: Issues with Tuition and Fees pledged, 2023 Gross Revenue-\$7,103,907

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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 \$300,000 with a \$2,500 deductible. Premiums for coverage are remitted by the Arkansas Department of Finance and Administration from funds deducted from the 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.

The University secures cyber data liability 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 cyber data liability exposure. The University pays an annual premium for this coverage and has a \$25,000 per occurrence deductible applicable only to the hardware "bricking" coverage of the policy. The insurance plan provides a limited self-funded risk retention plan, but procures an excess liability 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; a comprehensive K&R policy to cover costs and provide assistance in certain crisis events involving university directors, officers, employees, faculty and students; a foreign commercial package policy that provides coverage for foreign commercial general liability, auto liability/physical damage, voluntary compensation and employers liability, and foreign travel accident and sickness.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 17: Lease Obligations with Red Wolves Foundation

Arkansas State University Jonesboro

In January 2015, the University entered into an agreement with the Red Wolves Foundation. This lease agreement allowed the Red Wolves Foundation to obtain a loan 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 was \$13 million. On August 27, 2015, the lease agreement with the Red Wolves Foundation was modified to secure additional financing for the

Centennial Bank Stadium project. The amount was increased from \$13 million to \$17 million. During fiscal year 2023, the loan was paid in full.

NOTE 18: Right to Use Assets

Arkansas State University Jonesboro

On June 13, 2017, the University entered into a ground lease agreement and building lease agreement with Centennial Bank to facilitate the construction of a building on the campus to be used as a Campus Welcome Center. The building is approximately 3,833 square feet on 0.35 acres of land with 3,533 square feet used by the campus and 300 square feet used by Centennial to operate a bank branch. Centennial is responsible for all construction costs. The lease is for a term of twenty-five years with an option to renew for two periods of seven years each. Per the lease agreement, the University receives \$100 per year for rent.

The University has recorded the transaction as a right to use asset over the life of the agreement in the amount of \$1,013,300. This amount is amortized annually using the straight-line method. Accumulated amortization as of June 30, 2023 is \$162,128.

On November 20, 2017, the University entered into a ground lease agreement with the Red Wolves Foundation. The University leased approximately 1.92 acres of land for the construction of a portion of Centennial Bank Stadium consisting of premium stadium seating and a building containing an athletic training facility. The Red Wolves Foundation is responsible for the cost of the construction and leases the improvements to the University. The term of the lease is 20 years.

The University has recorded the transaction as a right to use asset over the life of the agreement in the amount of \$13,732,587. This amount is amortized annually using the straight-line method. During fiscal year 2023, the University paid the Red Wolves Foundation \$9.1 million for 37.37% ownership of the building. The University's portion for the value of the building was determined to be \$10.6 million. The University has recorded a gift from the Red Wolves Foundation for the difference between the purchase price and the value (\$1.5 million). Additionally, 37.37% of the right to use asset and proportionate amortization was removed during the fiscal year. Accumulated amortization as of June 30, 2023 is \$1,474,409.

NOTE 19: Deficit Net Position

Henderson State University

The University's unrestricted net position at June 30, 2023, as stated on the Statement of Net Position is \$141,996,172. All the campuses had a positive unrestricted net position with the exception of Henderson State University. Their unrestricted net position totaled (\$5,979,811). Included in this deficit was the effect of the net pension liability and related inflows and outflows of \$4,294,120 and the effect of the other postemployment benefits liability and related inflows and outflows of \$1,674,664. Excluding the above liabilities and related inflows and outflows; the unrestricted net position was (\$11,027).

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 20: Capital Asset Impairment

Henderson State University

In October 2019, two labs in the Reynolds Science Center were damaged by a chemical spill. Due to safety concerns, the building was closed until the labs were decontaminated. The building partially reopened for classes later that month with substantial reoccupation of the building occurring the spring semester of 2020. The building was insured when the spill occurred, however, the insurance carrier has denied the claim using the policy's pollution exclusion. Other avenues for funds to replace the labs are being explored, however, the cost of replacement has not yet been determined.

The Reynolds Science Center building was constructed in 1971 with additions/renovations in 1979, 2001, and 2017 bringing the historical cost of the building to \$9,056,535. The labs represent 1.9% of the total square footage of the building. During fiscal year 2023, the University removed 1.9% of the value of the building and related depreciation according to GASB statement no. 42, Accounting and Financial Reporting for Impairment of Capital Asset and for Insurance Recoveries. The accumulated depreciation of the building prior to this was \$6,683,747 and the carrying value was \$2,372,788. \$34,327 was removed from buildings and \$34,327 was removed from accumulated depreciation related to buildings. \$137,747 was removed from building improvements and \$75,924 was removed from accumulated depreciation related to building improvements. As of June 30, 2023 the current historical cost of the building is \$8,884,461. The accumulated depreciation of the building is \$6,846,404 and the carrying value is \$2,038,057.

NOTE 21: Subsequent Events

Henderson State University

On July 31, 2023, Dr. Charles Ambrose announced his resignation as chancellor effective September 15, 2023. Dr. Ambrose joined Henderson State University as chancellor in November 2021.

On August 16, 2023, Dr. Bob Fisher was appointed as interim chancellor. Dr. Fisher, a native of Arkadelphia, spent 21 years as president of Belmont University. He is also an alumnus, former Student Government Association president, and former dean of the School of Business at Henderson State University.

On November 1, 2023, Dr. Terry Berry was announced as the next chancellor effective January 1, 2024. Dr. Berry, a native of Arkadelphia, has served as president of Southern Arkansas University in Magnolia since 2015. He previously served various roles at Ouachita Baptist University, the University of Arkansas at Little Rock, and the University of Arkansas at Monticello.

Arkansas State University Mid-South

In August 2023, the campus entered into a construction contract to replace and upgrade the chilled water system for the Reynolds Center and the University Center. Construction is scheduled to begin in late fall 2023 with a completion date of spring 2024. The cost of the project is estimated to be \$1,500,000 and will be funded with \$1,000,000 in private monies and \$500,000 of institutional reserves.

In September 2023, the campus entered into a new five year lease for copiers. Total payments over the term of the lease will be \$194,392.

Arkansas State University Mountain Home

On March 14, 2023, Dr. Robin Myers announced his resignation as chancellor effective July 31, 2023, after completing eleven years of service to ASU Mountain Home. On June 20, 2023, Dr. Bentley Wallace was appointed as the next chancellor. Since 2020, Dr. Wallace has been the president of South Arkansas College. He officially began as chancellor on August 1, 2023.

