# ARKANSAS STATE UNIVERSITY SYSTEM

# Comprehensive Annual Financial Report

## For the Year Ended June 30, 2017

**Included in the Higher Education Fund, an Enterprise Fund of the State of Arkansas**

# Comprehensive Annual Financial Report

# For the Year Ended June 30, 2017

**Included in the Higher Education Fund, an Enterprise Fund of the State of Arkansas**


**Prepared by:**

**Arkansas State University-Jonesboro**
**Office of Finance and Administration**
**Controller's Office**
**Myra Goodwin, Controller**
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# Table of Contents

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# Introductory Section
# (Unaudited)

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ARKANSAS STATE UNIVERSITY
SYSTEM

OFFICE OF THE PRESIDENT
501 Woodlane, Suite 600 | Little Rock, AR 72201 | o: 501-660-1000 | f: 501-660-1010

## MESSAGE FROM THE PRESIDENT

December 8, 2017

Fiscal year 2017 was another productive year for the Arkansas State University System. The consolidated annual financial report that follows presents the results of our accomplishments.

Enrollment during Fall 2016 was 23,995 compared to 23,277 for Fall 2015. During fiscal year 2017, 8,225 certificates and degrees were awarded to our students compared to 7,580 during fiscal year 2017.

The Arkansas State University System and our campuses are committed to growth and building a better future for all stakeholders, including faculty, staff, students, and the communities we serve. The Jonesboro campus completed construction of two new residence halls, The Circle for graduate students and Pack Place for undergraduate students. ASU Mid-South held the grand opening for the FedEx Aviation Technology Center. ASU Beebe and ASU Newport have executed energy performance contracts that will provide necessary energy improvements for each campus, plus a new solar panel array in Newport. ASU Mountain Home created and implemented the new STEM Academy, which will allow local students to earn an associate's degree by the time that they graduate high school.

State appropriation revenues for fiscal year 2018 are expected to increase slightly from the fiscal year 2017 levels. The new performance-based funding model is entering the implementation stage next fiscal year so we are not able to fully predict state funding; however, we remain confident that we will be able to maintain our current funding levels, contain costs, and continue to provide a quality education.

Economic indicators at the national level continue to point to a stronger economy that will provide greater opportunities to strengthen our campuses. We will continue to seek innovative strategies that allow us to educate our students well and to serve our state and each of our local communities.

Sincerely,

Dr. Charles L. Welch
President

# Vision, Mission, and Goals

## Vision Statement

The Arkansas State University System will create better educated citizens prepared for a global and technological society by providing quality undergraduate and graduate education, useful research, and dedicated public service.

## Mission Statement

The mission of the Arkansas State University System is to contribute to the educational, cultural, and economic advancement of Arkansas by providing quality general undergraduate education and specialized programs leading to certificate, associate, baccalaureate, masters, professional, and doctoral degrees; by encouraging the pursuit of research, scholarly inquiry, and creative activity; and by bringing these intellectual resources together to develop the economy of the state and the education of its citizens throughout their lives.

Each component of the Arkansas State University System will be characterized by:

- A supportive learning environment; personal development, leadership, and service opportunities; and facilities, technologies and support necessary to meet the needs of students, faculty, and staff;
- Racial, ethnic, gender and cultural diversity in the faculty, staff, and student body, supported by practices and programs that embody the ideals of an open, democratic, and global society;
- Instructional technologies, student support services, and on-line and distance education to advance the purposes of teaching and learning;
- A commitment to sharing human, physical, information, and other resources among system components, and with state agencies, schools and higher education institutions, to expand and enhance programs and services available to the citizens of Arkansas.

## Goals Statement

The Arkansas State University System will ensure access to academic excellence and educational opportunities for Arkansans and all students who enroll in its component institutions by:

- Expanding participation through increasing access, enhancing diversity, improving service to non-traditional students, expanding use of distance education, and describing the advantages of continuing education.
- Increasing academic productivity through improved recruitment, increased retention, accelerated graduation, expanded continuing education opportunities, and advanced technologies.
- Producing graduates who are intellectually and ethically informed individuals with skills and knowledge to be capable of leadership, creative thinking, and being contributing citizens.
- Creating and disseminating new knowledge through research and investigation.
- Emphasizing the recruitment, hiring, and retention of the best possible faculty, staff, and administration.
- Expanding Arkansas's economic development by providing needed graduates, offering appropriate academic programs, marketing the system and its components as economic assets of the state, supporting research, and commercializing ideas and discoveries.
- Increasing, diversifying, and strategically allocating resources.

In meeting these goals, the Arkansas State University System will hold itself accountable to the citizens of Arkansas for the effective and efficient use of every available human and material resource on behalf of the state and its people.

ARKANSAS STATE UNIVERSITY
SYSTEM

501 Woodlane, Suite 600 | Little Rock, AR 72201 | o: 501-660-1000 | f: 501-660-1010

**LETTER OF TRANSMITTAL**

December 8, 2017

To: President Welch,
Members of the Board of Trustees,
Residents of the State of Arkansas

I am pleased to present the Comprehensive Annual Financial Report of the Arkansas State University System for the fiscal year ended June 30, 2017. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, deferred inflows, deferred outflows, net position, and financial activities of the Jonesboro, Beebe, Mountain Home, Newport, and Mid-South campuses of the University. Combining exhibits are presented as supplementary information.

The responsibility for the accuracy and reliability of the information contained in this report lies with management. The financial statements are presented in accordance with generally accepted accounting principles. The University's accounts are maintained using the principles of accounting applicable to public colleges and universities as established by the Governmental Accounting Standards Board. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of material misstatements. Arkansas Legislative Audit has audited the financial statements, management's discussion and analysis, and accompanying footnotes and its unqualified opinion is included herein.

Management's discussion and analysis (MD&A) is included in this report preceding the basic financial statements. This section of the Comprehensive Annual Financial Report is intended to assist readers in gaining an understanding of the University's financial activities and position for the fiscal year ended June 30, 2017.

**University Profile**
Arkansas State University began in Jonesboro in 1909 as a state agricultural school. Arkansas State University-Jonesboro was granted university status by the Arkansas General Assembly in 1967.

Arkansas State University-Beebe began in 1927 as Junior Agricultural School of Central Arkansas. In 1967, the campus became Arkansas State University-Beebe.

Effective July 1, 1992, Arkansas State University began administrative operations at the Mountain Home campus.

In 1975, the Arkansas General Assembly established the White River Vocational Technical School at Newport. In 1992, the school merged with Arkansas State University-Beebe and in 1997 was designated as Arkansas State University-Newport.

Arkansas State University Mid-South began as a technical school in 1979, converted to a technical college in 1991, and became a community college in 1992. In 2015 the college became a part of the Arkansas State University System.

In 1998, the Arkansas State University System was created to restructure the individual campuses as a system.

The governing body of the University is its Board of Trustees which is comprised of five members appointed by the Governor of Arkansas.

Arkansas State University follows Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. Based on the criteria of this standard, the University has determined the ASU Foundation, Inc. is a component unit of the Arkansas State University System and has discretely presented the financial statements of the Foundation in this report.

The Arkansas State University System serves to advance the educational and economic growth of Arkansas by supporting the Board of Trustees and providing administrative support to all of the ASU campuses and entities. In addition to the various academic programs leading to degrees, the ASU System supports significant programs for the State and region including economic development initiatives, leadership in the Arkansas Biosciences Institute, and Arkansas Heritage Sites.

While each campus functions autonomously in its day-to-day operations, system administration coordinates various operations that are more efficiently carried out on a system-wide basis. In addition to the President's Office, administrative functions of system administration include legal services, governmental relations, university advancement, internal audit, benefits and risk management, fiscal management, strategic communications, and economic development.

ASU offers programs at the doctoral, specialist, master's, bachelor's, associate's, and certificate levels. During the academic year ended June 30, 2017, the ASU System conferred 2,098 graduate degrees, 1,782 bachelor's degrees, 1,866 associate's degrees, and 2,479 certificates. Enrollment across the ASU System for the Fall 2017 semester totals over 23,000.

**Highlights, Progress, and Initiatives**

- The ASU System was approved to refund bonds, resulting in savings expected to be in excess of 12% for the life of the bonds.

# Transmittal Letter (Continued)

- The ASU Jonesboro College of Business received a transformative gift commitment from Charles and Kay Luter that will benefit and support the students and faculty of the college for many years to come.

- ASU Jonesboro completed the construction of two new residence communities, The Circle for graduate students, and Pack Place for undergraduate students.

- ASU Jonesboro welcomed a new interim Chancellor, Dr. Doug Whitlock in August 2016.

- ASU Beebe and ASU Newport executed energy performance contracts to provide necessary energy improvements for each campus, along with installation of a solar panel array in Newport.

- ASU Mountain Home and ASU-Newport created a Board of Visitors for their campuses.

- ASU Beebe welcomed Dr. Roger Moore as the new Vice Chancellor of Finance and Administration, Dr. Kerry Mix as the new Vice Chancellor of Academics, and Rose Mary Jackson as the Associate Vice Chancellor of Institutional Advancement.

- ASU Jonesboro is continuing construction of the new campus in Queretaro, Mexico.

- ASU Newport successfully renewed their Higher Learning Commission accreditation following a comprehensive review process.

- ASU Beebe was ranked the safest campus in the U.S.

- ASU Mountain Home was rated the #1 college in Arkansas by OnlineColleges.com.

- The Red Wolves football team was the co-champion of the Sun Belt division, and defeated the University of Central Florida at the Cure Bowl.

- ASU Mountain Home completed the Gotaas Hall expansion, which gives students in the medical fields a setting that mimics a true to life patient care unit at a hospital.

- ASU Mid-South received a $50,000 grant from the White River Planning and Development District that will supply 13 automated external defibrillators throughout campus and will support personnel and operating expense of the Delta Cuisine incubator kitchen.

- ASU Newport welcomed Dr. Ashley Buchman as the new Vice Chancellor for Student Affairs.
- ASU Mid-South welcomed JaNan Abernathy as the new Vice Chancellor for Finance and Administration.
- ASU Jonesboro entered into a lease agreement with Centennial Bank to construct a new 3,800 square feet Campus Welcome Center, complete with a bank branch and services to introduce visitors to A-State.
- ASU Mountain Home created and implemented the new STEM Academy, which will allow local high school students to take college classes and earn up to an associate's degree upon graduation.
- ASU Mid-South held the grand opening of the new FedEx Aviation Technology Center in November 2016.

**Financial Award and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arkansas State University System for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The Arkansas State University System has received the Certificate of Achievement annually since the fiscal year ended June 30, 2012. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controller's Office at the Jonesboro campus and other University financial staff. Each member has our sincere appreciation for their contributions in the preparation of the report.

**Economic Indicators**

Gross general revenues for the state increased 1.6% for fiscal year 2017. This was a result of increased individual income taxes and sales and use tax collections. The state's unemployment rate as of June 2017 was 3.4%, a decrease from 3.9% in June 2016. This rate was 1.0% below the national rate. This improvement will continue to increase stability in the state economy.

**Financial Highlights**

The ASU system continues to seek ways to diversify revenues and contain costs while maintaining a quality educational experience for students. Total revenues for fiscal year 2017 increased by 2.05%. Total assets and deferred outflows increased by .55%, while liabilities and deferred inflows decreased by 1.66%. Additional information about these percentages and the overall financial health of the University may be found in management's discussion and analysis contained in this report.

Fiscal year 2017 was an exciting and productive year for the ASU System, with campuses growing and changing to meet the needs of students. In the coming year, the ASU System will work diligently to continue to create opportunities for the students and the communities the university serves.

Respectfully submitted,

Ms. Julie Bates
Executive Vice President

## GFOA Certificate of Achievement

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Arkansas State University System**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2016**

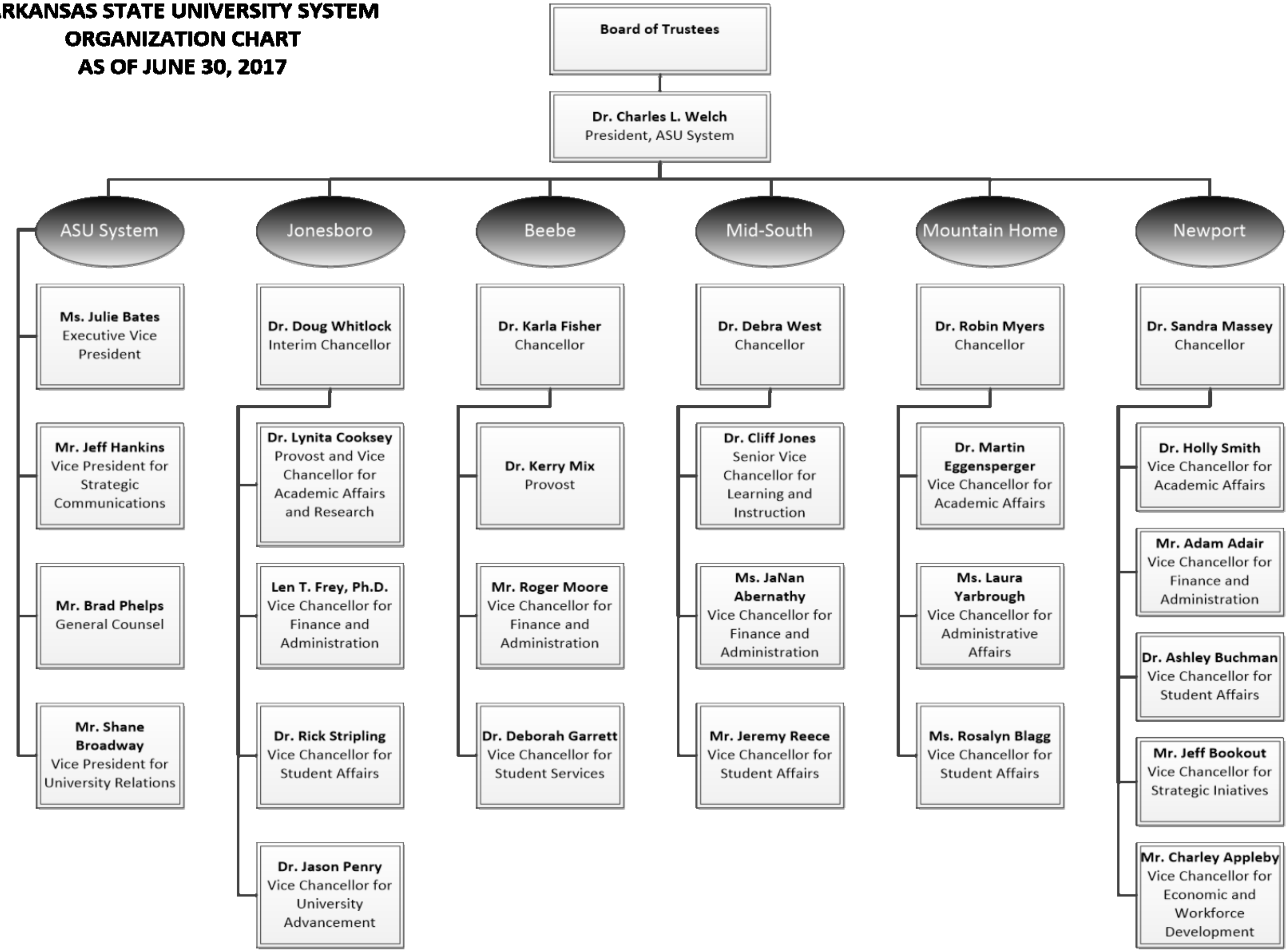
Executive Director/CEO

## Governor of the State of Arkansas
## Mr. Asa Hutchinson

## Board of Trustees
## As of June 30, 2017



# ARKANSAS STATE UNIVERSITY SYSTEM ORGANIZATION CHART AS OF JUNE 30, 2017



# Financial Section

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Mary Bentley
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 Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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www.arklegaudit.gov

***Emphasis of Matter***

As described in Note 1 to the financial statements, the University early implemented Governmental Accounting Standards Board (GASB) Statement no. 81, *Irrevocable Split-Interest Agreements*, during the year ended June 30, 2017. No restatement of the University's beginning net position was required due to the early implementation of this Statement. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, the Statement of Cash Flows by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 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, 2017
EDHE12517

## 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, 2017. 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, 2016 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.

The University's financial statements for the year ended June 30, 2017 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, 2017 and 2016 where appropriate.

## Statement Discussion

### Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2017, 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 on the following page.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2017:

- 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?

**Condensed Statement of Net Position**

| | 2017 | 2016 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| **Assets and Deferred Outflows:** | | | | |
| Current Assets | $ 89,250,385 | $ 85,574,675 | $ 3,675,710 | 4.30% |
| Capital Assets, net | 487,173,412 | 497,746,788 | (10,573,376) | (2.12%) |
| Other Noncurrent Assets | 87,683,265 | 83,351,283 | 4,331,982 | 5.20% |
| Deferred Outflows | 10,407,696 | 7,535,714 | 2,871,982 | 38.11% |
| Total Assets and Deferred Outflows | $ 674,514,758 | $ 674,208,460 | $ 306,298 | 0.05% |
| **Liabilities and Deferred Inflows:** | | | | |
| Current Liabilities | $ 42,888,543 | $ 44,514,737 | $ (1,626,194) | (3.65%) |
| Noncurrent Liabilities | 265,529,939 | 269,170,577 | (3,640,638) | (1.35%) |
| Deferred Inflows | 4,793,099 | 5,726,879 | (933,780) | (16.31%) |
| Total Liabilities and Deferred Inflows | 313,211,581 | 319,412,193 | (6,200,612) | (1.94%) |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 261,798,452 | 266,541,265 | (4,742,813) | (1.78%) |
| Restricted, Nonexpendable | 16,419,262 | 15,436,967 | 982,295 | 6.36% |
| Restricted, Expendable | 10,540,995 | 10,721,576 | (180,581) | (1.68%) |
| Unrestricted | 72,544,468 | 62,096,459 | 10,448,009 | 16.83% |
| Total Net Position | 361,303,177 | 354,796,267 | 6,506,910 | 1.83% |
| Total Liabilities and Net Position | $ 674,514,758 | $ 674,208,460 | $ 306,298 | 0.05% |

**Assets and Deferred Outflows**
Total assets and deferred outflows increased by $306,000.

**Current Assets**
Current assets increased by $3.7 million.

*Cash and Cash Equivalents*
Cash and cash equivalents increased by $679,000. The Jonesboro campus had a minimum decrease of $1.1 million. Mid-South also decreased by $811,000 due to the cash purchase of investments. Beebe, Mountain Home, and Newport had increases of approximately $2.5 million. Beebe's increase was due to the elimination of position and cost cutting measures. Newport's increase was due to the redemption of investments.

*Short-term Investments*
Short-term investments increased by $2 million. This increase was due to the purchase of certificate of deposits at the Mid-South campus.

*Accounts Receivable*
Accounts receivable increased by $3 million. Gross receivables increased by $2.9 million. Mid-South was the only campus to have a decrease in accounts receivable. The decrease of $1.2 million was due to a reduction in the receivables for grant activity. The remaining campuses all had increases. The increase of $2.9 million at Jonesboro was due to receivables for construction projects and direct lending. The $1.3 million increase at the Beebe, Mountain Home, and Newport campuses were due to increases in student receivables based on enrollment growth and changes in dropping for non-payment and non-attendance. Allowances for doubtful accounts decreased by $89,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables balances are closely monitored and the allowance for doubtful accounts methodology is reviewed and revised.

*Inventories*

Inventories increased by $304,000. The Jonesboro campus had an increase due to year-end adjustments of inventories for IT in the amount of $335,000. Newport also experienced an increase during the year of $8,600 due to an increase in food service inventory. The other campuses' decrease of $39,000 was an effort to decrease inventory, maximize space, and minimize costs.

*Deposits with Trustees*

Deposits with trustees decreased by $2.5 million. This was due to the reimbursement of expenses related to the energy savings performance contract at the Jonesboro campus.

*Prepaid Expenses*

Prepaid expenses increased by $263,000. Of this amount, the Jonesboro campus experienced the largest increase in the amount of $220,000. This was caused by a larger amount of prepaid expenses for athletics and a new multi-year IT contract that was added. Mountain Home had an increase of $30,000 due to an IT contract and Mid-South had an increase of $22,000 due to a revision in monitoring payments. Beebe and Newport had a decrease of approximately $7,400.