ASU Mountain Home is the recipient of an Arkansas Department of Transportation TAP (Transportation Alternative Program) grant to fund \$323,000 of lighting and landscaping for the walking/biking trail on campus. The grant will fund 80% of the project and plant fund reserves will be used for the 20% matching portion. The project is expected to be completed by spring 2024.

ARKANSAS STATE UNIVERSITY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 21: Subsequent Events (Continued)

Arkansas State University Three Rivers

ASU Three Rivers will be receiving \$8,000,000 in federal grant funds for the construction of a new 20,000 square foot nursing building. The new building will accommodate an increase in Practical Nursing and Registered Nursing slots, as well as new programs for Certified Nursing Assistants and Emergency Medical Technicians. The project is expected to be completed by December 2024.

ARKANSAS STATE UNIVERSITY SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2023

Postemployment Benefits Other Than Pensions (OPEB)

Schedule of Changes in the University's Total OPEB Liability and Related Ratios

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
<b>Total OPEB Liability*</b>											
Service cost	\$ 377,137	\$	578,805	\$	1,132,078	\$	1,426,881	\$	1,521,697	\$	1,433,006
Interest	428,262		259,201		457,646		839,994		743,196		671,522
Changes of benefit terms					14,863		999,479				
Differences between expected and actual experience	339,216 **		(371,524)		(1,755,623)		(10,257,463)		3,151,798		
Changes in assumptions or other inputs	36,599		(1,749,839)		(5,386,746)		(519,149)		594,755		324,555
Benefit payments	(602,750)		(293,803)		(232,232)		(148,694)		(766,360)		(948,092)
<b>Net change in total OPEB liability</b>	<b>578,464</b>		<b>(1,577,160)</b>		<b>(5,770,014)</b>		<b>(7,658,952)</b>		<b>5,245,086</b>		<b>1,480,991</b>
<b>Total OPEB liability, beginning of year</b>	<b>10,392,160</b>		<b>11,969,320</b>		<b>17,739,334</b>		<b>25,398,286</b>		<b>20,153,200</b>		<b>18,672,209</b>
<b>Total OPEB liability, end of year</b>	<b>\$ 10,970,624</b>	\$	<b>10,392,160</b>	\$	<b>11,969,320</b>	\$	<b>17,739,334</b>	\$	<b>25,398,286</b>	\$	<b>20,153,200</b>
<b>Covered-employee payroll</b>	<b>\$ 98,300,197</b>	\$	<b>97,905,505</b>	\$	<b>125,853,377</b>	\$	<b>123,777,641</b>	\$	<b>115,592,428</b>	\$	<b>117,067,546</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>11.16%</b>		<b>10.61%</b>		<b>9.51%</b>		<b>14.33%</b>		<b>21.97%</b>		<b>17.22%</b>

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.

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

\*\*Henderson State University campus was added to the June 30, 2023 valuation with a Total OPEB Liability of \$1,028,752 as of June 30, 2023. However, the plan experienced demographic gains during fiscal year 2023, which resulted in the net differences between expected and actual experience of \$339,216.

ARKANSAS STATE UNIVERSITY SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 JUNE 30, 2023

Notes to Required Supplementary Information  
 Postemployment Benefits Other Than Pensions (OPEB)

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, 2023.

B. Changes in assumptions

- The discount rate was updated to reflect the current economic environment.
- Healthcare trend rates were updated to reflect anticipated future experience.
- The salary scale was updated based on recent experience.
- Per capita claim costs and administrative expenses were updated to reflect recent plan experience.
- Participation and marital assumptions were added for Henderson State University employees.

C. Method and assumptions used in calculations

Valuation date	January 1, 2023
Measurement date	June 30, 2023
Discount rate	4.09% for June 30, 2022 measurement date and fiscal 2023 expense development  4.13% for June 30, 2023 measurement date
Inflation rate	2.00%
Salary increases	3.00% per year
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees.  Mortality includes a generational projection for future mortality improvements using Scale MP-2021.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the rates shown below.

Year	Medical	Rx	Blended
2023	5.50%	7.50%	6.00%
2024	6.70%	7.90%	7.00%
2025	6.50%	6.50%	6.50%
2026	6.30%	6.30%	6.30%
2027	6.00%	6.00%	6.00%
2028	5.80%	5.80%	5.80%
2029	5.60%	5.60%	5.60%
2030	5.30%	5.30%	5.30%
2031 - 2032	5.10%	5.10%	5.10%
2033	5.00%	5.00%	5.00%
2034 - 2037	4.90%	4.90%	4.90%
2038 - 2044	4.80%	4.80%	4.80%
2045 and beyond	4.70%	4.70%	4.70%

ARKANSAS STATE UNIVERSITY SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 JUNE 30, 2023

Pension Plans

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

Arkansas Teacher Retirement System

	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>		<u>2020*</u>		<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>		<u>2015*</u>
Proportion of the net pension liability (asset)	0.19%	0.23%	0.26%		0.27%		0.25%	0.29%	0.32%	0.35%		0.36%
Proportionate share of the net pension liability (asset)	\$ 10,280,864	\$ 6,256,752	\$ 14,459,284		\$ 11,226,933		\$ 9,255,617	\$ 12,297,190	\$ 14,053,207	\$ 11,434,400		\$ 9,331,442
Covered payroll	\$ 6,360,511	\$ 7,157,217	\$ 7,646,671	****	\$ 8,157,125	***	\$ 7,547,210	\$ 8,589,558	\$ 9,199,761	\$ 10,241,904	**	\$ 10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	161.64%	87.42%	189.09%		137.63%		122.64%	143.16%	152.76%	111.64%		92.26%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	88.58%	74.91%		80.96%		82.78%	79.48%	76.75%	82.20%		84.98%

\*The amounts presented were determined as of June 30<sup>th</sup> of the previous year.

\*\*Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.

\*\*\*College of the Ouachitas merged with the Arkansas State University System effective January 1, 2020.

\*\*\*\*Henderson State University merged with the Arkansas State University System effective January 1, 2021.

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 (UNAUDITED)  
 JUNE 30, 2023

Schedule of University Contributions

Arkansas Teacher Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 886,189	\$ 1,022,726	\$ 1,100,000	\$ 1,063,230	\$ 955,533	\$ 1,085,490	\$ 1,211,404	\$ 1,305,613	\$ 1,320,906
Contributions in relation to the contractually required contribution	\$ (886,189)	\$ (1,022,726)	\$ (1,100,000)	\$ (1,063,230)	\$ (955,533)	\$ (1,085,490)	\$ (1,211,404)	\$ (1,305,613)	\$ (1,320,906)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,791,273	\$ 6,360,511	\$ 7,157,217	\$ 7,028,649	\$ 6,715,577	\$ 7,547,210	\$ 8,589,558	\$ 9,199,761	\$ 9,404,438
Contributions as a percentage of covered payroll	15.30%	16.08%	15.37%	15.13%	14.23%	14.38%	14.10%	14.19%	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  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2023

Notes to Required Supplementary Information  
Pension Plans  
Arkansas Teacher 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, 2022.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2022.

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

Valuation date: June 30, 2020

The actuarially determined contribution rates are calculated as of June 30 in the 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; funding to retirement
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor
Salary increases	2.75 – 7.75% including inflation
Investment rate of return	7.50%
Mortality table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality headcount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2017 from 2006.

ARKANSAS STATE UNIVERSITY SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 JUNE 30, 2023

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

	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>		<u>2020*</u>		<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Proportion of the net pension liability (asset)	0.32%	0.39%	0.45%		0.28%		0.28%	0.33%	0.36%	0.39%	0.44%
Proportionate share of the net pension liability (asset)	\$ 8,596,787	\$ 3,032,949	\$ 12,858,706	***	\$ 6,750,262	**	\$ 6,214,764	\$ 8,480,922	\$ 8,493,072	\$ 7,228,228	\$ 6,175,989
Covered payroll	\$ 5,656,833	\$ 7,886,602	\$ 8,500,187		\$ 5,391,683		\$ 5,102,828	\$ 5,769,334	\$ 6,303,819	\$ 6,903,139	\$ 7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.97%	38.46%	151.28%		125.20%		121.79%	147.00%	134.73%	104.71%	81.54%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%		78.55%		79.59%	75.65%	75.50%	80.39%	84.15%

\*The amounts presented were determined as of June 30<sup>th</sup> of the previous year.

\*\*College of the Ouachitas merged with the Arkansas State University System effective January 1, 2020.

\*\*\*Henderson State University merged with the Arkansas State University System effective January 1, 2021.

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 (UNAUDITED)  
 JUNE 30, 2023

Schedule of University Contributions  
 Arkansas Public Employees Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 781,854	\$ 1,021,161	\$ 1,215,029	\$ 778,595	\$ 727,761	\$ 771,954	\$ 858,174	\$ 928,244	\$ 1,027,156
Contributions in relation to the contractually required contribution	\$ (781,854)	\$ (1,021,161)	\$ (1,215,029)	\$ (778,595)	\$ (727,761)	\$ (771,954)	\$ (858,174)	\$ (928,244)	\$ (1,027,156)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,259,716	\$ 5,656,833	\$ 7,886,602	\$ 5,009,381	\$ 4,797,303	\$ 5,102,828	\$ 5,769,334	\$ 6,303,819	\$ 6,903,139
Contributions as a percentage of covered payroll	14.86%	18.05%	15.41%	15.54%	15.17%	15.13%	14.87%	14.73%	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  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2023

Notes to Required Supplementary Information  
Pension Plans  
Arkansas Public Employees Retirement System

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

A. Changes in benefit terms

Beginning July 1, 2022, all contributory plan member rates will increase by 0.25% for the next eight fiscal years until it reaches a maximum of 7%. For members first hired on or after July 1, 2022, the final average compensation period will increase from three years to five years, and the cost of living adjustment on benefit payments will be the lesser of 3.0% of the increase in the Consumer Price Index.

B. Changes in assumptions

There were no changes in economic or non-economic assumptions.

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

Valuation date: June 30, 2019

The actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

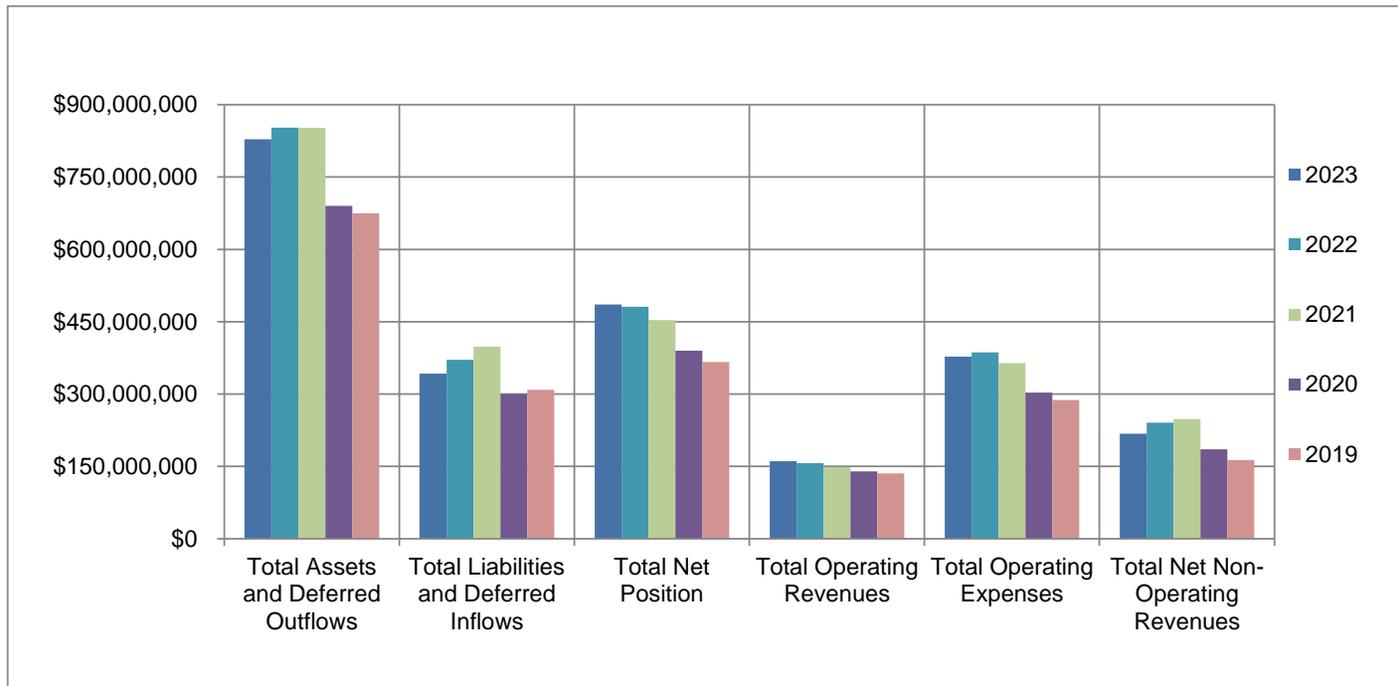
The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	25 years
Asset valuation method	4 year smoothed market with 25% corridor
Investment rate of return	7.15%
Salary increases	3.25 – 9.85%
Inflation rate	3.25% wage inflation, 2.50% price inflation
Mortality table	Based on RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
FOR THE YEAR ENDED JUNE 30, 2023  
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets and Deferred Outflows	\$ 828,401,674	\$ 852,122,088	\$ 851,753,665	\$ 690,233,726	\$ 674,937,920
Total Liabilities and Deferred Inflows	342,607,719	371,185,772	398,066,174	300,275,480	308,619,927
Total Net Position	485,793,955	480,936,316	453,687,491	389,958,246	366,317,993
Total Operating Revenues	160,776,872	156,406,743	148,405,029	139,716,341	135,719,229
Total Operating Expenses	377,483,705	386,473,481	363,809,589	303,061,524	287,437,568
Total Net Non-Operating Revenues	217,789,551	240,495,357	248,086,762	185,256,880	163,170,941
Total Other Revenues, Expenses, Gains or Losses	3,774,921	16,556,002	11,198,066	236,094	786,970



ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION BY CAMPUS  
JUNE 30, 2023

Schedule 2

	Jonesboro June 30, 2023	Henderson June 30, 2023	Beebe June 30, 2023	Mid-South June 30, 2023	Mountain Home June 30, 2023	Newport June 30, 2023	Three Rivers June 30, 2023	Total June 30, 2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>								
Current Assets:								
Cash and cash equivalents	\$ 46,161,108	\$ (3,808,268)	\$ 25,212,257	\$ 5,236,114	\$ 2,484,998	\$ 6,704,870	\$ 4,500,533	\$ 86,491,612
Short-term investments				2,022,116	7,000,000	1,250,000		10,272,116
Accounts receivable (less allowances of \$2,629,648)	15,890,157	4,182,069	1,829,085	3,198,585	2,404,004	4,108,921	1,262,340	32,875,161
Leases receivable	282,049	121,935						403,984
Notes and deposits receivable (less allowances of \$96,989)	474,283	129,007						603,290
Accrued interest and late charges	215,062			11,793	18,320	66,908		312,083
Inventories	983,260	19,574	46,345	20,850	1,726	356,892	50,804	1,479,451
Deposits with trustees	14,504	589,876	4,113	910,719		159		1,519,371
Deposit with paying agent	87,985							87,985
Unamortized bond insurance	30,863	35,910	7,633			18,584		92,990
Prepaid expenses	19,036	33,007	18,772	130,359	31,294	103,545	43,965	379,978
Total Current Assets	<u>64,158,307</u>	<u>1,303,110</u>	<u>27,118,205</u>	<u>11,530,536</u>	<u>11,940,342</u>	<u>12,609,879</u>	<u>5,857,642</u>	<u>134,518,021</u>
Noncurrent Assets:								
Cash and cash equivalents	51,132,831	11,061,297		6,449,392	2,042,937			70,686,457
Restricted cash and cash equivalents	1,392,986	124,656		360,238				1,877,880
Unrestricted investments	1,482,165			3,349,457		1,000,000		5,831,622
Restricted investments	400,000			4,974,553		144,403		5,518,956
Endowment investments	15,697,077		825,631					16,522,708
Other long-term investments	9,162,625							9,162,625
Irrevocable split-interest agreement	2,231,636							2,231,636
Accrued interest and late charges	718,351			45,022				763,373
Deposits with trustees	310,806	462,206		2,146,870	157			2,920,039
Accounts receivable	139,528	108,849		1,741,762				1,990,139
Leases receivable	10,867,531	846,455						11,713,986
Notes and deposits receivable (less allowances of \$190,441)	1,419,002	516,244						1,935,246
Capital assets (net of accumulated depreciation and amortization of \$651,138,240)	<u>327,012,208</u>	<u>103,018,735</u>	<u>41,741,772</u>	<u>39,980,873</u>	<u>10,304,965</u>	<u>20,474,314</u>	<u>8,232,651</u>	<u>550,765,518</u>
Total Noncurrent Assets	<u>421,966,746</u>	<u>116,138,442</u>	<u>42,567,403</u>	<u>59,048,167</u>	<u>12,348,059</u>	<u>21,618,717</u>	<u>8,232,651</u>	<u>681,920,185</u>
<b>TOTAL ASSETS</b>	<u>486,125,053</u>	<u>117,441,552</u>	<u>69,685,608</u>	<u>70,578,703</u>	<u>24,288,401</u>	<u>34,228,596</u>	<u>14,090,293</u>	<u>816,438,206</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Excess of bond reacquisition costs over carrying value	3,296,269	244,219	562,922	46,892	49,060	28,647		4,228,009
Pensions	3,116,190	1,275,233	700,066	136,690	37,838	363,335	838,596	6,467,948
Other postemployment benefits (OPEB)	761,684	118,859	164,789	45,734	55,826	69,643	50,976	1,267,511
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>493,299,196</u>	<u>119,079,863</u>	<u>71,113,385</u>	<u>70,808,019</u>	<u>24,431,125</u>	<u>34,690,221</u>	<u>14,979,865</u>	<u>828,401,674</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION BY CAMPUS  
JUNE 30, 2023