**Capital Assets, net**

Capital assets, net decreased by $10.6 million. Accumulated depreciation increased from $355,995,030 in 2016 to $383,891,123 in 2017. This increase is due to new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2016 and began depreciating in 2017. The increase in accumulated depreciation was offset by the addition of $19.3 million in capital assets and the retirement of $2 million in capital assets with accumulated depreciation of $1.3 million. Of the $19.3 million added to capital assets, $10 million was construction in progress. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

**Other Noncurrent Assets**

Other noncurrent assets increased by $4.3 million.

*Noncurrent Cash*

Noncurrent cash increased by $5.1 million while restricted cash increased by $900,000. The increase in noncurrent cash was due to a lower amount of plant related accounts payables at June 30, 2017 compared to June 30, 2016, as well as, an increase in unexpended plant fund cash. The Jonesboro campus is the only campus to have a noncurrent cash balance. The decrease in restricted cash was mostly due to the Mid-South and Mountain Home campuses. Mid-South had an increase of excess millage cash and Mountain Home had an increase from unspent endowment funds.

*Endowment Investments*

Endowment investments increased by $1.2 million. This was due to an increase in the return rate of the investments compared to previous years.

*Other Long-term Investments*

Other long-term investments decreased slightly by $738,000. The increase of $1.1 million in investments purchased at Mid-South was offset by the $2 million decrease at Newport from the maturity of investments. Jonesboro and Beebe had slight increases in other long-term investments.

*Irrevocable Split-Interest Agreement*

In accordance with GASB no. 81, *Irrevocable Split-Interest Agreements*; the Jonesboro campus recorded an irrevocable split-interest agreement of approximately $1.5 million. The campus early implemented the standard which is effective July 1, 2017. An asset and a deferred inflow were recognized according to the standard.

*Deposits with Trustees*

Deposits with trustees decreased by $3.2 million. The Jonesboro campus received the remaining funds for the energy savings performance contract.

**Deferred Outflows**

Deferred outflows increased by $2.9 million. Nearly half of this increase was due to an increased amount of deferred outflows related to pensions. All of the campuses, other than Mid-South, recorded increases for these in accordance with GASB no. 68. Additional information about the deferred outflows related to pensions may be found in Note 8 and the Required Supplementary Information. The remaining amount of the increase is due to the refunding bond issue at the Jonesboro campus. Additional information about the bond issue may be found in the 'Debt Administration' section of this Management's Discussion and Analysis.

**Liabilities and Deferred Inflows**

Total liabilities and deferred inflows decreased by $6.2 million.

**Current Liabilities**

Current liabilities decreased by $1.6 million.

*Accounts Payable and Accrued Liabilities*
Accounts payable and accrued liabilities decreased by $3.2 million. Jonesboro had a decrease of $2.5 million. This decrease was due to a reduction in amounts due to vendors at the end of the year as well as construction and retainages payable. The Mid-South and Newport campuses had a combined decrease of $829,000 due to reductions for vendors and salaries. Beebe had an increase of $101,000 due to the ordering of IT equipment at year-end.

*Bonds, Notes, and Leases Payable*
Bonds, notes, and leases payable increased by $777,000 and was attributable to the new debt issued at the Jonesboro and Newport campuses.

*Unearned Revenues*
Unearned revenues increased by $698,000. This was due to amounts received for tuition and fee for the second summer term that were recorded as unearned revenue at the end of 2017. Nearly all of this amount was attributable to the increase of unearned revenue for the second summer term at the Jonesboro campus.

**Noncurrent Liabilities**
Noncurrent liabilities decreased by $3.6 million.

*Bonds, Notes, and Leases Payable*
The decrease of $8.3 million was mostly attributable to the principal payments during fiscal year 2017.

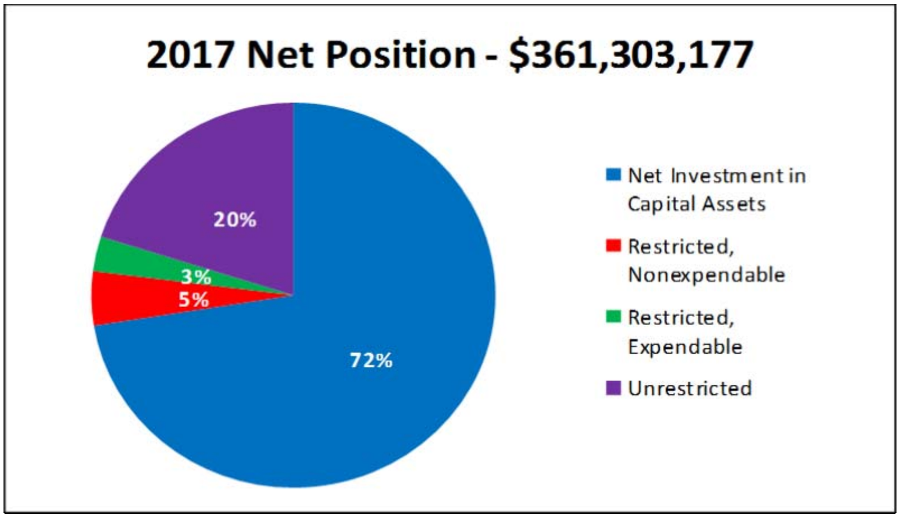
*Accrued Other Postemployment Benefits Payable*
The campuses also recorded an additional $909,000 for other post-employment benefits. Additional information about the other postemployment benefits may be found in Note 12.

*Net Pension Liability*
The University's portion of the net pension liability increased by $3.9 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 $934,000. $2.4 million of the decrease was the amount related to pensions and was recognized in fiscal year 2017 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows for pensions and net pension liability discussed previously. The remaining increase of $1.5 million was recorded as part of the irrevocable split-interest agreement at the Jonesboro campus as previously mentioned in the Noncurrent Asset section.

**Net Position**

Total net position increased by $6.5 million. The percentage of each net position category is displayed in the chart below.




*Net Investment in Capital Assets*

Net investment in capital assets decreased by $4.7 million. This decrease was mainly attributable to recognition of depreciation expense at all of the campuses. In previous years, there have been large increases of construction projects, primarily at the Jonesboro campus, to offset the amount of depreciation recognized.

*Restricted, Nonexpendable*

Restricted, nonexpendable net position increased by $982,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by $415,000. This was due to the Jonesboro and Beebe campuses' increase in the market value of endowment investments held by the ASU 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 $43,000. This was due to the Perkins Loan activity at the Jonesboro campus.

- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above increased by $611,000. This was due to an increase in investment earnings during the year on endowments for purposes other than scholarships.

*Restricted, Expendable*

Restricted, expendable net position decreased by $181,000.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by $339,000. This increase was mostly attributable to a reclassification of net assets at the Mid-South campus from scholarships and fellowships to other.
- *Research*—Restricted, expendable net position for research increased by $19,000. This slight increase is due to year end balances of restricted grants for research purposes.

- *Loans*—The restricted, expendable net position for loans did not change for fiscal year 2017. Mid-South is the only campus to have a restricted, expendable net position amount for loans.

- *Capital Projects*—The restricted, expendable net position for capital projects decreased by $988,000. This was related to the completion and final reimbursement of capital appropriations for the Humanities and Social Sciences building at the Jonesboro campus. In addition, Beebe's net position decreased due to expenses related to the new ERP System.

- *Debt Service*—The restricted, expendable net position for other purposes than those listed above decreased slightly by $8,100. The Mid-South campus 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 $158,000 due to the bond requirements of these funds.

- *Other*—The restricted, expendable net position for other purposes than those listed above increased by $978,000. The decrease of $139,000 of non-research grant activity at the Jonesboro campus, was offset by $439,000 increases of non-research grant activity at Mountain Home and Newport. The remaining amount increase of $677,000 was mostly attributable to the reclassification of net position at the Mid-South campus.

<u>Unrestricted</u>
Unrestricted net position increased by $10.4 million. The majority of this increase was a $7.2 million increase at the Jonesboro campus due to an increased effort to grow the University's reserves balance. In addition, Beebe's unrestricted net position also increased by approximately $1.6 million in an effort to increase their reserves balance. Mid-South and Mountain Home also had increases in the amounts of $1.4 million and $363,000, respectively; while Newport had a slight decrease of $154,000.

## 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, 2017.

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 2017 compared to fiscal year 2016 is shown on the next page.

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

| | 2017 | 2016 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Tuition and Fees, Net | $ 62,980,619 | $ 61,466,443 | $ 1,514,176 | 2.46% |
| Grants and Contracts | 34,328,583 | 33,294,306 | 1,034,277 | 3.11% |
| Auxiliary Enterprises, Net | 29,731,551 | 29,135,663 | 595,888 | 2.05% |
| Other | 8,909,714 | 7,820,737 | 1,088,977 | 13.92% |
| Total Operating Revenues | 135,950,467 | 131,717,149 | 4,233,318 | 3.21% |
| Operating Expenses | 288,886,162 | 293,092,645 | (4,206,483) | (1.44%) |
| **Nonoperating Revenues (Expenses)** | | | | |
| Federal Appropriations | 356,521 | 541,230 | (184,709) | (34.13%) |
| State Appropriations | 102,826,511 | 102,455,543 | 370,968 | 0.36% |
| Grants and Contracts | 51,427,501 | 53,440,251 | (2,012,750) | (3.77%) |
| Interest | (8,272,170) | (8,478,234) | 206,064 | (2.43%) |
| Other | 11,366,276 | 8,270,495 | 3,095,781 | 37.43% |
| Total Nonoperating | 157,704,639 | 156,229,285 | 1,475,354 | 0.94% |
| Income Before Other Revenues, Expenses, Gains or Losses | 4,768,944 | (5,146,211) | 9,915,155 | (192.67%) |
| Capital Appropriations | 54,761 | 2,178,977 | (2,124,216) | (97.49%) |
| Capital Grants and Gifts | 1,507,492 | 13,471,345 | (11,963,853) | (88.81%) |
| Other | 175,713 | 204,925 | (29,212) | (14.25%) |
| Total | 1,737,966 | 15,855,247 | (14,117,281) | |
| Increase (Decrease) in Net Position | $ 6,506,910 | $ 10,709,036 | $ (4,202,126) | (39.24%) |
| Net Position, Beginning of Year | $ 354,796,267 | $ 344,087,231 | $ 10,709,036 | 3.11% |
| **Net Position, End of Year** | **$ 361,303,177** | **$ 354,796,267** | **$ 6,506,910** | **1.83%** |

**Revenues**

Total revenues increased by approximately $5.6 million.

**Operating Revenues**

Total operating revenues increased by $4.2 million.

*Tuition and Fees, net*

Net tuition and fees increased by $1.5 million. Gross tuition and fee revenue increased by $850,000. All campuses had a modest tuition increase from 2016 to 2017. Mid-South was the only campus to have a decrease of net tuition and fee revenue in the amount of $284,000. This was primarily the result of a decrease in their Secondary Technical Center revenue. All campuses, other than Mid-South and Mountain Home, experienced higher enrollment when comparing 2016 to 2017. Although Mountain Home had slightly lower enrollment numbers, they showed an increase in net tuition and fees of approximately $148,000. The increase in tuition and fee revenue also led to a decrease in scholarship allowances. Scholarship allowances decreased by $665,000. This decrease in scholarship allowances caused a slight decrease in scholarship expense as noted in the scholarship expense section following.

*Grants and Contracts*

Operating grants and contracts increased by $1 million. The Jonesboro, Mountain Home and Newport campuses each had increases; while Beebe and Mid-South had decreases. Jonesboro's, Mountain Home's and Newport's increases of $390,000, $462,000 and $1.1 million were offset by decreases of $215,000 at Beebe and $714,000 at Mid-South. The increases at the campuses were due to new grants that were received during the fiscal year. As the available grant resources continue to decline; there will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars.

*Sales and Services*

Sales and services decreased slightly by $15,000. This is comprised of a small $10,000 increase for the Jonesboro campus. Beebe's decrease of $12,000 was due to a reduction in the amount received for cattle. Mountain Home showed a decrease of $12,000 due to a reduction in the amount of tickets sold for campus events.

*Auxiliary Enterprises, net*

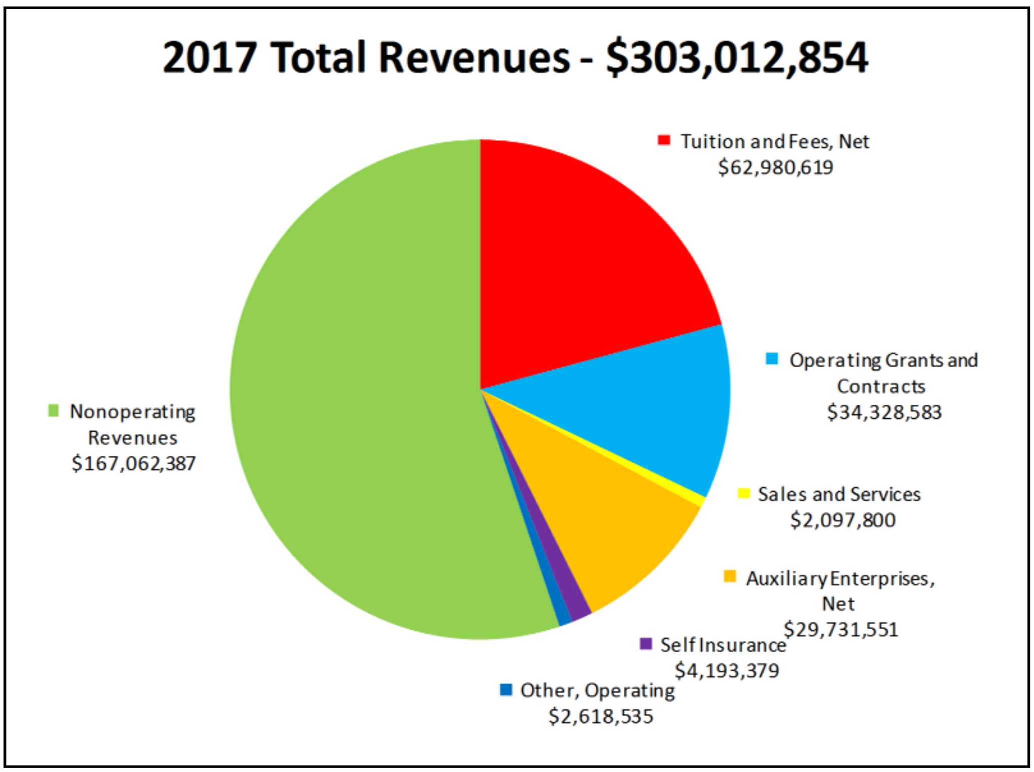
Auxiliary enterprises, net increased by approximately $596,000. The Jonesboro campus experienced an increase of $721,000. This was the result of slight increases in revenues across several of the auxiliary operations at the Jonesboro campus including athletics, bookstore, and food services. The Beebe campus saw a minor decrease of $143,000. Mid-South realized a small increase of $12,000. The Mountain Home campuses had a decrease of $61,000 due to decreased bookstore and ticket sales. The Newport campus realized an increase of $67,000 from food services.

*Self Insurance*

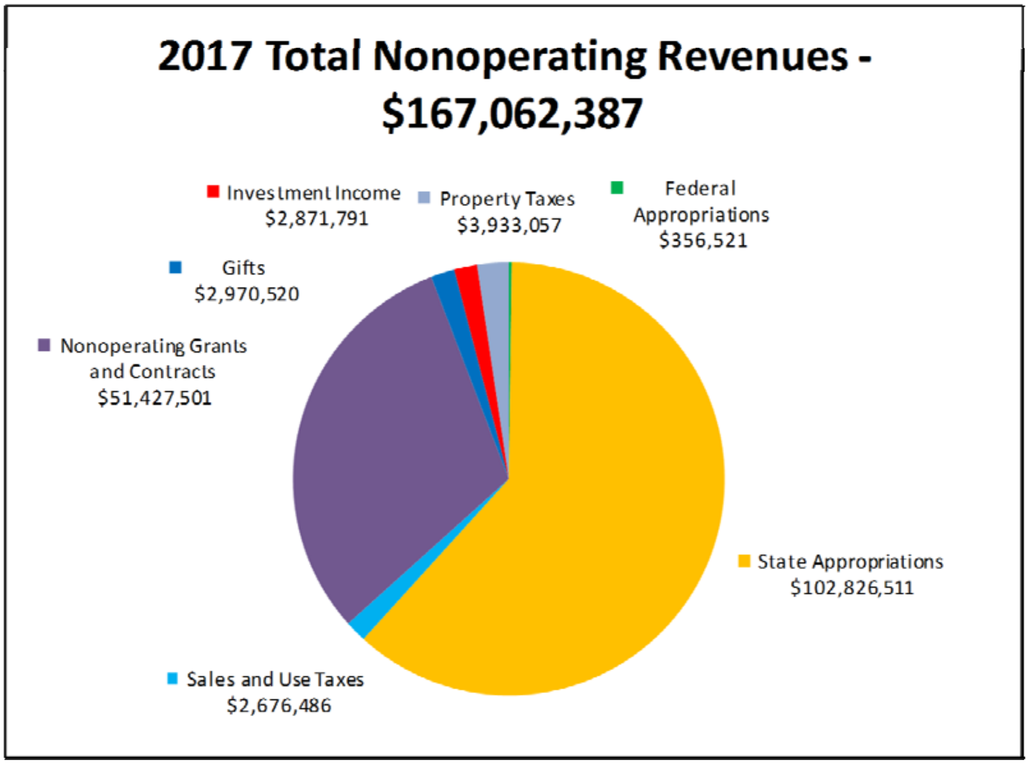
Self insurance revenues increased slightly by $89,000. During fiscal year 2017, there were no increases in premiums for either the employee withholding or employer matching amounts.

*Other*

Other operating revenues increased by $1 million. The Jonesboro campus's increase of $974,000 is due to the addition of the NYIT College of Osteopathic Medicine. In addition to the Jonesboro campus's increase, the Mid-South campus also had an increase of $56,000 due to refunds from prior years and Newport had an increase of $28,000 due to prior year recoveries. Beebe experienced a decrease of $43,000 due to a decline in gas lease revenues and Mountain Home had a slight decrease of $4,300.



**Nonoperating Revenues**
Total nonoperating revenues increased by $1.4 million.




*Federal Appropriations*
Federal appropriations decreased by $185,000. In prior fiscal years, the Jonesboro campus received several federal awards. These amounts continue to decrease as available grant resources continue to decline.

*State Appropriations*
State appropriations increased by approximately $371,000. The Jonesboro, Beebe, and Newport campuses had increases of $249,000, $62,000, and $139,000, respectively. The Mid-South and Mountain Home campuses showed decreases of $29,000, and $50,000, respectively. The increases and decreases at the campuses were due to variances in general appropriation funding.

*Stimulus Funds (ARRA-American Recovery and Reinvestment Act)*
Nonoperating revenues from stimulus funds (ARRA) decreased by $25,000. The Jonesboro campus was the only campus remaining with ARRA funds. As expected, these funds were expended during the fiscal year.

*Grants and Contracts*
Nonoperating grants and contracts decreased by $2 million. There was a decrease of $1.4 million on the Jonesboro campus. The decrease was caused from a decline in federal financial aid. With the exception of Beebe and Newport, that experienced increases of $148,000 and $26,000, respectively; Mid-South, and Mountain Home experienced decreases of $307,000, and $506,000, respectively. This is a reflection of the decline in federal financial aid.

*Sales and Use Taxes*
Sales and use taxes decreased by $14,000. Beebe saw an increase of $61,000 while Newport experienced a decrease of $75,000.

*Property Taxes*
Property tax revenues decreased by $220,000 on the Mid-South campus and by $22,000 on the Mountain Home campus.

*Gifts*
Revenues from gifts increased by $1.1 million. Jonesboro had an increase of $502,000, which was primarily due to a larger amount received by the Red Wolves Foundation for athletics. The Mid-South campus had an increase of $161,000 due to increased donations for the Wild Game Dinner and additional amounts received from their Foundation. The Mountain Home campus experienced an increase of $406,000 due to amounts received from the Foundation. The Newport campus had a slight increase of $4,000.