Schedule 2

	Jonesboro June 30, 2023	Henderson June 30, 2023	Beebe June 30, 2023	Mid-South June 30, 2023	Mountain Home June 30, 2023	Newport June 30, 2023	Three Rivers June 30, 2023	Total June 30, 2023
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>								
Current Liabilities:								
Accounts payable and accrued liabilities	7,396,147	1,480,618	658,185	1,747,536	418,005	376,089	383,038	12,459,618
Bonds, notes, leases, and installment contracts payable	8,885,236	4,437,056	1,725,920	723,083	390,000	504,738	105,347	16,771,380
Compensated absences	4,812,873	474,455	980,000	47,513	5,195	625,361	27,709	6,973,106
Unearned revenue	8,586,210	574,958	140,469	192,114	100,676	31,337		9,625,764
Deposits	1,150,337	161,037	3,290	130		41,410		1,356,204
Interest payable	955,432	801,771	263,246	288,493	8,411	79,971	304	2,397,628
Other postemployment benefits (OPEB) liability	226,107	35,283	48,918	13,576	16,572	20,674	15,132	376,262
Total Current Liabilities	<u>32,012,342</u>	<u>7,965,178</u>	<u>3,820,028</u>	<u>3,012,445</u>	<u>938,859</u>	<u>1,679,580</u>	<u>531,530</u>	<u>49,959,962</u>
Noncurrent Liabilities:								
Bonds, notes, leases, and installment contracts payable	105,757,080	67,993,899	25,561,423	17,759,818	3,365,000	5,171,607	414,491	226,023,318
Compensated absences	2,515,899	969,735	232,272	667,034	509,356	452,848	349,854	5,696,998
Other postemployment benefits (OPEB) liability	6,366,461	993,469	1,377,374	382,264	466,613	582,107	426,074	10,594,362
Net pension liability	8,838,890	4,221,024	1,969,102	380,349	98,002	1,025,511	2,344,773	18,877,651
Deposits	217,400							217,400
Refundable federal advances	2,951,842	757,284						3,709,126
Total Noncurrent Liabilities	<u>126,647,572</u>	<u>74,935,411</u>	<u>29,140,171</u>	<u>19,189,465</u>	<u>4,438,971</u>	<u>7,232,073</u>	<u>3,535,192</u>	<u>265,118,855</u>
TOTAL LIABILITIES	<u>158,659,914</u>	<u>82,900,589</u>	<u>32,960,199</u>	<u>22,201,910</u>	<u>5,377,830</u>	<u>8,911,653</u>	<u>4,066,722</u>	<u>315,078,817</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Pensions	1,851,517	1,348,329	911,275	124,446	25,144	482,572	536,713	5,279,996
Other postemployment benefits (OPEB)	4,900,896	764,771	1,060,302	294,266	359,198	448,106	327,991	8,155,530
Irrevocable split-interest agreement	2,231,636							2,231,636
Leases	10,960,224	901,516						11,861,740
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>178,604,187</u>	<u>85,915,205</u>	<u>34,931,776</u>	<u>22,620,622</u>	<u>5,762,172</u>	<u>9,842,331</u>	<u>4,931,426</u>	<u>342,607,719</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF NET POSITION BY CAMPUS  
JUNE 30, 2023

Schedule 2

	Jonesboro June 30, 2023	Henderson June 30, 2023	Beebe June 30, 2023	Mid-South June 30, 2023	Mountain Home June 30, 2023	Newport June 30, 2023	Three Rivers June 30, 2023	Total June 30, 2023
<b>NET POSITION</b>								
Net investment in capital assets	215,002,804	36,882,770	14,765,851	21,256,371	6,590,614	14,765,388	7,712,509	316,976,307
Restricted for:								
Nonexpendable:								
Scholarships and fellowships	5,443,353		752,720					6,196,073
Renewal and replacement				967,261				967,261
Loans	109,647	(2,274)	20,000					127,373
Other-College and Department Purposes	9,136,302							9,136,302
Expendable:								
Scholarships and fellowships	740,822	553	72,911	222,484			38,803	1,075,573
Loans							10,000	10,000
Debt service				1,738,436				1,738,436
Renewal and replacement				1,734,914				1,734,914
Other	1,003,993	2,263,420	508,024	323,818	1,465,789	270,500		5,835,544
Unrestricted	83,258,088	(5,979,811)	20,062,103	21,944,113	10,612,550	9,812,002	2,287,127	141,996,172
<b>TOTAL NET POSITION</b>	<b>\$ 314,695,009</b>	<b>\$ 33,164,658</b>	<b>\$ 36,181,609</b>	<b>\$ 48,187,397</b>	<b>\$ 18,668,953</b>	<b>\$ 24,847,890</b>	<b>\$ 10,048,439</b>	<b>\$ 485,793,955</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 3

	Jonesboro 2023	Henderson 2023	Beebe 2023	Mid-South 2023	Mountain Home 2023	Newport 2023	Three Rivers 2023	Total 2023
<b>OPERATING REVENUES</b>								
Student tuition and fees (net of scholarship allowances of \$60,378,388)	\$ 50,640,975	\$ 7,546,748	\$ 4,048,081	\$ 1,129,750	\$ 2,221,741	\$ 3,929,982	\$ 1,999,287	\$ 71,516,564
Grants and contracts	20,076,811	2,270,822	5,315,433	4,212,441	2,202,220	2,964,701	5,903,859	42,946,287
Sales and services	1,149,323	83,620	51,867		55,037			1,339,847
Auxiliary enterprises (net of scholarship allowances of \$9,073,661)	23,788,492	7,576,707	804,148	86,926	318,630	562,442	179,250	33,316,595
Self-insurance	6,881,800							6,881,800
Other operating revenues	3,054,552	670,100	136,736	487,847	15,060	115,402	296,082	4,775,779
<b>TOTAL OPERATING REVENUES</b>	<b>105,591,953</b>	<b>18,147,997</b>	<b>10,356,265</b>	<b>5,916,964</b>	<b>4,812,688</b>	<b>7,572,527</b>	<b>8,378,478</b>	<b>160,776,872</b>
<b>OPERATING EXPENSES</b>								
Personal services	108,484,967	20,521,390	17,235,619	8,857,748	7,896,454	13,071,526	8,457,520	184,525,224
Scholarships and fellowships	8,926,255	2,561,001	4,342,226	1,758,176	2,030,679	1,407,870	508,267	21,534,474
Supplies and services	64,696,927	19,308,091	7,926,086	6,356,819	4,722,676	6,112,103	4,990,860	114,113,562
Self-insurance	24,694,849							24,694,849
Depreciation and amortization	17,458,923	5,308,700	3,632,080	1,757,394	1,775,402	2,121,716	431,458	32,485,673
Other	129,923							129,923
<b>TOTAL OPERATING EXPENSES</b>	<b>224,391,844</b>	<b>47,699,182</b>	<b>33,136,011</b>	<b>18,730,137</b>	<b>16,425,211</b>	<b>22,713,215</b>	<b>14,388,105</b>	<b>377,483,705</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(118,799,891)</b>	<b>(29,551,185)</b>	<b>(22,779,746)</b>	<b>(12,813,173)</b>	<b>(11,612,523)</b>	<b>(15,140,688)</b>	<b>(6,009,627)</b>	<b>(216,706,833)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
State appropriations	74,948,560	22,494,046	14,345,981	7,771,685	4,686,814	8,185,421	4,507,284	136,939,791
Grants and contracts	28,874,825	7,535,236	6,417,556	2,117,255	3,295,682	4,377,069	1,612,175	54,229,798
HEERF Grants-Related to COVID-19	10,059,521	2,156,235	742,344	1,559,764	1,228,571	654,080		16,400,515
Sales and use taxes			2,623,540			1,373,419		3,996,959
Property taxes				3,615,269	1,716,346			5,331,615
Gifts	2,844,009	173,235		109,309	494,776	8,000		3,629,329
Investment income	3,709,642	227,981	365,637	119,402	206,273	137,071	36,775	4,802,781
Interest on capital asset - related debt	(4,182,181)	(2,479,816)	(993,021)	(745,937)	(113,096)	(187,940)	(1,626)	(8,703,617)
Gain or loss on disposal of capital assets	3,661,032	20,655	(1,180,054)			(1,046,882)		1,454,751
Payment of student activity fee/other amounts to fiduciary accounts	(264,140)	(472,973)					(73,752)	(810,865)
Refund to grantors	(31,068)		(37,829)	(37,249)	(99,679)		(48,985)	(254,810)
Amortization of leases receivable	249,121	133,558						382,679
Interest earned on leases	206,186	40,231						246,417
Other nonoperating revenues (expenses)	(88,550)	237,040	(6,750)	4,968	(1,500)	(1,000)		144,208
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>119,986,957</b>	<b>30,065,428</b>	<b>22,277,404</b>	<b>14,514,466</b>	<b>11,414,187</b>	<b>13,499,238</b>	<b>6,031,871</b>	<b>217,789,551</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>1,187,066</b>	<b>514,243</b>	<b>(502,342)</b>	<b>1,701,293</b>	<b>(198,336)</b>	<b>(1,641,450)</b>	<b>22,244</b>	<b>1,082,718</b>
Capital appropriations		987,462					558,128	1,545,590
Capital grants and gifts	4,113,353			870,696	1,441,367	660,421		7,085,837
Adjustments to capital assets	(16,573)	(243,515)	44,891			(74,405)		(289,602)
Removal of right to use assets	(4,545,369)							(4,545,369)
Capitalization of library holdings at rate per volume		5,025						5,025
Livestock additions			18,523					18,523
Extraordinary item - impairment loss		(45,083)						(45,083)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>738,477</b>	<b>1,218,132</b>	<b>(438,928)</b>	<b>2,571,989</b>	<b>1,243,031</b>	<b>(1,055,434)</b>	<b>580,372</b>	<b>4,857,639</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>313,956,532</b>	<b>31,946,526</b>	<b>36,620,537</b>	<b>45,615,408</b>	<b>17,425,922</b>	<b>25,903,324</b>	<b>9,468,067</b>	<b>480,936,316</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 314,695,009</b>	<b>\$ 33,164,658</b>	<b>\$ 36,181,609</b>	<b>\$ 48,187,397</b>	<b>\$ 18,668,953</b>	<b>\$ 24,847,890</b>	<b>\$ 10,048,439</b>	<b>\$ 485,793,955</b>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 4

	Jonesboro	Henderson	Beebe	Mid-South	Mountain Home	Newport	Three Rivers	Total
	2023	2023	2023	2023	2023	2023	2023	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Student tuition and fees	\$ 51,633,689	\$ 8,274,687	\$ 4,232,524	\$ 1,178,951	\$ 2,192,176	\$ 2,626,890	\$ 2,195,555	\$ 72,334,472
Grants and contracts	20,821,948	2,229,065	5,327,899	4,222,073	1,401,347	2,964,662	6,323,425	43,290,419
Auxiliary enterprises revenues	23,341,148	7,282,042	811,107	109,185	315,507	632,472	179,250	32,670,711
Sales and services	1,160,685	83,620	51,867		55,037			1,351,209
Self-insurance program receipts	6,936,344							6,936,344
Collection of principal and interest related to student loans	237,759	9,709						247,468
Other receipts	3,610,774	620,761	133,618	228,633	21,136	115,402	130,557	4,860,881
Payments to employees	(102,116,652)	(16,864,621)	(13,250,089)	(7,042,193)	(6,198,878)	(10,565,148)	(6,679,870)	(162,717,451)
Payments for employee benefits	(10,548,177)	(5,067,684)	(4,800,408)	(2,150,870)	(1,793,122)	(2,884,623)	(2,209,460)	(29,454,344)
Payments to suppliers	(69,021,359)	(19,348,918)	(7,898,532)	(6,695,793)	(4,714,078)	(6,052,182)	(4,799,762)	(118,530,624)
Scholarships and fellowships	(8,926,255)	(2,561,001)	(4,342,226)	(1,758,176)	(2,030,679)	(1,407,870)	(508,267)	(21,534,474)
Self-insurance program payments	(24,768,904)							(24,768,904)
Other payments	(427,964)							(427,964)
Net cash provided (used) by operating activities	<u>(108,066,964)</u>	<u>(25,342,340)</u>	<u>(19,734,240)</u>	<u>(11,908,190)</u>	<u>(10,751,554)</u>	<u>(14,570,397)</u>	<u>(5,368,572)</u>	<u>(195,742,257)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
State appropriations	74,948,560	22,494,046	14,345,981	6,244,685	4,686,814	8,185,421	4,507,284	135,412,791
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners				1,527,000				1,527,000
Grants and contracts	28,896,747	7,400,967	6,165,056	2,109,965	3,295,432	4,611,559	1,612,175	54,091,901
HEERF Grants-Related to COVID-19	7,512,233	1,664,127	2,203,377	2,213,582	1,849,948	143,817		15,587,084
Private gifts and grants	3,006,267	173,235		190,486	494,776	8,000		3,872,764
Sales and use taxes			2,620,866			1,358,155		3,979,021
Property taxes				3,333,577	1,619,102			4,952,679
Direct lending, PLUS and FFEL loan receipts	83,072,341	11,002,331	2,951,637		1,996,226	2,080,684	2,198,760	103,301,979
Direct lending, PLUS and FFEL loan payments	(83,053,538)	(10,942,046)	(2,953,601)		(1,997,538)	(1,929,278)	(2,198,760)	(103,074,761)
Payment of student activity fee/other amounts to fiduciary accounts	(264,140)	(472,973)					(73,752)	(810,865)
Refunds to grantors	(31,068)		(29,377)	(37,249)	(20,185)		(48,985)	(166,864)
Net cash provided (used) by noncapital financing activities	<u>114,087,402</u>	<u>31,319,687</u>	<u>25,303,939</u>	<u>15,582,046</u>	<u>11,924,575</u>	<u>14,458,358</u>	<u>5,996,722</u>	<u>218,672,729</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Proceeds from capital debt		261,972						261,972
Proceeds from lease arrangements	734,364	153,885						888,249
Capital appropriations	(29,978)	1,190,861					558,128	1,719,011
Capital gifts and grants	2,757,408				1,441,367	504,408		4,703,183
Proceeds from sale of capital assets	3,993,711	40,158						4,033,869
Purchases of capital assets	(23,352,777)	(1,327,026)	(2,328,830)	(3,014,770)	(1,948,665)	(2,290,612)	(1,748,146)	(36,010,826)
Payments to trustees for bond principal	(7,204,999)	(1,975,000)	(1,514,999)		(385,000)	(345,006)		(11,425,004)
Payments to trustees for bond interest and fees	(3,821,867)	(1,368,221)	(835,764)		(109,144)	(90,979)		(6,225,975)
Payments to trustees/paying agent for next fiscal year	(87,985)	(272,880)						(360,865)
Payments to debt holders for principal (other than bonds)	(1,095,556)	(2,002,458)	(135,063)	(103,187)		(141,023)	(105,045)	(3,582,332)
Payments to debt holders for interest and fees (other than bonds)	(450,935)	(1,115,009)	(139,432)	(62,419)		(92,719)	(1,700)	(1,862,214)
Property taxes remitted to bond trustees				(3,404,172)				(3,404,172)
Distribution of excess property taxes from bond trustees				1,622,665				1,622,665
Net cash provided (used) by capital and related financing activities:	<u>(28,558,614)</u>	<u>(6,413,718)</u>	<u>(4,954,088)</u>	<u>(4,961,883)</u>	<u>(1,001,442)</u>	<u>(2,455,931)</u>	<u>(1,296,763)</u>	<u>(49,642,439)</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 4