*Investment Income*

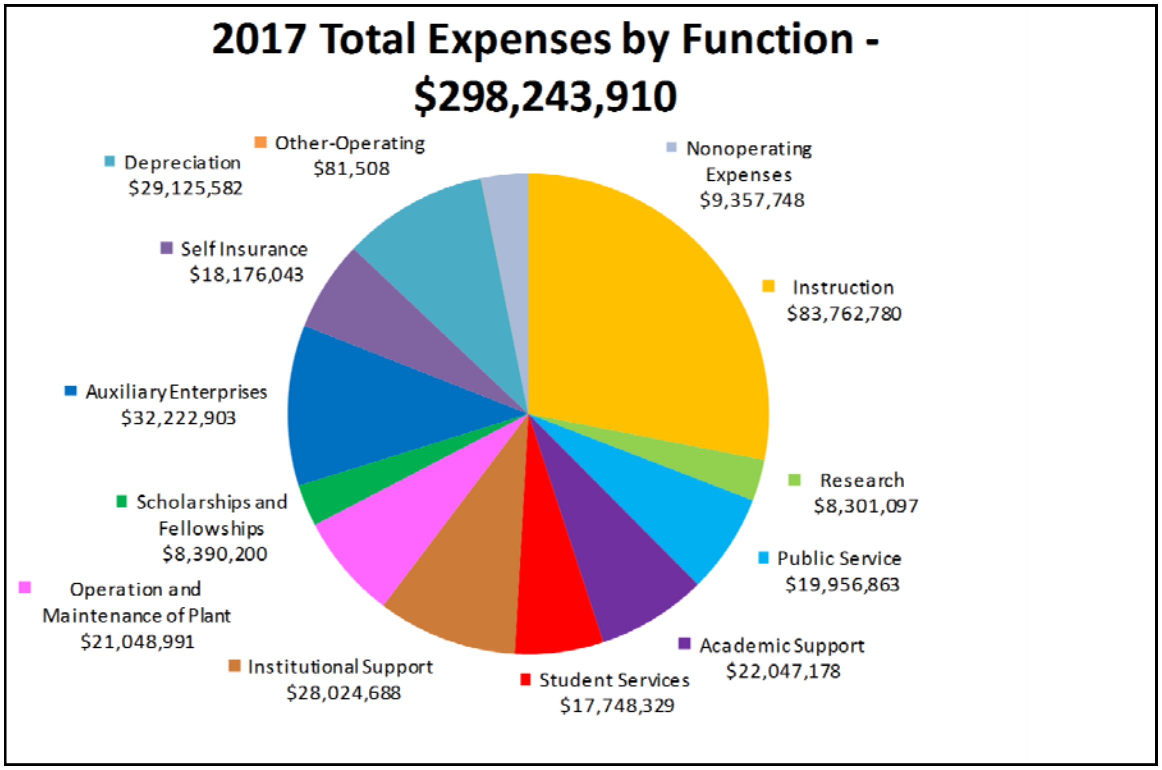
Investment income increased by $2.4 million. All campuses experienced increases during fiscal year 2017. The Jonesboro campus experienced the largest increase of $1.6 million due to the market conditions of 2017. Beebe and Mid-South had increases of $99,000 and $732,000, respectively, also due to higher interest rates, better returns and unrealized gains. Mountain Home and Newport had a combined increase of $2,900. The University continues to invest in low-risk investments that will provide a stable source of revenue, such as interest bearing bank accounts and certificates of deposits.

**Expenses**

Total expenses decreased by $4.3 million.

**Operating Expenses**

Total operating expenses decreased by $4.2 million.
Additional information on operating expenses can be found in the tables and charts that follow.




*Personal Services*

Personal services increased by $1.9 million. Each of the campuses, other than Beebe and Mountain Home, experienced increases in personal services. The decreases of $380,000 for Beebe and $68,000 for Mountain Home were minimal for the campuses. Additionally, an amount of $909,000 was recorded by the campuses for other post-employment benefits. More information on this may be found in Note 12. The campuses were able to provide modest salary increases for faculty and staff which affirms the significance of faculty and staff to the mission of the University.

*Scholarships and Fellowships*

Scholarships and fellowships decreased by $788,000. As previously discussed, there was also a decrease in scholarship allowances. Gross scholarships and fellowships decreased $2.1 million. While Mid-South and Mountain Home experienced a decrease in headcount enrollment from fall 2016 to fall 2017; the other campuses experienced an increase in headcount. The campuses continue to offer competitive institutional scholarships to students as federal financial aid declines.

*Supplies and Services*

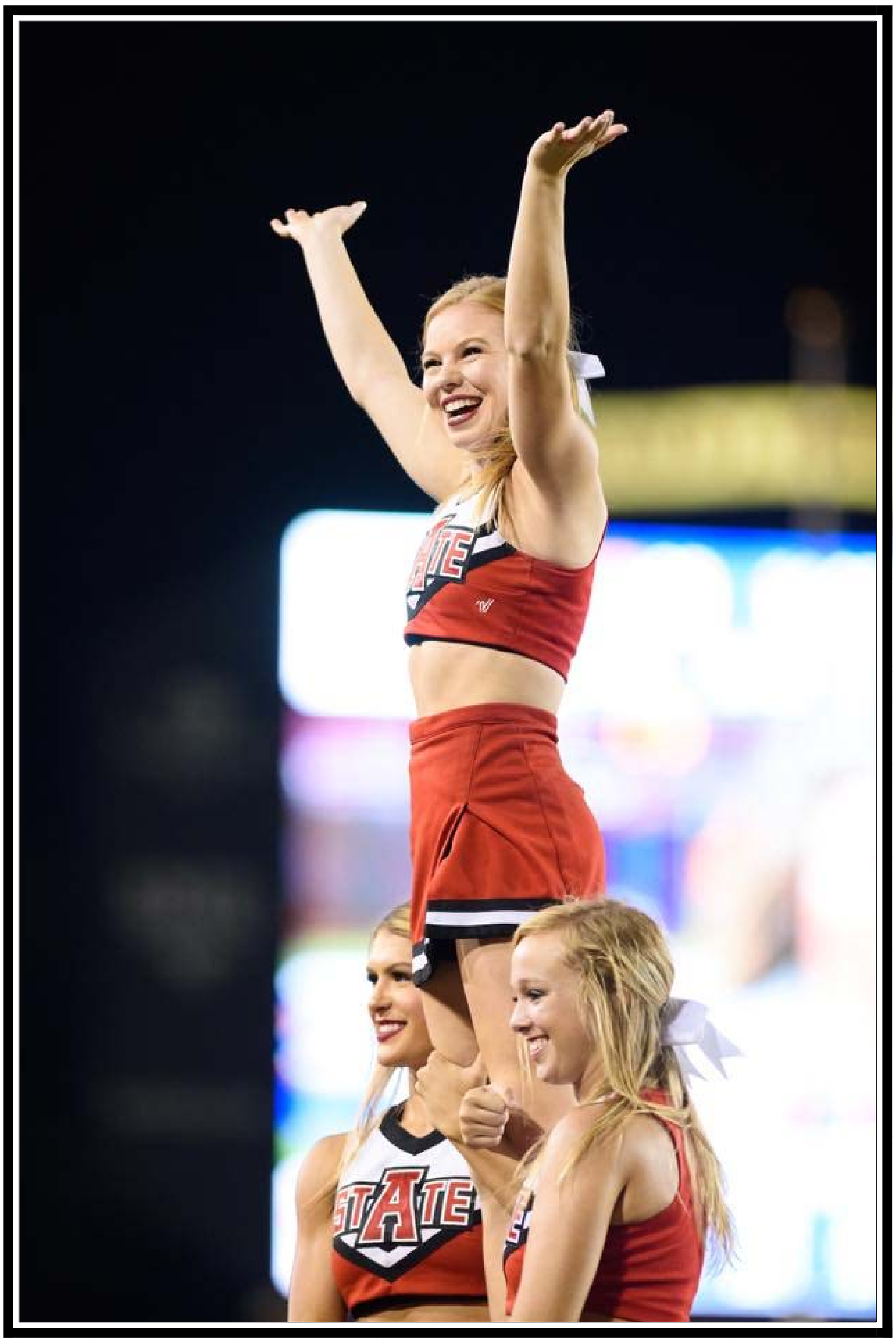
Supplies and services decreased by $7.7 million. With the exception of a $346,000 increase at the Mountain Home campus, all other campuses experienced a decrease of expenses for supplies and services. The majority of this decrease was due to a decline of $7.3 million of expenses on the Jonesboro campus. In 2016, there were several renovation projects that did not meet the capitalization threshold criteria and were appropriately expensed. There were many fewer of these projects for 2017. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

*Self Insurance*

Self insurance expenses increased by $2.6 million. Although pharmacy claims decreased during the year; medical claims greatly increased. Additionally, there was an increase in the unpaid claims liability recorded at year end. The Mid-South campus also joined the University's plan on February 1, 2017.

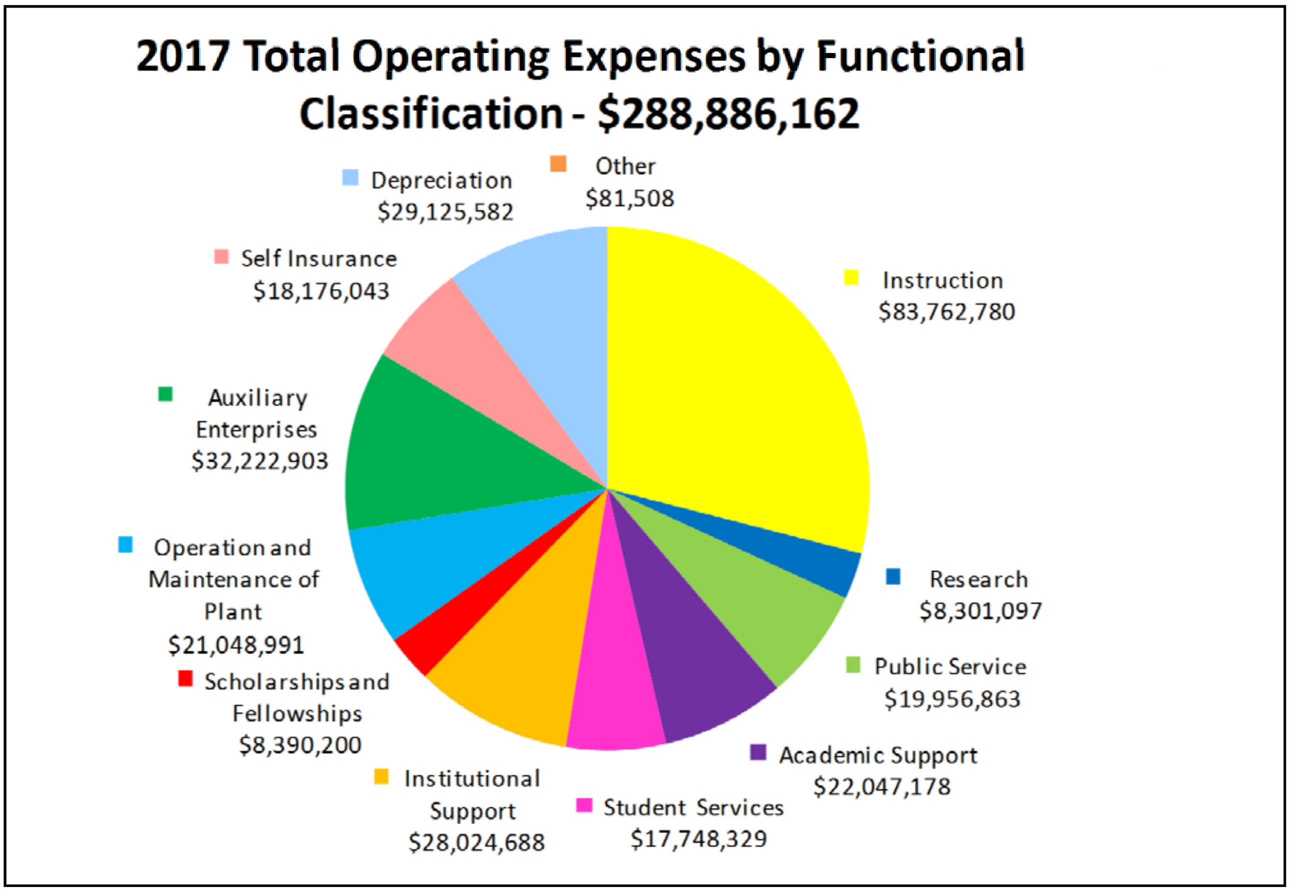
*Depreciation*
Depreciation expense decreased slightly by $260,000. All campuses, other than Jonesboro and Newport, showed a decrease due to assets that were either disposed of or became fully depreciated during fiscal year 2016. The increases at Jonesboro and Newport were a result of new additions or renovations at the campuses that were added in 2016 and began depreciating in 2017. Additionally, as new projects were completed in 2017, depreciation expense will increase next year as a result of these. Depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

*Other*
Other operating expenses were essentially the same as in 2016. These expenses are related to the Perkins Loan program on the Jonesboro campus.



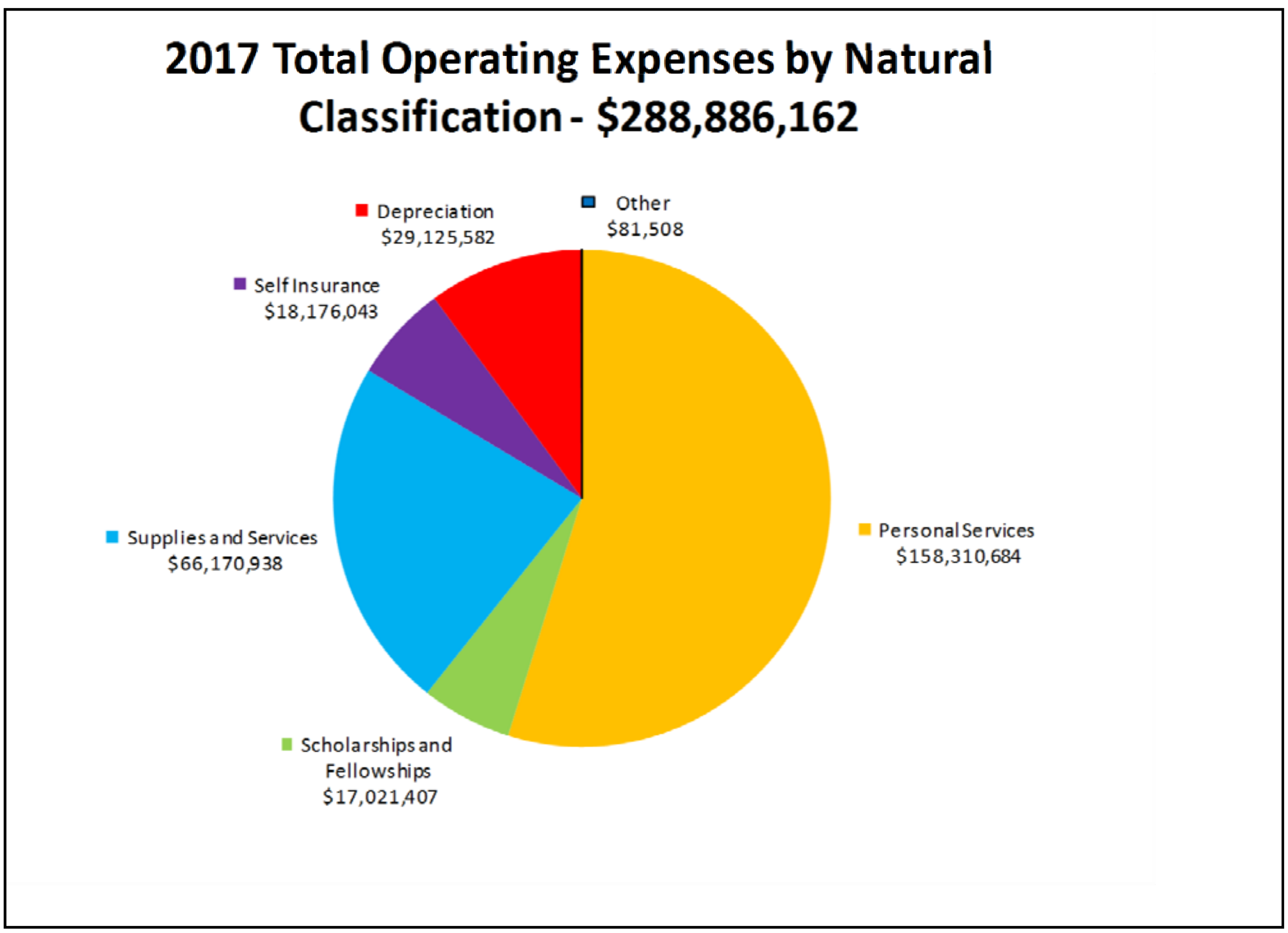
**Operating Expenses by Function**

| | 2017 | 2016 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| Instruction | $ 83,762,780 | $ 82,667,844 | $ 1,094,936 | 1.32% |
| Research | 8,301,097 | 8,455,836 | (154,739) | (1.83%) |
| Public Service | 19,956,863 | 18,361,740 | 1,595,123 | 8.69% |
| Academic Support | 22,047,178 | 23,044,696 | (997,518) | (4.33%) |
| Student Services | 17,748,329 | 17,624,034 | 124,295 | 0.71% |
| Institutional Support | 28,024,688 | 28,309,845 | (285,157) | (1.01%) |
| Scholarships and Fellowships | 8,390,200 | 9,637,556 | (1,247,356) | (12.94%) |
| Operation and Maintenance of Plant | 21,048,991 | 27,887,811 | (6,838,820) | (24.52%) |
| Auxiliary Enterprises | 32,222,903 | 32,040,520 | 182,383 | 0.57% |
| Self Insurance | 18,176,043 | 15,570,817 | 2,605,226 | 16.73% |
| Depreciation | 29,125,582 | 29,385,729 | (260,147) | (0.89%) |
| Other | 81,508 | 106,217 | (24,709) | (23.26%) |
| Total Operating Expenses | $ 288,886,162 | $ 293,092,645 | $ (4,206,483) | (1.44%) |



**Operating Expenses by Natural Classifications**

| | 2017 | 2016 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| Personal Services | $ 158,310,684 | $ 156,378,870 | $ 1,931,814 | 1.24% |
| Scholarships and Fellowships | 17,021,407 | 17,809,431 | (788,024) | (4.42%) |
| Supplies and Services | 66,170,938 | 73,841,581 | (7,670,643) | (10.39%) |
| Self Insurance | 18,176,043 | 15,570,817 | 2,605,226 | 16.73% |
| Depreciation | 29,125,582 | 29,385,729 | (260,147) | (0.89%) |
| Other | 81,508 | 106,217 | (24,709) | (23.26%) |
| Total Operating Expenses | $ 288,886,162 | $ 293,092,645 | $ (4,206,483) | (1.44%) |



**Nonoperating Expenses**
Total nonoperating expenses decreased slightly by approximately $71,000.

*Interest*
Interest expense decreased by $206,000. All of the campuses experienced lower interest costs. Jonesboro experienced the largest decrease of $71,000. Although the campus had higher interest expense due to notes payable; the campus had lower interest expense on bonds payable. The campus issued refunding bonds during the fiscal year. Additional information on the bond issue may be found in Note 5.

*Gain or Loss on Disposal of Capital Assets*
During the fiscal year, the University had a loss of $632,000 on capital assets compared to a loss of $694,000 in fiscal year 2016. Newport was the only campus to show a gain in the amount of $12,000. This was due to receiving more funds from the sale of capital assets. The Jonesboro campus's statements reflect a loss of $638,000. This loss is attributable to the deletion of equipment and also improvement projects that were no longer on campus. Beebe and Mid-South had small losses in the amount of $5,800 and $87, respectively, due to equipment deletions.

**Other Changes**
Other revenues, expenses, gains and losses totaled $1.7 million. This amount decreased by $14 million.

*Capital Appropriations*
Capital appropriations decreased by $2.1 million. The Jonesboro campus experienced the majority of the decrease due to a decline in state appropriations received for capital improvements on campus. The Beebe campus received only one small capital appropriation for fiscal year 2016 in the amount of $20,000 and did not receive any during fiscal year 2017. None of the other campuses received capital appropriations during the fiscal year.

*Capital Grants and Gifts*
Capital grants and gifts decreased by $12 million. The Jonesboro campus had a decline of $11.5 million compared to fiscal year 2016. This was attributable to funds that were received in 2016 for the expansion of Centennial Bank Stadium. Beebe and Mid-South also had decreases of $205,000 and $510,000, respectively, due to lower capital gifts at Beebe and lower capital grants at Mid-South. Mountain Home and Newport had increases of $54,000 and $210,000, respectively, due to capital gifts received.