	Jonesboro 2023	Henderson 2023	Beebe 2023	Mid-South 2023	Mountain Home 2023	Newport 2023	Three Rivers 2023	Total 2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Proceeds from sales and maturities of investments	\$ 70,000		\$ 605,418	\$ 2,110,086	\$ 1,700,000	\$ 4,452,031		\$ 8,937,535
Interest on investments (net of fees)	2,424,036	\$ 205,012	292,725	205,189	191,460	70,965	\$ 36,775	3,426,162
Purchases of investments	(10,003,481)			(2,152,059)	(5,000,000)	(2,394,403)		(19,549,943)
Net cash provided (used) by investing activities	<u>(7,509,445)</u>	<u>205,012</u>	<u>898,143</u>	<u>163,216</u>	<u>(3,108,540)</u>	<u>2,128,593</u>	<u>36,775</u>	<u>(7,186,246)</u>
Net increase (decrease) in cash and cash equivalents	(30,047,621)	(231,359)	1,513,754	(1,124,811)	(2,936,961)	(439,377)	(631,838)	(33,898,213)
Cash and cash equivalents - beginning of year	128,734,546	7,609,044	23,698,503	13,170,555	7,464,896	7,144,247	5,132,371	192,954,162
Cash and cash equivalents - end of year	<u>\$ 98,686,925</u>	<u>\$ 7,377,685</u>	<u>\$ 25,212,257</u>	<u>\$ 12,045,744</u>	<u>\$ 4,527,935</u>	<u>\$ 6,704,870</u>	<u>\$ 4,500,533</u>	<u>\$ 159,055,949</u>
<b>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ (118,799,891)	\$ (29,551,185)	\$ (22,779,746)	\$ (12,813,173)	\$ (11,612,523)	\$ (15,140,688)	\$ (6,009,627)	\$ (216,706,833)
<b>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</b>								
Depreciation and amortization expense	17,458,923	5,308,700	3,632,080	1,757,394	1,775,402	2,121,716	431,458	32,485,673
Change in assets and liabilities:								
Receivables, net	3,023,021	505,433	44,727	(169,505)	(833,242)	(1,189,505)	450,309	1,831,238
Inventories	75,627	(6,121)	269	(5,151)	(1,726)	(12,547)	(27,941)	22,410
Prepaid expenses	(12,674)	(33,007)	(16,901)	(15,847)	(4,133)	66,376	5,999	(10,187)
Accounts and salaries payable	(2,944,137)	35,003	282,432	(409,797)	210,889	70,545	213,040	(2,542,025)
Other postemployment benefits (OPEB)	(2,791,738)	(894,397)	(558,720)	(254,899)	(220,456)	(373,321)	(150,651)	(5,244,182)
Pension obligations	(1,194,782)	(559,019)	(501,895)	(89,775)	(36,310)	(233,036)	(272,768)	(2,887,585)
Unearned revenue	(2,317,010)	(382,929)	140,469	52,618	(29,974)	(26,658)		(2,563,484)
Deposits	(86,174)	(61,896)		7		(11,661)		(159,724)
Refundable federal advances	(634,150)							(634,150)
Compensated absences	156,021	297,078	23,045	39,938	519	158,382	(8,391)	666,592
Net cash provided (used) by operating activities	<u>\$ (108,066,964)</u>	<u>\$ (25,342,340)</u>	<u>\$ (19,734,240)</u>	<u>\$ (11,908,190)</u>	<u>\$ (10,751,554)</u>	<u>\$ (14,570,397)</u>	<u>\$ (5,368,572)</u>	<u>\$ (195,742,257)</u>
<b>Reconciliation of Cash and Cash Equivalents</b>								
<b>Current Assets:</b>								
Cash and Cash Equivalents	46,161,108	(3,808,268)	25,212,257	5,236,114	2,484,998	6,704,870	4,500,533	86,491,612
<b>Noncurrent Assets:</b>								
Cash and Cash Equivalents	51,132,831	11,061,297	-	6,449,392	2,042,937	-	-	70,686,457
Restricted Cash and Cash Equivalents	1,392,986	124,656	-	360,238	-	-	-	1,877,880
Total cash and cash equivalents	<u>98,686,925</u>	<u>7,377,685</u>	<u>25,212,257</u>	<u>12,045,744</u>	<u>4,527,935</u>	<u>6,704,870</u>	<u>4,500,533</u>	<u>159,055,949</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 4