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

## Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2017 and June 30, 2016 were as follows:

**Capital Assets (net of accumulated depreciation)**

| | 2017 | 2016 | Increase/ (Decrease) | Percent Change |
|---|---|---|---|---|
| Land and land improvements | $ 18,595,656 | $ 18,584,225 | $ 11,431 | 0.06% |
| Construction in progress | 5,071,351 | 19,077,688 | (14,006,337) | (73.42%) |
| Livestock | 177,271 | 236,596 | (59,325) | (25.07%) |
| Intangibles-Software in development | 2,592,317 | 1,438,448 | 1,153,869 | 80.22% |
| Intangibles-Easements | 2,675,000 | 2,675,000 | - | 0.00% |
| Intangibles-Software | 1,942,870 | 2,331,444 | (388,574) | (16.67%) |
| Buildings | 297,723,704 | 312,086,457 | (14,362,753) | (4.60%) |
| Improvements and infrastructure | 140,511,535 | 122,799,764 | 17,711,771 | 14.42% |
| Equipment | 16,279,974 | 16,907,311 | (627,337) | (3.71%) |
| Library/audiovisual holdings | 1,603,734 | 1,609,855 | (6,121) | (0.38%) |
| Total | $ 487,173,412 | $ 497,746,788 | $ (10,573,376) | (2.12%) |

*Land*

The University had one addition of land and land improvements in the amount of $11,431 at the Mid-South campus during fiscal year 2017.

*Construction in progress*

Construction in progress decreased by 73.42%. This decrease is mainly attributable to the completion of construction projects at the Jonesboro campus. The Jonesboro campus experienced a decrease of $13,836,570 during the year. $23,765,778 was transferred as completed construction. The major projects completed throughout the year include: energy savings performance contract, student apartment upgrades, and football field renovations. The Jonesboro campus was the only campus to reflect a balance in construction in progress at the end of 2017. The balance at the Jonesboro campus is mainly attributable to several small projects on the campus including: road improvements, Convocation Center improvements, Student Union improvements, football operations building, and improvements to the library.

*Livestock*

The decrease of 25.07% is attributable to a decline of the Jonesboro campus livestock herds of $56,767 and a slight decline of the Beebe campus's herds in the amount of $2,558.

*Intangibles-Software in development*

The Beebe, Mountain Home and Newport campuses are implementing a new ERP (Enterprise Resource Planning) System. The new software was still in development as of June 30, 2017. The University's threshold for capitalizing software is $1 million and the Beebe and Newport campuses have capitalized $1,546,565 and $1,045,752, respectively. It is anticipated that the future amounts spent on the ERP System will meet the capitalization threshold and an additional amount will be capitalized during fiscal year 2018. The expected go-live date for the new software is late fall 2017.

*Intangibles-Easements*

The University had no additions or disposals of easements during fiscal year 2017.

*Intangibles-Software*

The University's decrease of $388,574 was the amount of annual depreciation during the fiscal year. No additions to software occurred in fiscal year 2017.

*Buildings*

The University experienced a decrease in the total value of buildings. This is a result of a much lower amount of additions to buildings. In fiscal year 2017, the campuses added $2,058,201 compared to $18,487,038 in fiscal year 2016. The largest portion of the $2,058,201 was at the Jonesboro campus in the amount of $1,783,036 and includes the completion of the Dyess Theatre building and final construction amounts added to the Humanities and Social Sciences building, and the Child Development and Research Center. Also, accumulated depreciation increased from $248,272,372 in 2016 to $264,652,796 in 2017 as a result of additional buildings that were added in 2016 and began depreciating in fiscal year 2017.

*Improvements and infrastructure*
The 14.42%, or $17,711,771, increase in improvements and infrastructure is attributable to the completion of projects at the Jonesboro campus during the fiscal year. These include: energy savings performance contract, renovations to the parking deck, student apartment upgrades, track improvements, Student Union enhancements, and football field renovations.

*Equipment*
Equipment decreased by 3.71%, or $627,337, during the year. Equipment additions increased slightly from $3,964,908 in 2016 to $4,606,580 in 2017. Of the additions for fiscal year 2017, $291,722 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. Equipment purchases remained fairly the same in 2017 as in 2016. Depreciation expense decreased from $5,413,091 in 2016 to $5,203,550 in 2017. The campuses disposed of equipment during the year with a net value of $30,367.

*Library/audiovisual holdings*
The University's decrease of $6,121, or 0.38%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases in 2017 were $312,837 compared to $291,434 in 2016. Depreciation expense remained fairly consistent increasing slightly from $318,947 in 2017 to $315,713 in 2016.

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


## Debt Administration
The University's financial statements indicate $203,215,553 in bonds payable, $9,632,008 in notes payable and $16,073,556 in capital leases payable at June 30, 2017.

The Jonesboro campus issued refunding bonds during 2017. A summary of the two issues and the bonds that were refunded is below:

| | |
|---|---|
| $13,870,000 | 2007 Student Fee Bonds |
| $23,150,000 | 2007 Housing Bonds |

The University's bonded indebtedness consisted 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 $9,632,008 in notes payable consisted of three notes for the Jonesboro campus. These include an $8,000,000 note to renovate Wilson Hall for the DO School, a $1,204,000 note for energy improvement projects through the state's sustainable revolving loan fund, and a $1,000,000 note for pedestrian improvements . At June 30, 2017, the outstanding amounts for these notes were $6,641,192, $1,023,400 and $702,513, respectively. Additionally, the Mountain Home campus has a note payable with a remaining balance of $152,537 for a land purchase and the Newport campus has $1,112,366 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location.

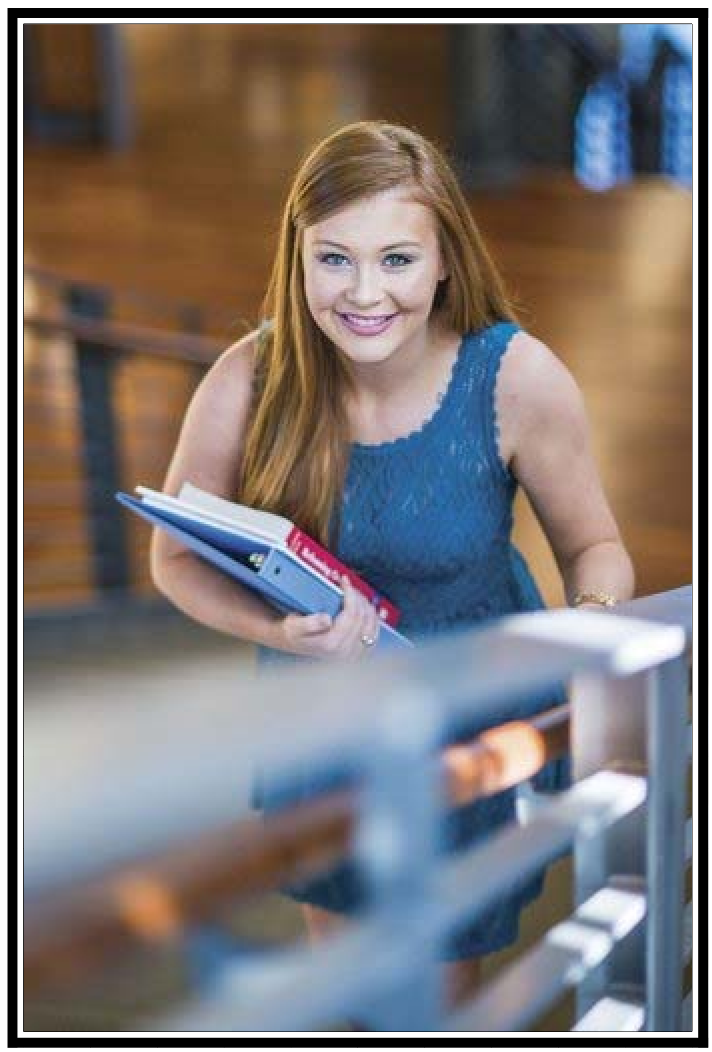
The Jonesboro campus issued a capital lease during 2016 in the amount of $15,226,080 for energy savings projects on the campus. The savings from utility billings will be used to pay the debt. There have been no principal payments paid yet and the current balance of the debt is $15,226,080. In addition, the campus has $3,846 in capital leases comprised of a lease for a lawn mower. The campus also issued a capital lease during 2017 for IT equipment valued at $545,160. After a down payment during the year, the remaining balance is $358,082. The Newport campus also issued a capital lease during 2017 for IT equipment. The amount of the lease is $606,934 and a balance of $485,548 remains at June 30, 2017.

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

## Economic Outlook

The economic outlook of the University remains sound.

In 2017, economic indicators in the U.S. point to continued growth after the Great Recession, and the Federal Reserve has indicated that they will be raising rates at the Federal level in 2018. Currently, rates have held steady, which has limited the University's ability to generate favorable returns on its financial assets; however, the lower rates positively affect the ability to strategically manage long-term debt and borrowing costs. The University's strong credit rating of A1 continues to provide favorable financing terms and options.



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

The University continues to proactively manage its enrollment and scholarship administration to strike an appropriate balance between academic standards, demographic and economic changes, and net tuition revenue. In addition, the University has increased its emphasis on obtaining competitive research funding, and has seen an increase in grant and contract 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, 2017**

| | |
|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | |
| **Current Assets:** | |
| Cash and cash equivalents | $ 51,998,536 |
| Short-term investments | 9,626,671 |
| Accounts receivable (less allowances of $2,565,273) | 22,151,009 |
| Notes and deposits receivable (less allowances of $292,176) | 703,843 |
| Accrued interest and late charges | 154,219 |
| Inventories | 2,793,394 |
| Deposits with trustees | 859,431 |
| Unamortized bond insurance | 510,133 |
| Prepaid expenses | 453,149 |
| **Total Current Assets** | 89,250,385 |
| | |
| **Noncurrent Assets:** | |
| Cash and cash equivalents | 35,731,139 |
| Restricted cash and cash equivalents | 6,197,143 |
| Endowment investments | 14,976,331 |
| Other long-term investments | 19,141,401 |
| Irrevocable split-interest agreement | 1,514,995 |
| Accrued interest and late charges | 674,449 |
| Deposits with trustees | 3,572,898 |
| Accounts receivable | 2,068,593 |
| Notes and deposits receivable (less allowances of $1,645,079) | 3,806,316 |
| Capital assets (net of accumulated depreciation of $383,891,123) | 487,173,412 |
| **Total Noncurrent Assets** | 574,856,677 |
| **TOTAL ASSETS** | 664,107,062 |
| | |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Excess of bond reacquisition costs over carrying value | 3,770,147 |
| Pensions | 6,637,549 |
| | |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 674,514,758 |
| | |
| **LIABILITIES** | |
| **Current Liabilities:** | |
| Accounts payable and accrued liabilities | 10,170,600 |
| Bonds, notes, and leases payable | 10,916,186 |
| Compensated absences | 6,422,147 |
| Unearned revenue | 11,148,091 |
| Funds held in trust for others | 790,904 |
| Deposits | 1,241,127 |
| Interest payable | 2,199,488 |
| **Total Current Liabilities** | 42,888,543 |
| | |
| **Noncurrent Liabilities:** | |
| Bonds, notes and leases payable | 218,004,931 |
| Compensated absences | 4,667,410 |
| Accrued other postemployment benefits payable | 14,055,054 |
| Net pension liability | 22,546,279 |
| Deposits | 428,217 |
| Refundable federal advances | 5,828,048 |
| **Total Noncurrent Liabilities** | 265,529,939 |
| **TOTAL LIABILITIES** | 308,418,482 |
| | |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pensions | 3,278,104 |
| Irrevocable split-interest agreement | 1,514,995 |
| | |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 313,211,581 |
| | |
| **NET POSITION** | |
| Net investment in capital assets | 261,798,452 |
| Restricted for nonexpendable purposes: | |
| Scholarships and fellowships | 5,810,432 |
| Renewal and replacement | 967,261 |
| Loans | 420,911 |
| Other-College and Department Purposes | 9,220,658 |
| Restricted for expendable purposes | |
| Scholarships and fellowships | 1,022,081 |
| Research | 18,593 |
| Loans | 10,000 |
| Capital projects | 4,280,496 |
| Debt service | 1,687,693 |
| Renewal and replacement | 421,644 |
| Other | 3,100,488 |
| Unrestricted | 72,544,468 |
| **TOTAL NET POSITION** | $ 361,303,177 |

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

## ARKANSAS STATE UNIVERSITY SYSTEM

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

## FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---|
| **OPERATING REVENUES** | |
| Student tuition and fees (net of scholarship allowances of $50,897,103) | $ 62,980,619 |
| Grants and contracts | 34,328,583 |
| Sales and services | 2,097,800 |
| Auxiliary enterprises (net of scholarship allowances of $8,543,250) | 29,731,551 |
| Self-insurance | 4,193,379 |
| Other operating revenues | 2,618,535 |
| **TOTAL OPERATING REVENUES** | 135,950,467 |
| | |
| **OPERATING EXPENSES** | |
| Personal services | 158,310,684 |
| Scholarships and fellowships | 17,021,407 |
| Supplies and services | 66,170,938 |
| Self-insurance | 18,176,043 |
| Depreciation | 29,125,582 |
| Other | 81,508 |
| **TOTAL OPERATING EXPENSES** | 288,886,162 |
| **OPERATING INCOME (LOSS)** | (152,935,695) |
| | |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Federal appropriations | 356,521 |
| State appropriations | 102,826,511 |
| Grants and contracts | 51,427,501 |
| Sales and use taxes | 2,676,486 |
| Property taxes | 3,933,057 |
| Gifts | 2,970,520 |
| Investment income | 2,871,791 |
| Interest on capital asset - related debt | (8,272,170) |
| Gain or loss on disposal of capital assets | (631,667) |
| Refunds to grantors | (113,774) |
| Other nonoperating revenues (expenses) | (340,137) |
| **NET NONOPERATING REVENUES (EXPENSES)** | 157,704,639 |
| | |
| **INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES** | 4,768,944 |
| | |
| Capital appropriations | 54,761 |
| Capital grants and gifts | 1,507,492 |
| Additions to endowments | 200 |
| Adjustments to capital assets | (26,685) |
| Capitalization of library holdings at rate per volume | 202,198 |
| | |
| **INCREASE (DECREASE) IN NET POSITION** | 6,506,910 |
| | |
| **NET POSITION - BEGINNING OF YEAR** | 354,796,267 |
| | |
| **NET POSITION - END OF YEAR** | $ 361,303,177 |

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

**ARKANSAS STATE UNIVERSITY SYSTEM**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Student tuition and fees | $ 63,706,025 |
| Grants and contracts | 34,418,987 |
| Auxiliary enterprises revenues | 29,741,480 |
| Sales and services | 2,103,297 |
| Self-insurance program receipts | 4,202,967 |
| Collection of principal and interest related to student loans | 852,772 |
| Other receipts | 2,700,841 |
| Payments to employees | (132,907,855) |
| Payments for employee benefits | (25,092,427) |
| Payments to suppliers | (69,538,269) |
| Scholarships and fellowships | (17,021,407) |
| Self-insurance program payments | (17,695,718) |
| Loans issued to students | (118,950) |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | (124,648,257) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Federal appropriations | 308,045 |
| State appropriations | 101,382,886 |
| Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners | 1,500,000 |
| Grants and contracts | 51,815,079 |
| Private gifts and grants | 3,437,061 |
| Sales and use taxes | 2,671,760 |
| Property taxes | 4,226,578 |
| Direct lending, PLUS and FFEL loan receipts | 100,927,337 |
| Direct lending, PLUS and FFEL loan payments | (101,920,260) |
| Agency activity | 171,883 |
| Refunds to grantors | (114,021) |
| **NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES** | 164,406,348 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Distributions from debt holders of debt proceeds other than from bonds | 5,786,216 |
| Capital appropriations | 54,761 |
| Capital gift and grants | 490,933 |
| Proceeds from sale of capital assets | 17,624 |
| Purchases of capital assets | (20,442,125) |
| Payments to trustees for bond principal | (8,429,999) |
| Payments to trustees for bond interest and fees | (7,127,998) |
| Payments to debt holders for principal (other than bonds) | (1,423,337) |
| Payments to debt holders for interest and fees (other than bonds) | (544,613) |
| Property taxes remitted to bond trustees | (2,858,582) |
| Distribution of excess property taxes from bond trustees | 1,467,791 |
| **NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTVITIES** | (33,009,329) |
| **CASH FLOWS FROM INVESTING ACTIVITES** | |
| Proceeds from sales and maturities of investments | 14,087,028 |
| Interest on investments (net of fees) | 878,497 |
| Purchases of investments | (15,034,246) |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | (68,721) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 6,680,041 |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 87,246,777 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 93,926,818 |

*This statement is continued on the next page.*

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

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

| | |
|---|---|
| Operating income (loss) | $ (152,935,695) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 29,125,582 |
| Change in assets and liabilities: | |
| Receivables, net | (974,710) |
| Inventories | (303,827) |
| Prepaid expenses | (263,410) |
| Accounts and salaries payable | (864,637) |
| Other postemployment benefits payable | 909,423 |
| Pension obligations | (9,114) |
| Unearned revenue | 731,684 |
| Deposits | 6,094 |
| Refundable federal advances | (129,478) |
| Compensated absences | 59,831 |
| Net cash provided (used) by operating activities | $ (124,648,257) |

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

| | |
|---|---|
| **Current Assets:** | |
| Cash and cash equivalents | $ 51,998,536 |
| **Noncurrent Assets:** | |
| Cash and cash equivalents | 35,731,139 |
| Restricted cash and cash equivalents | 6,197,143 |
| Total cash and cash equivalents - June 30, 2017 | $ 93,926,818 |

*This statement is continued on the next page.*

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

**NONCASH TRANSACTIONS**

**JONESBORO**

The University issued refunding bonds of $13,870,000, at a premium of $698,164. The proceeds of this issue were utilized as follows: $14,406,164 was remitted to an escrow agent; $157,465 was used to pay the bond issuance costs; and $4,535 was remitted to the bond trustee.

The University issued refunding bonds of $23,150,000, at a premium of $1,691,603. The proceeds of this issue were utilized as follows: $24,593,089 was remitted to an escrow agent; $244,681 was used to pay the bond issuance costs; and $3,833 was remitted to the bond trustee.

Equipment-capital gift of $67,747

Value of equipment traded for equipment-$1,000

Value of equipment traded from vendor discounts-$194,360

Capital lease payable-value of equipment $545,160

Interest earned on reserve accounts held by trustee-$6,549

Interest paid from accounts held by trustee-$6,917

Amount earned on investments-$349,662

**BEEBE**

Interest earned on reserve accounts held by trustee-$720

Interest paid from accounts held by trustee-$430

Amount of interest earned on CD's reinvested with CD's-$34,139

**MID-SOUTH**

Interest earned on reserve accounts held by trustee-$2,502

Trustee payments for retirement of bond principal-$510,000

Trustee payment for bond interest and fees-$793,793

Unrealized gain on investments-$493,218

Library holdings donations-$1,357

Supplies donations-$8,825

**MOUNTAIN HOME**

Interest earned on reserve accounts held by trustee-$131

Interest paid from accounts held by trustee-$88

**NEWPORT**

Equipment-capital gift of $223,975

Capital lease payable-equipment $606,934

Interest earned on reserve accounts held by trustee-$45

Amount earned on investments-$31,587

Amount of interest earned on CD's reinvested with CD's-$936

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

**ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.**

**DISCRETELY PRESENTED COMPONENT UNIT**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2017**

| | |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 71,319 |
| Repurchase agreements | 5,719,791 |
| Certificates of deposit | 4,242,475 |
| Prepaid expenses | 26,202 |
| Contributions receivable, net | 1,571,511 |
| Investments, at fair value | 67,146,790 |
| Property and equipment, net | 1,614,251 |
| Other assests | 2,816 |
| **TOTAL ASSETS** | $ 80,395,155 |
| | |
| **LIABILITIES** | |
| Accounts payable | $ 54,359 |
| Annuity obligations | 16,000 |
| Due to Alumni Association | 1,043 |
| Amounts held on behalf of Arkansas State University related entities | 12,540,558 |
| Note payable | 37,645 |
| **TOTAL LIABILITIES** | 12,649,605 |
| | |
| **NET ASSETS** | |
| Unrestricted | 6,369,582 |
| Temporarily restricted | 9,076,969 |
| Permanently restricted | 52,298,999 |
| **TOTAL NET ASSETS** | 67,745,550 |
| | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 80,395,155 |

**ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.**

**DISCRETELY PRESENTED COMPONENT UNIT**

**STATEMENT OF ACTIVITES**

**FOR THE YEAR ENDED JUNE 30, 2017**

| | UNRESTRICTED | | TEMPORARILY RESTRICTED | | PERMANENTLY RESTRICTED | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| **REVENUE AND OTHER SUPPORT** | | | | | | | | |
| Contributions | $ 4,081,543 | | $ 2,642,857 | | $ 1,315,945 | | $ 8,040,345 | |
| Investment return, net | 229,680 | | 1,066,488 | | 5,541,006 | | 6,837,174 | |
| Other income | 116,615 | | 260,283 | | 1,602 | | 378,500 | |
| Net assets released from restrictions | 3,442,610 | | (3,442,610) | | | | - | |
| **TOTAL SUPPORT** | 7,870,448 | | 527,018 | | 6,858,553 | | 15,256,019 | |
| **EXPENSES AND LOSSES** | | | | | | | | |
| **PROGRAM SERVICES** | | | | | | | | |
| Academic activities | 293,749 | | | | | | 293,749 | |
| Administrative | 306,937 | | | | | | 306,937 | |
| Student activities | 32,046 | | | | | | 32,046 | |
| Transfers to Arkansas State University | 3,159,110 | | | | | | 3,159,110 | |
| **SUPPORTING SERVICES** | | | | | | | | |
| Management and general | 571,522 | | | | | | 571,522 | |
| **CHANGE IN SPLIT-INTEREST AGREEMENTS** | | | | | 28,761 | | 28,761 | |
| | 4,363,364 | | - | | 28,761 | | 4,392,125 | |
| **INCREASE IN NET ASSETS** | 3,507,084 | | 527,018 | | 6,829,792 | | 10,863,894 | |
| **NET ASSETS AT BEGINNING OF YEAR (AS RESTATED)** | 2,862,498 | (1) | 8,549,951 | (1) | 45,469,207 | (1) | 56,881,656 | (1) |
| **NET ASSETS AT END OF YEAR** | $ 6,369,582 | | $ 9,076,969 | | $ 52,298,999 | | $ 67,745,550 | |

(1) - Amount restated from prior year reported amounts due to change **in accounting policy and/or correction of errors** as discussed in ASU Foundation Audit Note 2 (K).

**NOTE 1.**
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## Reporting Entity

**Jonesboro**

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

**Beebe**

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

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

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

**Mountain Home**

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

**Newport**

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

Effective July 1, 2001, Delta Technical Institute was merged to the University to become the Arkansas State University Technical Center. The Technical Center is part of the Newport campus and consists of two campuses located at Marked Tree and Jonesboro.

**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 System to become Arkansas State University-Mid-South.

**System**

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

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

**Component Units**

The Arkansas State University System Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the University in support of its mission and programs. The 33 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement Number 39, Determining Whether Certain Organizations are Component Units. Accordingly, the financial statements of the Foundation are discretely presented in the University's financial statements in accordance with the provisions of GASB Statement Number 39.

During the year ended June 30, 2017, the Foundation transferred property, equipment and funds of $3,159,110 to the University for academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

## Financial Statement Presentation

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

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

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

In June 2012, the GASB issued Statement no. 68, Accounting and Financial Reporting for Pensions. The primary objective of this Statement 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 March 2016, the GASB issued Statement no. 81, Irrevocable Split-Interest Agreements. Although the effective date of the Standard is for fiscal year 2018, the University early implemented the requirements of the Standard in accounting for an irrevocable split-interest agreement at the Jonesboro campus in fiscal year 2017.

## 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 five (5) campuses. Other than the receipt and disbursement of student financial aid between the campuses, financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

## Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings and construction in progress are recorded at cost at the date of acquisition or 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 capitalized during the period of construction. During the fiscal year, $66,577 of interest costs was capitalized for the Jonesboro campus.

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

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

## 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, 2017. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

### Investments
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.

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

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

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

### Unearned Revenues
Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2017 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.

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

### Noncurrent Liabilities
Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs and other liabilities that will not be paid within the next fiscal year; (3) estimated amounts for deposits held that will not be paid within the next fiscal year; (4) other postemployment benefits payable (Note 12); (5) net pension liability (Note 8); 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.

## Funds Held in Trust for Others

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

## Net Position

The University's net position is classified as follows:

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

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**

| | Carrying Amount | Bank Balance |
|---|---|---|
| Insured (FDIC) | $ 4,316,938 | $ 4,221,518 |
| Collaterized: | | |
| Collateral held by the pledging bank or pledging bank's trust department in the University's name | 104,836,838 | 106,793,013 |
| Total Deposits | $ 109,153,776 | $ 111,014,531 |

The above deposits do not include cash on deposit in the state treasury and cash on hand maintained by the University in the amounts of $388,072 and $69,190 at June 30, 2017, respectively. Also, the above amount does not include $465,527 in certificates of deposits held by the Foundation for license plate scholarships and $182,659 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of $15,866,879 reported as investments and classified as nonnegotiable certificates of deposit. Additionally, the deposits do not include money market checking accounts of $427 reported as deposits with trustees.

### 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 State 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 $111,014,531 was fully collateralized at June 30, 2017.

### Deposits with Trustees
At June 30, 2017, the University's deposits with trustees totaled $4,432,329. Other than the money market checking accounts of $427, the details of the deposits with trustee by campus are below.

Jonesboro
At June 30, 2017, the University's deposits with trustee of $2,065,262 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury fund. This fund was rated Aaa-mf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 31 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 market 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 market value of the deposits with trustee at June 30, 2017 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 |
| $ 2,065,262 | $ - | $ - | $ 2,065,262 |

Mid-South
At June 30, 2017, the University's deposits with trustee of $2,366,587 were invested by US Bank. The fund invests solely in First American Government Obligations, a money market treasury fund. The objective of the fund, rated AAAm and Aaa-mf by Standard and Poor's and Moody's Investors Service, respectively, is to maximize current income consistent with preserving capital and maintaining daily liquidity. The effective average maturity was approximately 23 days.

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

Fair market 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 market value of the deposits with trustee at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 2,366,587 | $ - | $ - | $ 2,366,587 |

Mountain Home
At June 30, 2017, the University's deposits with trustee of $53 were invested in U.S Treasury debt securities. 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 44 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 market 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 market value of the deposits with trustee at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 53 | $ - | $ - | $ 53 |

## University Investments (Excluding Endowment Funds)

At June 30, 2017, the University's investments, excluding endowment funds, consisted of corporate bonds of $1,742,631, U.S. agencies of $3,776,052, negotiable certificates of deposit of $1,731,964, U.S. Treasury notes of $824,478, mutual bonds of $335,910, and equity funds of $4,024,631. Details of the investments by campus are below.

Jonesboro
At June 30, 2017, the University's investments, excluding endowment funds, consisted of corporate bonds of $1,132,611, U.S. agencies of $3,725,002 and negotiable certificates of deposit of $1,731,964.

The corporate bonds will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ - | S - | $711,520 | $ 421,091 | $ 1,132,611 |

The U.S. agencies will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ 126,354 | $ 619,785 | S219,382 | $ 2,759,481 | $ 3,725,002 |

The negotiable certificates of deposits will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ 150,158 | $ 1,581,806 | $0 | S - | $ 1,731,964 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|---|---|---|---|---|---|
| $ - | $ 468,079 | $ 664,532 | $ - | $ - | $ 1,132,611 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|---|---|---|---|---|---|
| $ 3,126,655 | S 308,382 | S 222,678 | $ - | $ 67,287 | S 3,725,002 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 9.827 years at June 30, 2017. The U.S. agencies had an estimated weighted average maturity of 11.446 years at June 30, 2017. The negotiable certificates of deposit had an estimated weighted average maturity of 3.358 years at June 30, 2017. 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, 2017, negotiable certificates of deposits of $1,731,964 were exposed to custodial credit risk.

Fair market 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 market value of the corporate bonds at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 1,132,611 | $ - | $ - | $ 1,132,611 |

The fair market value of the U.S. agencies at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 3,725,002 | $ - | $ - | $ 3,725,002 |

The fair market value of the negotiable certificates of deposit at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 1,731,654 | $ - | $ - | $ 1,731,654 |

<u>Mid-South</u>

At June 30, 2017, the University's investments consisted of corporate bonds of $610,020, U.S. agencies of $51,050, U.S. Treasury notes of $824,478, mutual bonds of $335,910, and equity funds of $4,024,631. The corporate bonds will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ 125,290 | $ 356,223 | $128,507 | $ - | $ 610,020 |

The U.S. agencies will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ - | $ 51,050 | | $ - | $ 51,050 |

The U.S Treasury notes will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|
| $ 200,718 | $ 426,347 | $197,413 | $ - | $ 824,478 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|---|---|---|---|---|---|
| $ - | $ 74,729 | $ 280,801 | $ 254,490 | $ - | $ 610,020 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|---|---|---|---|---|---|
| $ 51,050 | $ - | $ - | $ - | $ - | $ 51,050 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|---|---|---|---|---|---|
| $ 824,478 | $ - | $ - | $ - | $ - | $ 824,478 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 3.022 years at June 30, 2017. The U.S. agencies had an estimated weighted average maturity of 4.542 years at June 30, 2017. The U.S. Treasury notes had an estimated weighted average maturity of 3.537 years at June 30, 2017. 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 market 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 market value of the corporate bonds at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 610,020 | $ - | $ - | $ 610,020 |

The fair market value of the U.S. agencies at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 51,050 | $ - | $ - | $ 51,050 |

The fair market value of the U.S. Treasury notes at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 824,478 | $ - | $ - | $ 824,478 |

The fair market value of the mutual bonds at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 335,910 | $ - | $ - | $ 335,910 |

The fair market value of the equity funds at June 30, 2017 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 |
| $ 4,024,631 | $ - | $ - | $ 4,024,631 |

**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 $5,159,592 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 System Foundation, Inc. was 13.73% or $9,090,361 and consisted of the following types of investments:

| Type | Amount |
|---|---|
| Domestic Equities Mutual Funds | $ 4,429,692 |
| Bonds/Fixed Income Securities | 2,070,689 |
| Alternative Assets | 726,291 |
| Cash Equivalents | 39,001 |
| Bonds/Fixed Income Mutual Funds | 898,971 |
| International Equitiy Mutual Funds | 925,717 |
| Total | $ 9,090,361 |

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

The fair market value of the investments at June 30, 2017 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 |
| $ 8,364,070 | $ - | $ 726,291 | $ 9,090,361 |

The Beebe campus's portion of the investment pool administered by the Arkansas State University System Foundation, Inc. was 1.10% or $726,378 and consisted of the following types of investments:

| Type | | Amount |
|---|---|---|
| Domestic Equities Mutual Funds | $ | 354,040 |
| Bonds/Fixed Income Securities | | 165,462 |
| Alternative Assets | | 58,035 |
| Cash Equivalents | | 3,036 |
| Bonds/Fixed Income Mutual Funds | | 71,834 |
| International Equity Mutual Funds | | 73,971 |
| Total | $ | 726,378 |

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

The fair market value of the investments at June 30, 2017 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 | |
| $ | 668,343 | $ | - | $ | 58,035 | $ | 726,378 |

**R.E. Lee Wilson, Sr. Trust Investments**

The R.E. Lee Wilson, Sr. Trust of $3,491,900 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

| Type | | Amount |
|---|---|---|
| Mutual Funds | $ | 2,515,510 |
| Corporate Bonds | | 407,723 |
| Cash Equivalents | | 179,630 |
| U.S. Agencies | | 389,037 |
| Total | $ | 3,491,900 |

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

| | Less than one year | | 1 to 5 years | | 6-10 years | | Greater than 10 years | | Total |
|---|---|---|---|---|---|---|---|---|---|
| Corporate Bonds | $ | 69,806 | $ | 201,907 | $ | 76,157 | $ | 59,853 | $ 407,723 |
| U.S. Agencies | | | | 109,249 | | 104,497 | | 175,291 | 389,037 |
| Total | $ | 69,806 | $ | 311,156 | $ | 180,654 | $ | 235,144 | $ 796,760 |

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 | | $ 60,557 | $ 173,289 | $ 173,877 | | $ 407,723 |
| U.S. Agencies | $ 238,269 | | | | $ 150,768 | 389,037 |
| Total | $ 238,269 | $ 60,557 | $ 173,289 | $ 173,877 | $ 150,768 | $ 796,760 |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.310 and 13.786 years, respectively, at June 30, 2017.

The fair market value of the investments at June 30, 2017 is shown below:

| Level 1<br>Quoted prices for identical investments in active markets | Level 2<br>Quoted prices for similar investments in active markets | Level 3<br>Prices determined from the University's data | Total |
|---|---|---|---|
| $ 3,491,900 | $ - | $ - | $ 3,491,900 |

**V.C. and Bertie H. Kays Educational Trust Investments**
The V.C. and Bertie H. Kays Educational Trust of $1,667,692 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

| Type | Amount |
|---|---|
| Mutual Funds | $ 1,047,688 |
| Corporate Bonds | 283,986 |
| Cash Equivalents | 62,384 |
| U.S. Agencies | 273,634 |
| Total | $ 1,667,692 |

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

| | Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|---|---|---|---|---|---|
| Corporate Bonds | $ 47,500 | $ 141,940 | $ 53,516 | $ 41,030 | $ 283,986 |
| U.S. Agencies | | 76,872 | 58,512 | 138,250 | 273,634 |
| Total | $ 47,500 | $ 218,812 | $ 112,028 | $ 179,280 | $ 557,620 |

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 | | $ 44,734 | $ 121,602 | $ 117,650 | | $ 283,986 |
| U.S. Agencies | $ 164,923 | | | | $ 108,711 | 273,634 |
| Total | $ 164,923 | $ 44,734 | $ 121,602 | $ 117,650 | $ 108,711 | $ 557,620 |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 7.297 and 13.986 years, respectively, at June 30, 2017.

The fair market value of the investments at June 30, 2017 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 |
| $ 1,667,692 | $ - | $ - | $ 1,667,692 |

**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.

**NOTE 4.**
**CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2017:

**Arkansas State University-Jonesboro**

| | Balance July 1, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | | |
| Land and improvements | $ 7,003,089 | | | | $ 7,003,089 |
| Livestock for educational purposes | 164,373 | | | $ (56,767) | 107,606 |
| Construction-in-progress | 18,907,921 | $ 9,948,929 | $ (23,765,778) | (19,721) | 5,071,351 |
| Intangibles-Easements | 2,675,000 | | | | 2,675,000 |
| **Total nondepreciable capital assets** | $ 28,750,383 | $ 9,948,929 | $ (23,765,778) | $ (76,488) | $ 14,857,046 |
| **Other capital assets:** | | | | | |
| Improvements and infrastructure | $ 135,113,363 | $ 2,601,235 | $ 22,332,101 | $ (1,069,473) | $ 158,977,226 |
| Buildings | 365,336,601 | 349,359 | 1,433,677 | (18,780) | 367,100,857 |
| Equipment | 44,251,823 | 2,766,991 | | (361,747) | 46,657,067 |
| Library, audiovisual holdings | 12,208,511 | 202,104 | | | 12,410,615 |
| Intangibles-Software | 5,828,610 | | | | 5,828,610 |
| **Total other capital assets** | 562,738,908 | 5,919,689 | 23,765,778 | (1,450,000) | 590,974,375 |
| **Less accumulated depreciation/amortization:** | | | | | |
| Improvements and infrastructure | 25,787,063 | 5,427,202 | | (427,789) | 30,786,476 |
| Buildings | 163,866,289 | 9,774,055 | | (18,780) | 173,621,564 |
| Equipment | 32,014,920 | 3,594,638 * | | (334,695) | 35,274,863 |
| Library/audiovisual holdings | 11,530,564 | 147,514 * | | | 11,678,078 |
| Intangibles-Software | 3,497,166 | 388,574 | | | 3,885,740 |
| **Total accumulated depreciation/amortization** | 236,696,002 | 19,331,983 | - | (781,264) | 255,246,721 |
| **Other capital assets, net** | $ 326,042,906 | $ (13,412,294) | $ 23,765,778 | $ (668,736) | $ 335,727,654 |
| **Capital Asset Summary:** | | | | | |
| Nondepreciable capital assets | $ 28,750,383 | $ 9,948,929 | $ (23,765,778) | $ (76,488) | $ 14,857,046 |
| Other capital assets, at cost | 562,738,908 | 5,919,689 | 23,765,778 | (1,450,000) | 590,974,375 |
| Total cost of capital assets | 591,489,291 | 15,868,618 | - | (1,526,488) | 605,831,421 |
| **Less accumulated depreciation/amortization** | 236,696,002 | 19,331,983 | - | (781,264) | 255,246,721 |
| **Capital Assets, net** | $ 354,793,289 | $ (3,463,365) | $ - | $ (745,224) | $ 350,584,700 |

*Includes $31,865 for prior year depreciation expense for equipment and $7,654 for library/audiovisual holdings

**Arkansas State University-Beebe**

| | Balance July 1, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | | |
| Land and improvements | $ 3,350,508 | | | | $ 3,350,508 |
| Livestock for educational purposes | 72,223 | | | $ (2,558) | 69,665 |
| Construction-in-progress | 169,767 | | $ (169,767) | | - |
| Intangibles-Software under development | 918,342 | $ 628,223 | | | 1,546,565 |
| **Total nondepreciable capital assets** | $ 4,510,840 | $ 628,223 | $ (169,767) | $ (2,558) | $ 4,966,738 |
| **Other capital assets:** | | | | | |
| Improvements and infrastructure | $ 16,491,563 | $ 27,500 | $ 169,767 | | $ 16,688,830 |
| Buildings | 67,019,096 | | | $ (21,750) | 66,997,346 |
| Equipment | 5,507,982 | 245,112 | | (154,255) | 5,598,839 |
| Library audiovisual holdings | 2,564,786 | 84,254 | | (25,433) | 2,623,607 |
| **Total other capital assets** | 91,583,427 | 356,866 | 169,767 | (201,438) | 91,908,622 |
| **Less accumulated depreciation:** | | | | | |
| Improvements and infrastructure | 7,025,345 | 928,816 | | | 7,954,161 |
| Buildings | 27,131,307 | 1,785,277 | | (15,950) | 28,900,634 |
| Equipment | 4,432,905 | 313,918 | | (154,255) | 4,592,568 |
| Library audiovisual holdings | 1,965,393 | 112,754 | | (25,433) | 2,052,714 |
| **Total accumulated depreciation** | 40,554,950 | 3,140,765 | - | (195,638) | 43,500,077 |
| **Other capital assets, net** | $ 51,028,477 | $ (2,783,899) | $ 169,767 | $ (5,800) | $ 48,408,545 |
| **Capital Asset Summary:** | | | | | |
| Nondepreciable capital assets | $ 4,510,840 | $ 628,223 | $ (169,767) | $ (2,558) | $ 4,966,738 |
| Other capital assets, at cost | 91,583,427 | 356,866 | 169,767 | (201,438) | 91,908,622 |
| Total cost of capital assets | 96,094,267 | 985,089 | - | (203,996) | 96,875,360 |
| **Less accumulated depreciation** | 40,554,950 | 3,140,765 | - | (195,638) | 43,500,077 |
| **Capital Assets, net** | $ 55,539,317 | $ (2,155,676) | $ - | $ (8,358) | $ 53,375,283 |