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of \$19,948

Portion of building received as a capital gift-\$1,500,000

Portion of recreational improvements received as a capital gift-\$277,945

Value of equipment received from vendor discounts-\$29,030

Interest earned on reserve accounts held by trustee-\$22,018

Interest paid from accounts held by trustee-\$48,129

Interest earned on investments-\$1,353,444

New lease for equipment-\$74,684

New lease for office space-\$319,746

Removal of right to use asset (less amortization)-\$4,545,369

HENDERSON

Amount received from motor vehicle acquisition revolving fund used to purchase vehicle-\$29,575

Interest earned on reserve accounts held by trustee-\$22,969

Principal paid from accounts held by trustee-\$44,547

Principal paid from accounts held by trustee from cash transferred in the prior fiscal year-\$240,000

Interest paid from accounts held by trustee-\$1,960

Interest paid from accounts held by trustee from cash transferred in the prior fiscal year-\$81,018

Fees paid from accounts held by trustee-\$440

Added lease for airport-\$37,696

Added lease for office space-\$37,812

BEEBE

Interest earned on reserve accounts held by trustee-\$7,157

Interest paid from accounts held by trustee-\$4,459

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CASH FLOWS BY CAMPUS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 4

NONCASH TRANSACTIONS

MID-SOUTH

Interest earned on reserve accounts held by trustee-\$70,594

Trustee payments for retirement of bond principal-\$615,000

Trustee payment for bond interest-\$691,496

Trustee payment for bond fees-\$4,890

Amount of interest earned on CD's reinvested with CD's-\$36,695

New lease for printers-\$50,666

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-\$1,102

Interest paid from accounts held by trustee-\$964

NEWPORT

Equipment-capital gift of \$54,314

Interest earned on reserve accounts held by trustee-\$159

Amount of interest earned on CD's reinvested with CD's-\$121

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023

Schedule 5

	Jonesboro June 30, <u>2023</u>	Henderson June 30, <u>2023</u>	Beebe June 30, <u>2023</u>	Mid-South June 30, <u>2023</u>	Mountain Home June 30, <u>2023</u>	Newport June 30, <u>2023</u>	Three Rivers June 30, <u>2023</u>	Total June 30, <u>2023</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,000,374	\$ 749,359	\$ 80,907	\$ 28,470	\$ 47,419	\$ 183,287	\$ 111,363	\$ 2,201,179
Accounts receivable				3,600				3,600
<b>TOTAL ASSETS</b>	<u>1,000,374</u>	<u>749,359</u>	<u>80,907</u>	<u>32,070</u>	<u>47,419</u>	<u>183,287</u>	<u>111,363</u>	<u>2,204,779</u>
<b>LIABILITIES</b>								
Accounts payable	1,926	4,500	899		1,005		538	8,868
<b>TOTAL LIABILITIES</b>	<u>1,926</u>	<u>4,500</u>	<u>899</u>		<u>1,005</u>		<u>538</u>	<u>8,868</u>
<b>NET POSITION</b>								
Restricted for:								
Individuals and organizations	998,448	744,859	80,008	32,070	46,414	183,287	110,825	2,195,911
<b>TOTAL NET POSITION</b>	<u>\$ 998,448</u>	<u>\$ 744,859</u>	<u>\$ 80,008</u>	<u>\$ 32,070</u>	<u>\$ 46,414</u>	<u>\$ 183,287</u>	<u>\$ 110,825</u>	<u>\$ 2,195,911</u>

ARKANSAS STATE UNIVERSITY SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 6

	Jonesboro June 30, 2023	Henderson June 30, 2023	Beebe June 30, 2023	Mid-South June 30, 2023	Mountain Home June 30, 2023	Newport June 30, 2023	Three Rivers June 30, 2023	Total June 30, 2023
<b>ADDITIONS</b>								
Gifts		\$ 6,843		\$ 3,600	\$ 8,000	\$ 297,724	\$ 65,227	\$ 381,394
Contributions	\$ 2,067,331	1,831,191	\$ 32,256	24,576	273,176	122,067		4,350,597
Transfer from Student Activity Fee	264,140	153,258					73,752	491,150
Prior Year Correction		375,954			2,203			378,157
<b>TOTAL ADDITIONS</b>	<u>2,331,471</u>	<u>2,367,246</u>	<u>32,256</u>	<u>28,176</u>	<u>283,379</u>	<u>419,791</u>	<u>138,979</u>	<u>5,601,298</u>
<b>DEDUCTIONS</b>								
Supplies	\$ (28,564)	\$ 188,238	\$ 14,402	\$ 36,174	\$ 1,070	\$ 3,037	\$ 80,319	\$ 294,676
Travel	17,653	115					10,573	28,341
Scholarships	1,900,110	1,744,430		3,600	264,103	352,951		4,265,194
<b>TOTAL DEDUCTIONS</b>	<u>1,889,199</u>	<u>1,932,783</u>	<u>14,402</u>	<u>39,774</u>	<u>265,173</u>	<u>355,988</u>	<u>90,892</u>	<u>4,588,211</u>
<b>INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	<u>442,272</u>	<u>434,463</u>	<u>17,854</u>	<u>(11,598)</u>	<u>18,206</u>	<u>63,803</u>	<u>48,087</u>	<u>1,013,087</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	556,176	310,396	62,154	43,668	28,208	119,484	62,738	1,182,824
<b>NET POSITION-END OF YEAR</b>	<u>\$ 998,448</u>	<u>\$ 744,859</u>	<u>\$ 80,008</u>	<u>\$ 32,070</u>	<u>\$ 46,414</u>	<u>\$ 183,287</u>	<u>\$ 110,825</u>	<u>\$ 2,195,911</u>