**Arkansas State University-Mid-South**

| | Balance July 1, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | | |
| Land and improvements | $ 3,886,645 | $ 11,431 | | | $ 3,898,076 |
| **Other capital assets:** | | | | | |
| Improvements and infrastructure | $ 5,951,286 | $ 17,339 | | | $ 5,968,625 |
| Buildings | 58,597,098 | 75,450 | | | 58,672,548 |
| Equipment | 10,238,965 | 149,837 | | $ (153,099) | 10,235,703 |
| Library/audiovisual holdings | 890,810 | 6,536 | | (281) | 897,065 |
| **Total other capital assets** | 75,678,159 | 249,162 | - | (153,380) | 75,773,941 |
| **Less accumulated depreciation/amortization:** | | | | | |
| Improvements and infrastructure | 3,968,959 | 264,973 | | | 4,233,932 |
| Buildings | 19,894,637 | 1,938,827 | | | 21,833,464 |
| Equipment | 8,226,201 | 689,552 | | (152,350) | 8,763,403 |
| Library/audiovisual holdings | 793,000 | 20,298 | | (281) | 813,017 |
| **Total accumulated depreciation/amortization** | 32,882,797 | 2,913,650 | - | (152,631) | 35,643,816 |
| **Other capital assets, net** | $ 42,795,362 | $ (2,664,488) | $ - | $ (749) | $ 40,130,125 |
| **Capital Asset Summary:** | | | | | |
| Nondepreciable capital assets | $ 3,886,645 | $ 11,431 | $ - | $ - | $ 3,898,076 |
| Other capital assets, at cost | 75,678,159 | 249,162 | - | (153,380) | 75,773,941 |
| Total cost of capital assets | 79,564,804 | 260,593 | - | (153,380) | 79,672,017 |
| **Less accumulated depreciation/amortization** | 32,882,797 | 2,913,650 | - | (152,631) | 35,643,816 |
| **Capital Assets, net** | $ 46,682,007 | $ (2,653,057) | $ - | $ (749) | $ 44,028,201 |

**Arkansas State University-Mountain Home**

| | Balance July 1, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | | |
| Land and improvements | $ 2,934,808 | $ - | $ - | $ - | $ 2,934,808 |
| **Other capital assets:** | | | | | |
| Improvements and infrastructure | $ 2,313,346 | | | | $ 2,313,346 |
| Buildings | 38,285,223 | | | | 38,285,223 |
| Equipment | 1,967,576 | $ 90,882 | | | 2,058,458 |
| Library/audiovisual holdings | 986,183 | 94 | | | 986,277 |
| **Total other capital assets** | 43,552,328 | 90,976 | - | - | 43,643,304 |
| **Less accumulated depreciation:** | | | | | |
| Improvements and infrastructure | 2,068,609 | 42,214 | | | 2,110,823 |
| Buildings | 22,596,218 | 1,641,819 | | | 24,238,037 |
| Equipment | 1,588,301 | 146,786 | | | 1,735,087 |
| Library/audiovisual holdings | 831,870 | 22,411 | | | 854,281 |
| **Total accumulated depreciation** | 27,084,998 | 1,853,230 | - | - | 28,938,228 |
| **Other capital assets, net** | $ 16,467,330 | $ (1,762,254) | $ - | $ - | $ 14,705,076 |
| **Capital Asset Summary:** | | | | | |
| Nondepreciable capital assets | $ 2,934,808 | | $ - | | $ 2,934,808 |
| Other capital assets, at cost | 43,552,328 | $ 90,976 | - | $ - | 43,643,304 |
| Total cost of capital assets | 46,487,136 | 90,976 | - | - | 46,578,112 |
| **Less accumulated depreciation** | 27,084,998 | 1,853,230 | - | - | 28,938,228 |
| **Capital Assets, net** | $ 19,402,138 | $ (1,762,254) | $ - | $ - | $ 17,639,884 |

**Arkansas State University-Newport**

| | Balance July 1, 2016 | Additions | Transfers | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | | |
| Land and improvements | $ 1,409,175 | | | | $ 1,409,175 |
| Intangibles-Software in development | 520,106 | $ 525,646 | | | 1,045,752 |
| **Total nondepreciable capital assets** | $ 1,929,281 | $ 525,646 | $ - | $ - | $ 2,454,927 |
| **Other capital assets:** | | | | | |
| Improvements and infrastructure | $ 2,807,717 | $ 44,389 | | | $ 2,852,106 |
| Buildings | 31,120,811 | 199,715 | | | 31,320,526 |
| Equipment | 3,808,086 | 1,353,758 | | $ (140,109) | 5,021,735 |
| Library, audiovisual holdings | 440,425 | 19,849 | | (1,943) | 458,331 |
| **Total other capital assets** | 38,177,039 | 1,617,711 | - | (142,052) | 39,652,698 |
| **Less accumulated depreciation:** | | | | | |
| Improvements and infrastructure | 1,027,535 | 175,671 | | | 1,203,206 |
| Buildings | 14,783,921 | 1,275,176 | | | 16,059,097 |
| Equipment | 2,604,794 | 458,656 | | (137,543) | 2,925,907 |
| Library, audiovisual holdings | 360,033 | 15,970 | | (1,932) | 374,071 |
| **Total accumulated depreciation** | 18,776,283 | 1,925,473 | - | (139,475) | 20,562,281 |
| **Other capital assets, net** | $ 19,400,756 | $ (307,762) | $ - | $ (2,577) | $ 19,090,417 |
| **Capital Asset Summary:** | | | | | |
| Nondepreciable capital assets | $ 1,929,281 | $ 525,646 | $ - | $ - | $ 2,454,927 |
| Other capital assets, at cost | 38,177,039 | 1,617,711 | - | (142,052) | 39,652,698 |
| Total cost of capital assets | 40,106,320 | 2,143,357 | - | (142,052) | 42,107,625 |
| **Less accumulated depreciation** | 18,776,283 | 1,925,473 | - | (139,475) | 20,562,281 |
| **Capital Assets, net** | $ 21,330,037 | $ 217,884 | $ - | $ (2,577) | $ 21,545,344 |

**NOTE 5.**
**LONG-TERM LIABILITIES**

The 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, 2017 | Maturities To June 30, 2017 |
|---|---|---|---|---|---|
| 9/15/2005 | 4/1/2025 | 3 - 5% | $ 19,230,000 | $ 9,595,000 | $ 9,635,000 |
| 3/19/2009 | 3/1/2039 | 3 - 5.1% | 9,290,000 | 7,920,000 | 1,370,000 |
| 12/7/2010 | 3/1/2031 | 2 - 4.125% | 6,075,000 | 4,360,000 | 1,715,000 |
| 12/7/2010 | 3/1/2031 | 2 - 4.125% | 2,600,000 | 1,845,000 | 755,000 |
| 12/7/2010 | 12/1/2027 | 2 - 4% | 3,435,000 | 950,000 | 2,485,000 |
| 3/1/2012 | 3/1/2034 | 0.7 - 4.8% | 5,340,000 | 4,330,000 | 1,010,000 |
| 3/1/2012 | 3/1/2034 | 2 - 3.6% | 2,775,000 | 2,085,000 | 690,000 |
| 3/1/2012 | 3/1/2042 | 0.9 - 5.2% | 6,510,000 | 5,960,000 | 550,000 |
| 3/1/2012 | 3/1/2042 | 2 - 4% | 6,875,000 | 6,230,000 | 645,000 |
| 3/1/2012 | 3/1/2037 | 2 - 4% | 3,425,000 | 2,955,000 | 470,000 |
| 12/1/2012 | 3/1/2042 | 0.866 - 4.7% | 4,470,000 | 4,115,000 | 355,000 |
| 12/1/2012 | 3/1/2042 | 1.375 - 3.5% | 1,255,000 | 1,145,000 | 110,000 |
| 12/1/2012 | 3/1/2037 | 1.375 - 3.375% | 1,500,000 | 1,310,000 | 190,000 |
| 3/1/2013 | 3/1/2034 | 1 - 5% | 28,895,000 | 24,765,000 | 4,130,000 |
| 8/1/2013 | 8/1/2023 | 0.24% | 1,000,000 | 702,513 | 297,487 |
| 12/1/2013 | 12/1/2038 | 0.864 - 5.779% | 11,130,000 | 10,285,000 | 845,000 |
| 12/1/2013 | 12/1/2043 | 2 - 5% | 14,685,000 | 13,845,000 | 840,000 |
| 9/5/2014 | 9/18/2017 | 6.15% | 42,472 | 3,846 | 38,626 |
| 11/1/2015 | 11/1/2025 | 0.00% | 600,000 | 510,000 | 90,000 |
| 11/1/2015 | 11/1/2025 | 0.00% | 604,000 | 513,400 | 90,600 |
| 11/5/2015 | 11/5/2023 | 2.97% | 8,000,000 | 6,641,192 | 1,358,808 |
| 12/17/2015 | 12/1/2035 | 3.21% | 15,226,080 | 15,226,080 | - |
| 7/26/2016 | 10/1/2018 | 2.98% | 358,082 | 358,082 | - |
| 11/17/2016 | 3/1/2037 | 3 - 4% | 13,870,000 | 13,390,000 | 480,000 |
| 11/17/2016 | 3/1/2037 | 2 - 4% | 23,150,000 | 22,015,000 | 1,135,000 |
| Unamortized discount | | | (163,516) | (122,925) | (40,591) |
| Unamortized premium | | | 4,191,773 | 3,792,064 | 399,709 |
| Totals | | | $ 194,368,891 | $ 164,724,252 | $ 29,644,639 |

**Arkansas State University-Beebe**

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2017 | Maturities To June 30, 2017 |
|---|---|---|---|---|---|
| 12/1/2012 | 12/1/2032 | 1 - 3% | $ 1,890,000 | $ 1,575,000 | $ 315,000 |
| 4/1/2015 | 12/1/2023 | 1 - 3% | 1,895,000 | 1,500,000 | 395,000 |
| 4/1/2015 | 4/1/2039 | 1 - 3.625% | 8,005,000 | 7,510,000 | 495,000 |
| 5/1/2015 | 12/1/2035 | 2 - 4% | 12,930,000 | 12,050,000 | 880,000 |
| 6/1/2015 | 9/1/2035 | 2 - 4% | 9,185,000 | 8,465,000 | 720,000 |
| Unamortized discount | | | (91,432) | (79,923) | (11,509) |
| Unamortized premium | | | 404,190 | 359,341 | 44,849 |
| Totals | | | $ 34,217,758 | $ 31,379,418 | $ 2,838,340 |

**Arkansas State University-Mid-South**

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2017 | Maturities To June 30, 2017 |
|---|---|---|---|---|---|
| 8/26/2010 | 2/1/2040 | 2 - 4.7% | $ 5,180,000 | $ 4,415,000 | $ 765,000 |
| 8/1/2012 | 2/1/2042 | 1 - 4% | 18,510,000 | 16,140,000 | 2,370,000 |
| Unamortized discount | | | (47,842) | (36,679) | (11,163) |
| Unamortized premium | | | 112,689 | 93,908 | 18,781 |
| Totals | | | $ 23,754,847 | $ 20,612,229 | $ 3,142,618 |

**Arkansas State University-Mountain Home**

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2017 | Maturities To June 30, 2017 |
|---|---|---|---|---|---|
| 8/1/1999 | 4/10/2019 | 4.80% | $ 1,032,704 | $ 152,537 | $ 880,167 |
| 12/1/2010 | 12/1/2017 | 2.2 - 2.6% | 2,920,000 | 445,000 | 2,475,000 |
| 12/1/2012 | 12/1/2032 | 0.666 - 4.25% | 6,995,000 | 5,760,000 | 1,235,000 |
| Unamortized premium | | | 28,993 | 2,071 | 26,922 |
| Totals | | | $ 10,976,697 | $ 6,359,608 | $ 4,617,089 |

**Arkansas State University-Newport**

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2017 | Maturities To June 30, 2017 |
|---|---|---|---|---|---|
| 7/23/2012 | 7/23/2027 | 3.75% | $ 1,500,000 | $ 1,112,366 | $ 387,634 |
| 12/1/2012 | 5/1/2028 | 0.666 - 3.82% | 3,740,000 | 2,700,000 | 1,040,000 |
| 12/1/2012 | 12/1/2032 | 1 - 3% | 1,875,000 | 1,565,000 | 310,000 |
| 10/27/2016 | 3/1/2021 | 0.00% | 606,934 | 485,548 | 121,386 |
| Unamortized discount | | | (22,328) | (17,304) | (5,024) |
| Totals | | | $ 7,699,606 | $ 5,845,610 | $ 1,853,996 |

The changes in long-term liabilities are as follows:

**Arkansas State University-Jonesboro**

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 144,964,026 | $ 39,409,766 | $ 43,604,653 * | $ 140,769,139 | $ 6,347,941 |
| Notes payable | 9,496,122 | | 1,129,017 | 8,367,105 | 1,160,227 |
| Capital leases payable | 15,244,732 | 358,081 | 14,805 | 15,588,008 | 180,259 |
| Compensated absences | 7,786,594 | 5,384,924 | 5,215,290 | 7,956,228 | 4,786,829 |
| Totals | $ 177,491,474 | $ 45,152,771 | $ 49,963,765 | $ 172,680,480 | $ 12,475,256 |

*Includes advance refunding of $13,830,000 and $23,570,000

**Arkansas State University-Beebe**

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 32,711,318 | | $ 1,331,900 | $ 31,379,418 | $ 1,351,900 |
| Compensated absences | 1,514,549 | $ 888,502 | 1,041,212 | 1,361,839 | 897,588 |
| Totals | $ 34,225,867 | $ 888,502 | $ 2,373,112 | $ 32,741,257 | $ 2,249,488 |

**Arkansas State University-Mid-South**

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 21,124,390 | | $ 512,161 | $ 20,612,229 | $ 527,162 |
| Compensated absences | 607,857 | $ 485,074 | 500,528 | 592,403 | 62,312 |
| Totals | $ 21,732,247 | $ 485,074 | $ 1,012,689 | $ 21,204,632 | $ 589,474 |

**Arkansas State University-Mountain Home**

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 6,961,212 | | $ 754,141 | $ 6,207,071 | $ 770,521 |
| Notes payable | 223,547 | | 71,010 | 152,537 | 71,010 |
| Compensated absences | 465,230 | $ 226,684 | 241,348 | 450,566 | 27,034 |
| Totals | $ 7,649,989 | $ 226,684 | $ 1,066,499 | $ 6,810,174 | $ 868,565 |

**Arkansas State University-Newport**

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 4,541,579 | | $ 293,883 | $ 4,247,696 | $ 295,000 |
| Notes payable | 1,199,485 | | 87,119 | 1,112,366 | 90,779 |
| Capital leases payable | | $ 606,934 | 121,386 | 485,548 | 121,387 |
| Compensated absences | 655,496 | 789,689 | 716,664 | 728,521 | 648,384 |
| Totals | $ 6,396,560 | $ 1,396,623 | $ 1,219,052 | $ 6,574,131 | $ 1,155,550 |

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

**Arkansas State University-Jonesboro**

| Year ended June 30, | Principal | | Interest | | Total |
|---|---|---|---|---|---|
| 2018 | $ 7,688,427 | * | $ 6,621,475 | ** | $ 14,309,902 |
| 2019 | 7,894,354 | | 6,200,223 | | 14,094,577 |
| 2020 | 8,156,288 | | 5,789,499 | | 13,945,787 |
| 2021 | 8,488,205 | | 5,495,501 | | 13,983,706 |
| 2022 | 8,839,958 | | 5,183,843 | | 14,023,801 |
| 2023 - 2027 | 38,623,702 | | 21,186,076 | | 59,809,778 |
| 2028 - 2032 | 37,510,558 | | 14,306,045 | | 51,816,603 |
| 2033 - 2037 | 34,529,648 | | 6,696,681 | | 41,226,329 |
| 2038 - 2042 | 11,276,294 | | 1,759,183 | | 13,035,477 |
| 2043 - 2044 | 1,716,818 | | 84,338 | | 1,801,156 |
| Totals | $ 164,724,252 | *** | $ 73,322,864 | | $ 238,047,116 |

*Includes discount amortization of $6,200 and premium amortization of $199,141.

**Includes interest payable of $1,627,626 recorded as a current liability at June 30, 2017.

***Total principal of $164,724,252 includes discount amortization of $122,925 and premium amortization of $3,792,064.

**Arkansas State University-Beebe**

| Year ended June 30, | Principal | | Interest | | Total |
|---|---|---|---|---|---|
| 2018 | $ 1,351,900 | * | $ 1,017,644 | ** | $ 2,369,544 |
| 2019 | 1,366,900 | | 991,010 | | 2,357,910 |
| 2020 | 1,406,899 | | 961,157 | | 2,368,056 |
| 2021 | 1,451,899 | | 925,023 | | 2,376,922 |
| 2022 | 1,476,899 | | 882,485 | | 2,359,384 |
| 2023 - 2027 | 7,422,415 | | 3,655,199 | | 11,077,614 |
| 2028 - 2032 | 8,259,615 | | 2,336,396 | | 10,596,011 |
| 2033 - 2037 | 7,752,926 | | 814,278 | | 8,567,204 |
| 2038 - 2039 | 889,965 | | 48,393 | | 938,358 |
| Totals | $ 31,379,418 | *** | $ 11,631,585 | | $ 43,011,003 |

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

**Includes interest payable of $200,429 recorded as a current liability at June 30, 2017.

***Total principal of $31,379,418 includes discount amortization of $79,923 and premium amortization of $359,341.

**Arkansas State University-Mid-South**

| Year ended June 30, | Principal | | Interest | | Total |
|---|---|---|---|---|---|
| 2018 | $ 527,162 | * | $ 780,361 | ** | $ 1,307,523 |
| 2019 | 542,162 | | 764,664 | | 1,306,826 |
| 2020 | 557,162 | | 748,051 | | 1,305,213 |
| 2021 | 577,162 | | 730,989 | | 1,308,151 |
| 2022 | 597,162 | | 710,720 | | 1,307,882 |
| 2023 - 2027 | 3,300,808 | | 3,244,708 | | 6,545,516 |
| 2028 - 2032 | 3,940,808 | | 2,601,394 | | 6,542,202 |
| 2033 - 2037 | 4,760,808 | | 1,782,760 | | 6,543,568 |
| 2038 - 2042 | 5,808,995 | | 743,629 | | 6,552,624 |
| Totals | $ 20,612,229 | *** | $ 12,107,276 | | $ 32,719,505 |

*Includes discount amortization of $1,595 and premium amortization of $3,756.

**Includes interest payable of $323,354 recorded as a current liability at June 30, 2017.

***Total principal of $20,612,229 includes discount amortization of $36,679 and premium amortization of $93,908.

**Arkansas State University-Mountain Home**

| Year ended June 30, | Principal | | Interest | | Total |
|---|---|---|---|---|---|
| 2018 | $ 841,531 | * | $ 208,637 | ** | $ 1,050,168 |
| 2019 | 403,077 | | 193,474 | | 596,551 |
| 2020 | 330,000 | | 183,546 | | 513,546 |
| 2021 | 340,000 | | 175,039 | | 515,039 |
| 2022 | 350,000 | | 165,110 | | 515,110 |
| 2023 - 2027 | 1,925,000 | | 638,344 | | 2,563,344 |
| 2028 - 2032 | 1,875,000 | | 242,569 | | 2,117,569 |
| 2033 | 295,000 | | 6,269 | | 301,269 |
| Totals | $ 6,359,608 | *** | $ 1,812,988 | | $ 8,172,596 |

*Includes premium amortization of $2,071.

**Includes interest payable of $21,994 recorded as a current liability at June 30, 2017.

***Total principal of $6,359,608 includes premium amortization of $2,071.

**Arkansas State University-Newport**

| Year ended June 30, | Principal | | Interest | | Total |
|---|---|---|---|---|---|
| 2018 | $ 507,166 | * | $ 169,809 | ** | $ 676,975 |
| 2019 | 518,386 | | 160,508 | | 678,894 |
| 2020 | 531,882 | | 150,154 | | 682,036 |
| 2021 | 550,687 | | 138,046 | | 688,733 |
| 2022 | 429,277 | | 125,240 | | 554,517 |
| 2023 - 2027 | 2,414,595 | | 391,754 | | 2,806,349 |
| 2028 - 2032 | 773,617 | | 67,704 | | 841,321 |
| 2033 | 120,000 | | 1,800 | | 121,800 |
| Totals | $ 5,845,610 | *** | $ 1,205,015 | | $ 7,050,625 |

:

*Includes discount amortization of $1,116.

**Includes interest payable of $26,085 recorded as a current liability at June 30, 2017.

***Total principal of $5,845,610 includes discount amortization of $17,304.

**Refunding of Debt**

**Arkansas State University-Jonesboro**

On November 17, 2016, the University issued $13,870,000 in tax exempt refunding bonds for the Jonesboro campus with interest rates of 3 to 4 percent to advance refund $13,830,000 of outstanding bonds dated June 1, 2007 with interest rates of 3.65 to 5 percent. Net proceeds of $14,406,164, after payment of $157,465 for bond issuance costs and a premium of $698,164 were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $14,406,063, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2017. The University advance refunded the bonds to reduce its total debt service payments by $2,289,567 over the next twenty (20) years and to obtain an economic gain of $1,730,266. The University received an additional $4,535 from the bond issue to apply toward the debt payments of the new issue. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $576,148. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2037 using the straight-line method.

On November 17, 2016, the University issued $23,150,000 in tax exempt refunding bonds for the Jonesboro campus with interest rates of 2 to 4 percent to advance refund $23,570,000 of outstanding bonds dated June 1, 2007 with interest rates of 3.65 to 5 percent. Net proceeds of $24,593,089, after payment of $244,681 for bond issuance costs and a premium of $1,691,603 were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $24,592,989, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2017. The University advance refunded the bonds to reduce its total debt service payments by $3,887,256 over the next twenty (20) years and to obtain an economic gain of $2,988,283. The University received an additional $3,833 from the bond issue to apply toward the debt payments of the new issue. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,023,089. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2037 using the straight-line method.

**NOTE 6.**
**CAPITAL LEASES**

The net value of assets held under capital leases totaled $16,191,450 at June 30, 2017. The present value of the net minimum lease payments is as follows:

| Type of Asset | Asset Amount | Accumulated Depreciation | Net Amount |
|---|---|---|---|
| Lawn Equipment | $ 42,472 | $ 16,989 | $ 25,483 |
| IT Equipment | 1,152,094 | 121,387 | 1,030,707 |
| Energy Performance Contract | 15,135,260 | - | 15,135,260 |
| Total | $ 16,329,826 | $ 138,376 | $ 16,191,450 |

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2018 | $ 1,123,910 |
| 2019 | 1,166,257 |
| 2020 | 1,011,871 |
| 2021 | 1,054,222 |
| 2022 | 977,238 |
| 2023 - 2027 | 5,565,991 |
| 2028 - 2032 | 6,061,164 |
| 2033 - 2036 | 5,427,711 |
| **Total Minimum Lease Payments** | **22,388,364** |
| **Less: Amount Representing Interest** | **6,314,808** |
| **Total Present Value of Net Minimum Lease Payments** | **$ 16,073,556** |

## NOTE 7.
## COMMITMENTS

The University was contractually obligated for the following at June 30, 2017:

A. Construction Contracts

| Project Title | Estimated Completion Date | Contract Balance |
|---|---|---|
| **Jonesboro** | | |
| Collegiate Park Step Replacement | July 2017 | S 196,602 |
| Aggie Road Resurface | August 2017 | 698,920 |
| Library Envelope | August 2017 | 545,154 |
| Student Union Coolers and Freezers | August 2017 | 357,257 |
| Kays House | August 2017 | 224,897 |
| Kays Hall Fire Alarms | August 2017 | 199,366 |
| College of Business Renovations | August 2017 | 171,757 |
| Collegiate Park Flooring | August 2017 | 126,487 |
| Lab Science and Agri Courtyard and ADA Ramp | August 2017 | 114,579 |
| Parking Deck Maintenance | August 2017 | 105,038 |
| University Hall-Air Handler | August 2017 | 79,986 |
| Centennial Stadium Seating | August 2017 | 65,155 |
| Social Media Lab | August 2017 | 50,542 |
| Marion Berry Phase III-Loop Road | September 2017 | 946,713 |
| Convocation Center Sprinker System | September 2017 | 400,864 |
| Convocation Center Fire Suppression | September 2017 | 53,684 |
| IT Data Cooling Center | October 2017 | 223,713 |
| Lab Sciences Shelving | October 2017 | 148,834 |
| Arkansas Biosciences Greenhouse | November 2017 | 58,025 |
| Arkansas Biosciences Equipment Rooms | November 2017 | 77,374 |
| Campus Security Study | November 2017 | 50,000 |
| Student Union Boilers | December 2017 | 234,363 |
| **Beebe** | | |
| Mainframe Upgrade | January 2018 | 250,000 |
| **Newport** | | |
| Energy Efficiency Upgrades | June 2018 | 3,951,079 |

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

Various leases for land, office space, classroom/lab space, laundry services, farm equipment, printers/copiers, computers, and other office equipment with terms ranging from 24 to 120 months

1. Future minimum rental payments (aggregate) at June 30, 2017: $3,674,124

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

| Year Ended June 30, | Amount |
|---|---|
| 2018 | $1,269,666 |
| 2019 | 910,866 |
| 2020 | 757,670 |
| 2021 | 509,497 |
| 2022 | 68,777 |
| 2023 - 2025 | 157,648 |

Rental payments for the above operating leases, for the year ended June 30, 2017, were approximately $1,370,895.

**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. 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 2017, $57,568 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2017 were $8,521,742 and $7,412,330 respectively.

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

Plan Description
The Jonesboro, Beebe, Mountain Home, and Newport campuses participates in VALIC, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. The plan also offers fixed annuities, variable annuities and mutual funds.

Funding Policy
The mandatory employee contribution is 6%, and the University contributes 10% 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 2017, there were no forfeitures applied to employer contributions. The University’s and participants' contributions for the year ended June 30, 2017 were $1,342,521 and $1,152,716, 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.

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 2017, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2017 were $664,369 and $393,687, respectively.

**Defined Benefit Pension Plans**

**Arkansas Teacher Retirement System**

Plan Description

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

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Chapter 24 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (effective April 1, 1998, computed using highest three years salary) and (2) the number of years of service.

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

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

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

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

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 June 8, 2015 for the Mid-South campus.

The University reported payables to ATRS in the amount of $54,465 as of June 30, 2017. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

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

ATRS's funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. The employer contribution rate was 14% for the fiscal year ending June 30, 2017. Contributory members are required to contribute 6% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

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

The collective net pension liability of $4,411,442,759 was measured as of June 30, 2016, 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, 2017, the University reported a liability of $14,053,207 for its proportionate share of the net pension liability. At June 30, 2016, the University's proportion was .32% of the collective net pension liability.

For the year ended June 30, 2017, the University recognized pension expense of $1,120,650. At June 30, 2017, 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 |
|---|---|---|
| Differences between expected and actual experience | $ 254,889 | $ 194,911 |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | 2,153,683 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,774 | 1,804,338 |
| Contributions subsequent to the measurement date | 1,211,404 | |
| Totals | $ 3,624,750 | $ 1,999,249 |

$1,211,404 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2018 | $ (259,465) |
| 2019 | (259,466) |
| 2020 | 657,937 |
| 2021 | 404,329 |
| 2022 | (129,238) |

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2016. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees were as follows:

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

Investment Rate of Return

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, 2016, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 50% | 5.0% |
| Fixed Income | 20% | 0.8% |
| Alternatives | 5% | 4.4% |
| Real Assets | 15% | 3.4% |
| Private Equity | 10% | 6.3% |
| Cash Equivalents | 0% | -0.2% |
| Total | 100% | |

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the proportionate share of the net pension liability using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| University's proportionate share of the net pension liability | $ 21,114,969 | $ 14,053,207 | $ 8,132,543 |

**Arkansas Public Employees Retirement System**

Plan Description
The University (other than the Mid-South campus) contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at http://www.apers.org/annualreports.

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

The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and years of service. A member may retire with a reduced benefit at age 55 with at least five years of actual service or at any age with 25 years of actual service. APERS also provides for disability and survivor benefits.

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

The University reported payables to APERS in the amount of $31,944 as of June 30, 2017. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

Contribution provisions applicable to the participating employers are established by the Board and based on the actuary's determination of the rate required to fund the plan. The additional cost of public safety service for public safety employees is determined by the actuary as well.

The System was established as a contributory plan. However, with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone who joined the System subsequent to January 1, 1978 and had not previously been a member was automatically enrolled as a non-contributory member.

Act 2084, enacted by the 2005 General Assembly, directed APERS to establish a new contributory plan that became effective July 1, 2005. All covered employees first hired on or after July 1, 2005, contribute 5% of their salary into the plan. Employees hired before June 30, 2005 who were in the non-contributory plan were given the option to join the new contributory plan by December 31, 2005. Non-contributory members who did not join the new contributory plan by that deadline remain non-contributory members.

Members may have employee contributions in the System if (a) they were members of APERS on or before January 1, 1978, (b) they are members first hired after July 1, 2005, or (c) they have purchased service in the System.

Employee contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with APERS can earn interest (at the rate of 4% per year), which is included in the refund. Pursuant to the provisions of Act 625 of 1983 and Act 1097 of 1993, certain agencies employing individuals in public safety positions are required to remit additional contributions in amounts determined by an independent actuary.

Employee refunds do not include contributions made by the employers. Employers contributed 14.50% of compensation for the fiscal year ended June 30, 2017.

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

The collective net pension liability of $2,391,348,072 was measured as of June 30, 2016, 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, 2017, the University reported a liability of $8,493,072 for its proportionate share of the net pension liability. At June 30, 2016, the University's proportion was .36% of the collective net pension liability.

For the year ended June 30, 2017, the University recognized pension expense of $939,814. At June 30, 2017, 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 |
|---|---|---|
| Differences between expected and actual experience | $ 8,019 | $ 304,665 |
| Changes of assumptions | 650,837 | |
| Changes in proportion and differences between employer contributions and share of contributions | 1,482,824 | |
| Net difference between projected and actual earnings on pension plan investments | 12,945 | 974,190 |
| Contributions subsequent to the measurement date | 858,174 | |
| Totals | $ 3,012,799 | $ 1,278,855 |

$858,174 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2018 | $ 67,519 |
| 2019 | 7,846 |
| 2020 | 466,370 |
| 2021 | 334,035 |

Actuarial Assumptions
The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2016. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

| | |
|---|---|
| **Actuarial dost method** | Entry Age Normal |
| **Discount rate** | 7.50% |
| **Inflation rate** | 2.50% |
| **Salary increases** | 3.95% - 9.85% |
| **Investment rate of return*** | 7.50% |
| **Mortality table** | RP-2000 Combined Healthy, projected to 2020 using projection scale BB, set-forward two years for males and one year for females |

*Net of investment and administrative expenses

Investment Rate of Return
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016 – 2025 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Broad Domestic Equity | 38% | 6.82% |
| International Equity | 24% | 6.88% |
| Real Assets | 16% | 3.07% |
| Absolute Return | 5% | 3.35% |
| Domestic Fixed | 17% | 0.83% |
| Total | 100% | |

Discount Rate

A single discount rate of 7.50% 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 7.50%. 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 of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| University's proportionate share of the net pension liability | $ 12,856,385 | $ 8,493,072 | $ 4,861,747 |

## NOTE 9.
## NATURAL CLASSIFICATIONS BY FUNCTION

The University's operating expenses by function for the year ended June 30, 2017 were as follows:

| | Personal Services | Scholarships and Fellowships | Supplies and Services | Self Insurance | Depreciation | Other | Total |
|---|---|---|---|---|---|---|---|
| Instruction | $ 71,720,759 | $ 2,186,300 | $ 9,855,721 | | | | $ 83,762,780 |
| Research | 5,689,061 | 232,809 | 2,379,227 | | | | 8,301,097 |
| Public Service | 13,345,932 | 107,860 | 6,503,071 | | | | 19,956,863 |
| Academic Support | 12,212,996 | 25,430 | 9,808,752 | | | | 22,047,178 |
| Student Services | 13,707,855 | 188,526 | 3,851,948 | | | | 17,748,329 |
| Institutional Support | 21,123,660 | 28,600 | 6,872,428 | | | | 28,024,688 |
| Scholarships and Fellowships | | 8,390,200 | | | | | 8,390,200 |
| Operations and Maintenance of Plant | 10,153,767 | | 10,895,224 | | | | 21,048,991 |
| Auxiliary Enterprises | 10,356,654 | 5,861,682 | 16,004,567 | | | | 32,222,903 |
| Self Insurance | | | | $ 18,176,043 | | | 18,176,043 |
| Depreciation | | | | | $ 29,125,582 | | 29,125,582 |
| Other | | | | | | $ 81,508 | 81,508 |
| Total | $ 158,310,684 | $ 17,021,407 | $ 66,170,938 | $ 18,176,043 | $ 29,125,582 | $ 81,508 | $ 288,886,162 |

## NOTE 10.
## RECEIVABLE AND PAYABLE BALANCES

Accounts receivables at June 30, 2017 as reported in the Statement of Net Position, were as follows:

| | Current | Noncurrent | Total |
|---|---|---|---|
| Student receivables, net | $ 9,247,235 | | $ 9,247,235 |
| Grants and contracts | 5,014,315 | | 5,014,315 |
| Sales and use tax | 448,259 | | 448,259 |
| Construction projects | 2,447,439 | $ 665,274 | 3,112,713 |
| Travel advances | 16,014 | | 16,014 |
| Property tax accrual | 896,804 | 1,321,615 | 2,218,419 |
| Auxiliary enterprises | 997,197 | 19,474 | 1,016,671 |
| Miscellaneous | 3,083,746 | 62,230 | 3,145,976 |
| Totals | $ 22,151,009 | $ 2,068,593 | $ 24,219,602 |

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was $2,565,273 at June 30, 2017. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships, and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year-end for vending, bookstore, and other types of auxiliaries.

Notes and Deposits Receivable at June 30, 2017 were as follows:

| | Current | Noncurrent | Total |
|---|---|---|---|
| Notes receivable, net | $ 675,002 | $ 3,800,557 | $ 4,475,559 |
| Deposits receivable | 28,841 | 5,759 | 34,600 |
| Totals | $ 703,843 | $ 3,806,316 | $ 4,510,159 |

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2017 was reduced by an allowance for doubtful accounts of $292,176 for the current portion and $1,645,079 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2017 are detailed below:

| | Current | Noncurrent | Total |
|---|---|---|---|
| Vendors | $ 6,532,489 | | $ 6,532,489 |
| Students | 32,143 | | 32,143 |
| Sales tax and use tax | 47,176 | | 47,176 |
| Health claims | 1,406,353 | | 1,406,353 |
| Arkansas Delta Training and Education Consortium | 210,740 | | 210,740 |
| Salaries and other payroll related items | 1,844,302 | | 1,844,302 |
| Optional Voluntary Retirement Incentive Program | 13,352 | | 13,352 |
| Miscellaneous | 90,045 | | 90,045 |
| Totals | $ 10,176,600 | $ - | $ 10,176,600 |

## NOTE 11.
## MUSEUM COLLECTION

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

## NOTE 12.
## OTHER POSTEMPLOYMENT BENEFITS

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

Employees between the ages of fifty-five (55) and sixty (60) shall become eligible for retirement benefits in the calendar year in which the sum of their age and the number of years of continuous full-time service to the University totals seventy (70). Employees sixty (60) years of age and older are eligible for retirement benefits in the calendar year in which they have at least ten (10) years of continuous full-time service to the University. Certain employees who retiree under a voluntary retirement window approved by the Board of Trustees of Arkansas State University are also eligible for benefits. Employees electing retirement will receive the following benefits:

- Medical insurance (including spouse and unmarried dependents, if covered at the time the employee retires or unless a qualifying event occurs) will be provided at one-half of the total cost (one-half of what ASU pays and half of the employee premium). Retirees at ASU Mid-South who retired prior to July 1, 2017 pay the employee rates for retiree insurance. (Employee only coverage of $0 for fiscal year 2017, and $64.08 effective July 1, 2017, increasing as employee rates increase.) Effective July 1, 2017, newly retiring ASU Mid-South employees will pay the System rates. There are currently no ASU Mid-South retirees with employee and spouse, employee and children, or family coverage.

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

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

- Life insurance and accidental death and dismemberment benefits equal to the scheduled amount at the time of the retiree's retirement will continue at no cost to the retiree and will terminate at age sixty-five (65). Retirees at ASU Mid-South who retired prior to February 1, 2017, are eligible for a life insurance benefit of $20,000 that continues for the lifetime of the retiree and are responsible for 100% of the cost.

- Continuing eligibility of the retiree, their spouse and unmarried dependent children for tuition discounts in effect for current University employees until the retiree becomes eligible for Medicare.

The University adopted GASB Statement no. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions during fiscal year 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program, and a preferred care program. The authority under which the Plan's benefit provisions are established or amended is the University Board of Trustees. Recommendations for modifications are brought to the Board by the University's President. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forward by the University's President and approved by the Board of Trustees. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forward by the University's President and approved by the Board of Trustees.

In accordance with GASB Statement no. 45, the University accrued an additional $1,444,145 in retiree healthcare expense during fiscal year 2017. This compares to $1,348,749 accrued during fiscal year 2016.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Arkansas State University System Office, 501 Woodlane, Suite 600, Little Rock, AR 72201.

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

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

| | Fiscal Year Ended | | | |
|---|---|---|---|---|
| | June 30, 2017 | | June 30, 2016 | |
| **Cost Element** | **Amount** | **Percent of Payroll[1]** | **Amount** | **Percent of Payroll[2]** |
| 1. Beginning of year unfunded actuarial accrued liability | $ 17,748,531 | 16.74% | $ 16,604,021 | 15.75% |
| Annual Required Contribution (ARC) | | | | |
| 2. Normal cost | $ 1,321,933 | | $ 1,283,430 | |
| 3. Amortization of UAAL | 879,143 | | 822,451 | |
| 4. Interest on above items | 66,032 | | 63,176 | |
| 5. Annual Required Contribution (ARC) (2. + 3. + 4.) | $ 2,267,108 | 2.11% | $ 2,169,057 | 2.06% |
| Annual OPEB Cost (Expense) | | | | |
| 6. Annual Required Contribution | $ 2,267,108 | | $ 2,169,057 | |
| 7. Amortization of beginning of year accrual | (643,399) | | (574,587) | |
| 8. Interest on beginning of year accrual | 378,327 | | 337,865 | |
| 9. Annual OPEB cost (6. + 7. + 8.) | $ 2,002,036 | 1.87% | $ 1,932,335 | 1.83% |
| End of Year Accrual (Net OPEB Obligation) | | | | |
| 10. Beginning of year accrual | $ 12,610,909 | | $ 11,262,160 | |
| 11. Annual OPEB cost | 2,002,036 | | 1,932,335 | |
| 12. Employer contribution (benefit payments) | (557,891) | | (583,586) | |
| 13. End of year accrual (10. + 11. - 12.)[3] | $ 14,055,054 | 13.10% | $ 12,610,909 | 11.96% |

[1] Annual payroll for the approximately 2,250 plan participants for fiscal year beginning July 1, 2016 is $106,009,771, excluding ASU Mid-South.

[2] Annual payroll for the approximately 2,163 plan participants for fiscal year beginning July 1, 2015 is $105,417,081.

[3] Actual contributions and administrative fees paid in fiscal year 2017 of $861,845 less participant contributions of $303,954; $923,569 and $339,983, respectively, in fiscal year 2016. The employer contributed 27.87% of annual OPEB cost during fiscal year 2017, compared to 30.20% during fiscal year 2016.

**Schedule of Employer Contributions**

| Fiscal Year Ended | Annual Required Contributions | Actual Contributions[4] | Percentage Contributed |
|---|---|---|---|
| June 30, 2017 | $ 2,002,036 | $ 557,891 | 27.87% |
| June 30, 2016 | 1,932,335 | 583,586 | 30.20% |
| June 30, 2015 | 2,140,331 | 245,533 | 11.47% |

[4] Since there is no funding, these are actual benefit payments less retiree contributions. For 2017, these amounts are $861,845 and $303,954, respectively. For 2016, these amounts are $923,569 and $339,983, respectively. For 2015, these amounts are $613,478 and $367,945, respectively.

**Schedule of Funding Progress**

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

| Fiscal Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded/ (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll[5] (c) | UAAL as a Percentage of Covered Payroll[5] [(b) - (a) / (c)] |
|---|---|---|---|---|---|---|
| June 30, 2017 | $ - | $18,938,385 | $ 18,938,385 | 0% | $106,009,771 | 17.86% |
| June 30, 2016 | - | 17,748,531 | 17,748,531 | 0% | 105,417,081 | 16.84% |
| June 30, 2015 | - | 16,604,021 | 16,604,021 | 0% | 106,249,782 | 15.63% |

[5] Payroll as of July 1, 2016, July 1, 2015 and July 1, 2014 includes only plan participants.

Note: The annual required contribution (ARC) of $2,267,108 for fiscal year 2017 and accrual of $14,055,054 as of June 30,2017, are based on a current decision not to fund in a segregated GASB qualified trust; $2,169,057 and $12,610,909, respectively, as of June 30, 2016; and $2,337,226 and $11,262,160, respectively, as of June 30, 2015.

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2017 | $2,002,036 | 27.87% | $ 14,055,054 |
| June 30, 2016 | 1,932,335 | 30.20% | 12,610,909 |
| June 30, 2015 | 2,140,331 | 11.47% | 11,262,160 |

**Summary of Key Actuarial Methods and Assumptions**

| | |
|---|---|
| **Valuation year** | July 1, 2016 – June 30, 2017 |
| **Actuarial cost method** | Projected Unit Credit, level dollar |
| **Amortization method** | 30 years, level dollar open amortization [6] |
| **Asset valuation method** | N/A |

[6] Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

| | |
|---|---|
| Discount rate | 3.0% |
| Inflation rate | 2.5% |
| Projected payroll growth rate | 1.0% per year through 2018, then 2.5% thereafter. |
| Heath care cost trend rate for medical and prescription drugs | Trend rates are 7% for fiscal year 2018 grading down to reach an ultimate trend rate of 5.00% in 2031. |

**General Overview of the Valuation Methodology**
The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per participant premiums for 2017.

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

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

**Valuation Year** July 1, 2016 – June 30, 2017

**Date of Census Data** June 30, 2017

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

**Retiree Premiums**

| Health (monthly rate) | Employee Cost | Employer Cost | Total |
|---|---|---|---|
| Single | $ 223.95 | $ 223.95 | $ 447.90 |
| Employee and Spouse | 437.45 | 437.45 | 874.90 |
| Employee and Children | 341.39 | 341.39 | 682.78 |
| Family | 544.78 | 544.78 | 1,089.56 |
| Spouse Only | 447.90 | - | 447.90 |

**Annual Health Care Trend Rate** Trend rates are 7% for fiscal year 2017 grading down to reach an ultimate trend rate of 5.00% in 2031.

**Discount Rate** 3.0% per year

**Inflation Rate** 2.5% per year

**Spouse Age Difference** Husbands are assumed to be three years older than wives for current and future retirees who are married. 40% of employees are assumed to be married and cover their spouses upon retirement.

**Mortality** Society of Actuaries (SOA) table.

**Participation Rates** 90% of employees currently enrolled in a medical plan are assumed to participate in the retiree medical program. All employees are assumed to participate in the retiree life insurance program.

**Retirement Rates** Rates of retirement vary by age and service for eligible employees as shown below:

| Age | Retirement Rate (Less than 28 years of service) | Retirement Rate (28 or more years of service) |
|---|---|---|
| 55 | 6% | 9% |
| 56 | 9% | 12% |
| 57 | 9% | 10% |
| 58 | 9% | 11% |
| 59 | 9% | 14% |
| 60 - 61 | 10% | 14% |
| 62 | 25% | 28% |
| 63 - 64 | 20% | 17% |
| 65 | 20% | 27% |
| 66 | 20% | 30% |
| 67 - 74 | 100% | 30% |
| 75 and older | 100% | 100% |

**Termination Rates** Sample rates of termination are shown below:

| | Service | | | | | |
|---|---|---|---|---|---|---|
| Age | 0 | 1 | 2 | 3 | 4 | 5+ |
| 20 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 9.2% |
| 25 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 9.2% |
| 30 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 8.7% |
| 35 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 7.3% |
| 40 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 6.0% |
| 45 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 4.9% |
| 50 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 3.8% |

## 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 Cigna. BlueAdvantage administered the plan through December 31, 2016. The ASU Mid-South campus joined the plan on February, 1, 2017.

At June 30, 2017, approximately 4,297 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86% of the total premium. The University pays 76% of the total premium for those participating in full family coverage, 71% for those participating in employee and spouse coverage, and 70% for those participating in employee and children coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%. The University does not offer insurance to retirees or their spouses who are eligible for Medicare. 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. Employees and retirees on the ASU Mid-South campus had their premiums grandfathered at the current cost share through June 30, 2017. The University paid the entire premium for employees and retirees with employee only coverage, 41% for family, 49% for employee and spouse and 66% for employee and children.

The University estimates its unpaid health claims liability at June 30, 2017 to be $1,406,353 with Cigna. This liability is established for incurred but not reported medical and pharmacy claims and is based on the calculation prepared by Lockton. Details of this liability are shown below.

| Unpaid Claims Liability<br>Fiscal Year 2017 | |
|---|---|
| Unpaid claims, 7-1-2016 | $ 867,041 |
| Incurred claims during current year | 17,611,246 |
| Total claims | 18,478,287 |
| Current year claims paid | $ 16,208,100 |
| Prior year claims paid | 863,834 |
| Total payments | 17,071,934 |
| Unpaid claims, 6-30-2017 | $ 1,406,353 |

The University purchases specific reinsurance to reduce its exposure to large claims. HCC Life is the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed $275,000.

## NOTE 14.
## ENDOWMENT FUNDS

Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2017 was $13,379,598. Of this amount, $12,403,045 was nonexpendable and the remaining $976,553 was expendable.

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

For endowments held by the Arkansas State University Foundation, the University's policy is for annual expenses from the endowment funds not to exceed 4% of the five (5) year average market value as determined at December 31st 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.

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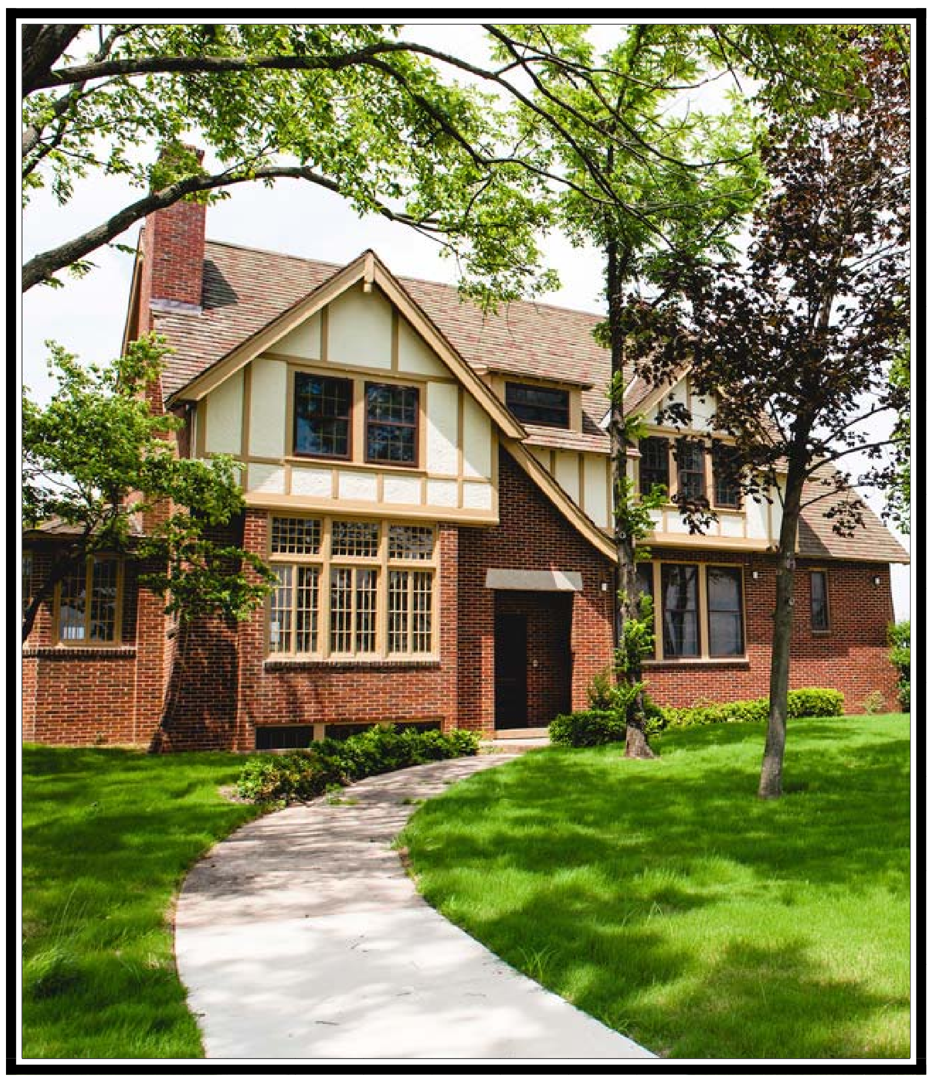
The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net assets at June 30, 2017 were $175,194. Of this amount, $159,784 was nonexpendable and the remaining $15,410 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.



**NOTE 15.**
**PLEDGED REVENUES**

The University's pledged revenues at June 30, 2017 are as follows:

Jonesboro

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 2005 Refunding | 9/15/2005 | 4/1/2025 | Refinance Student Union | Student Union Fee | $ 2,563,393 | $ 14,342,625 | $ 801,785 | $ 397,909 | $ 7,156,395 | $ 1,557,700 | 46.80% |
| Series 2005 Refunding | 9/15 2005 | 4/1/2025 | Refinance Parking Garage | Parking Fees | 1.418,454 | 4.887,375 | 273.215 | 135,591 | 2,438,605 | 530.800 | 28.82% |
| Series 2009 Housing | 3/19/2009 | 3/1/2039 | Construction of Living Learning Community | Housing Fees | 390,075 | 9,290,000 | 215,000 | 382,274 | 7,920,000 | 5,198,631 | 100.00% |
| Series 2010 Refunding | 12 7 2010 | 3/1/2031 | Refinance Series 2001-Family Housing Phase I | Housing Fees | 1.193,711 | 6.075,000 | 260.000 | 165,974 | 4,360,000 | 1,321.761 | 35.68% |
| Series 2010A Refunding | 12/7/2010 | 3/1/2031 | Refinance Series 2001-Track Facility | Gross Tuition and Fees | see below | 2,600,000 | 115,000 | 69,981 | 1,845,000 | 543,771 | 0.21% |
| Series 2010B Refunding | 12 7 2010 | 12.1.2017 | Refinance Series 2002-Renovation of Kays Hall and Twin Towers | Housing Fees | 1.597,345 | 1.568,376 | 239.461 | 10,046 | 212,857 | 3.393 | 15.62% |
| Series 2010B Refunding | 12/7/2010 | 12/1/2027 | Refinance Series 2002-Construction of Fowler Center and property purchases | Gross Tuition and Fees | see below | 1,866,624 | 55,539 | 23,408 | 737,143 | 150,266 | 0.09% |
| Series 2012A Taxable Housing | 3/1/2012 | 3/1/2042 | Construction of sorority housing | Housing Fees | 816,793 | 6.510,000 | 140.000 | 278,869 | 5,660,000 | 4,506.953 | 51.28% |
| Series 2012C Taxable Housing | 12/1/2012 | 3/1/2042 | Construction of sorority housing | Housing Fees | 816,793 | 4,470,000 | 100,000 | 175,097 | 4,115,000 | 2,788,922 | 33.68% |
| Series 2012B Housing | 3/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | 459,237 | 6.875,000 | 165.000 | 219,535 | 6,230,000 | 3,404.135 | 83.73% |
| Series 2012D Housing | 12/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | 459,237 | 1,255,000 | 30,000 | 35,019 | 1,145,000 | 540,606 | 14.16% |
| Series 2012C Student Fee | 3/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | 1.597,345 | 3.425,000 | 100.000 | 116,706 | 2,955,000 | 1,321.531 | 13.57% |
| Series 2012D Student Fee | 12/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | 1,597,345 | 1,500,000 | 50,000 | 38,044 | 1,310,000 | 460,050 | 5.51% |
| Series 2012A Taxable Refunding | 3/1/2012 | 3/1/2034 | Refinance Series 2004 Student Fee-Property Purchases | Gross Tuition and Fees | see below | 5.340,000 | 190.000 | 172,383 | 4,330,000 | 1,845.381 | 0.41% |
| 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 | 95,000 | 67,019 | 2,085,000 | 656,694 | 0.18% |

Jonesboro (continued)

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 2013 Refunding | 3/1/2013 | 3/1/2034 | Refinance Series 2004 Housing- Construction of Northpark Quads residence hall | Housing Fees | $ 4,179,739 | $ 22,521,103 | $ 822,279 | $ 732,608 | $ 19,302,132 | $ 7,175,362 | 37.20% |
| Series 2013 Refunding | 3/1/2013 | 3/1/2034 | Refinance Series 2004 Housing- Construction of Family Housing Phase II | Housing Fees | 1,193,711 | 6,373,897 | 232,721 | 207,342 | 5,462,868 | 2,030,763 | 36.87% |
| Series 2013A Student Fee | 12/1/2013 | 12/1/2038 | Construction of Student Activities Center | Gross Tuition and Fees | see below | 11,130,000 | 285,000 | 525,244 | 10,285,000 | 7,340,934 | 0.92% |
| 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 | 285,000 | 629,900 | 13,845,000 | 10,678,144 | 1.04% |
| Series 2007 Student Fee | Refunded below | | Construction of Recreation Center | Recreation Center Fee | 1,794,333 | 17,065,000 | - | 324,440 | - | - | 18.08% |
| Series 2016 Refunding | 11/17/2016 | 3/1/2037 | Refinance Series 2007 Student Fee- Construction of Recreation Center | Recreation Center Fee | 1,794,333 | 13,870,000 | 480,000 | 147,263 | 13,390,000 | 5,582,181 | 34.96% |
| Series 2007 Housing | Refunded below | | Construction of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park | Housing Fees | 3,536,218 | 30,300,000 | - | 574,269 | - | - | 16.24% |
| Series 2016 Housing Refunding | 11/17/2016 | 3/1/2037 | Refinance Series 2007 Housing- Constructioin of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park | Housing Fees | 3,536,218 | 23,150,000 | 1,135,000 | 253,012 | 22,015,000 | 8,641,176 | 39.25% |

Note: Issues with Tuition and Fees pledged, 2017 Gross Revenue—$87,880,382

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| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 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 | $ 80,000 | $ 40,776 | $ 1,575,000 | $ 373,331 | 1.16% |
| 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 | 200,000 | 39 950 | 1 500,000 | 153 425 | 2 30% |
| Series 2015 Refunding Auxiliary Enterprises | 4/1/2015 | 4/1/2039 | Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls | Housing Fees | $ 792,935 | 8,005,000 | 250,000 | 241,323 | 7,510,000 | 3,254,601 | 61.96% |
| 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 | 460,000 | 415,008 | 12,050,000 | 4,431,928 | 8.40% |
| 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 | 325,000 | 303,025 | 8,465,000 | 3,418,300 | 6.03% |

Note: Issues with Tuition and Fees pledged, 2017 Gross Revenue—$10,411,011

Mid-South

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 2010 Construction | 8/26/2010 | 2/1/2040 | Construction of Facilities | Property Tax Millage | $ 2,545,107 | $ 5,180,000 | $ 100,000 | $ 194,715 | $ 4,415,000 | $ 3,025,820 | 11.58% |
| **Series 2012 Construction** | **8/1/2012** | **2/1/2042** | **Construction of Facilities and Refunding** | **Property Tax Millage** | **2,545,107** | **18,510,000** | **410,000** | **595,428** | **16,140,000** | **9,081,456** | **39.50%** |

Mountain Home

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 2010 Refunding | 12/1/2010 | 12/1/2017 | Refinance Series 2002 Refunding-Construction of the Mountain Home campus | Gross Tuition and Fees and Ad Valorem Tax | $ 5,680,603 | $ 2,920,000 | $ 435,000 | $ 15,579 | $ 445,000 | $ 5,452 | 7.93% |
| Series 2012 Refunding | 12/1/2012 | 12/1/2032 | Refinance Series 2008 Student Fee-Construction of Community Development Center | Gross Tuition and Fees | 4,292,653 | 6,995,000 | 315,000 | 201,933 | 5,760,000 | 1,798,275 | 12.04% |

Newport

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2017 Gross Revenue | Amount Issued | 2017 Principal Paid | 2017 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 2012A Taxable Refunding | 12/1/2012 | 5/1/2028 | Refinance Series 2008 Building-Construction of Student Community Building | Gross Tuition and Fees | see below | $ 3,740,000 | $ 214,999 | $ 92,918 | $ 2,700,000 | $ 599,430 | 4.15% |
| 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 | 80,000 | 40,508 | 1,565,000 | 371,819 | 1.62% |

Note: Issues with Tuition and Fees pledged, 2017 Gross Revenue—$7,419,734

**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.

Additional polices 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; and 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.

**NOTE 17.**
**OPTIONAL VOLUNTARY RETIREMENT INCENTIVE PROGRAM**

Mountain Home

During fiscal year 2016, the campus offered an optional voluntary incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2016. Employees will receive one-half of their salary for a period of two years. An annual payment was paid to the employee's retirement fund on August 5, 2016 and will be paid again in July 2017. The University has accrued the payable for the one (1) employee who elected to participate in this program. As of June 30, 2017, the liability totaling $13,352 has been recorded on the University's financial statements as a current liability.

**NOTE 18.**
**LEASE OBLIGATIONS WITH RED WOLVES FOUNDATION**

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 financing to complete the expansion of the football stadium and press box (Centennial Bank Stadium). The agreement allows the Red Wolves Foundation to utilize the space and complete construction of the facility which will ultimately belong to the University. The term of the lease is 10 years and the amount of the financing 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.

**NOTE 19.**
**LEASE AGREEMENTS**

Jonesboro

On July 21, 2016, the University entered into a public-private partnership 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 will receive rent annually for the use of the land beginning in fall 2017. The term of the lease is thirty-five years.

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 will be 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.

**NOTE 20.**
**SUBSEQUENT EVENTS**

Beebe and Newport

On June 8, 2017, the Board of Trustees approved to proceed with a guaranteed energy cost savings capital project and related financing at the Beebe and Newport campuses. The performance contract will provide needed campus-wide energy improvements that includes lighting retrofits, water and waste management strategies, chiller upgrades, as well as installation of other energy control mechanisms. The Newport campus project also includes installation of a solar panel array to generate renewable energy for the campus. The cost of the project is estimated to be $9.2 million.

The project is expected to be financed from the Higher Education Revolving Loan Fund and a tax-exempt capital lease agreement at an estimated maximum interest rate of 3.30% for a term not to exceed 20 years. The projected annual debt service is approximately $626,803 and will be repaid from the guaranteed utility and operational savings generated by the energy improvements.

The project at Beebe is scheduled to begin Fall 2017 and has an estimated cost of $5,238,065. The project will be financed with a tax-exempt capital lease and a $100,000 loan. The request for proposal for the tax-exempt capital lease is scheduled to begin September 2017.

The project at Newport is scheduled to begin Fall 2017 and has an estimated cost of $3,951,079. Newport received a $1 million loan on August 8, 2017 for the project. The loan will be repaid over a 15 year period with an interest rate of 1.3% per annum. Additional financing for the remaining cost of the project will be obtained with a tax-exempt capital lease.

Jonesboro

On September 15, 2017, The University entered into a long-term lease agreement with the City of Imboden to construct a facility for the Disaster Preparedness Training Program. The lease will have an initial term of fifty (50) years, and may be renewed, at the University's option, for five (5) additional terms of five (5) years each. The premises, comprising of 183.189 acres of undeveloped land, will be rent-free for the first five (5) years of the lease, and shall have an annual rent of $10,000 for every year thereafter. The University has the right to construct buildings and other improvements on the property at its sole discretion. Any improvements constructed on the premises shall be and shall remain the property of the University until disposed of by the University.

On September 15, 2017, The University entered into a long-term lease agreement with the City of Walnut Ridge to construct a facility for the Disaster Preparedness Training Program. The lease will have an initial term of fifty (50) years, and may be renewed, at the University's option, for two (2) additional terms of five (5) years each. The premises, comprising of 100 acres of undeveloped land at the Walnut Ridge Airport, will have an annual rent of $12,500, which shall be adjusted every five (5) years by the greater of (3%) or the cumulative average annual change in the Consumer Price Index. For the first two (2) years of the University's tenancy, the City of Walnut Ridge shall pay the annual rent on behalf of the University. The University has the right to construct buildings and other improvements on the property at its sole discretion. Any improvements constructed on the premises shall be and shall remain the property of the University until disposed of by the University.

On September 22, 2017, the University had the grand opening for the Arkansas State University Campus Queretaro in Queretaro, Mexico. Classes began on September 4th and the official 11th day enrollment is 220 students on the $100 million, state-of-the-art campus. The campus is the first American-style university campus in Mexico. Arkansas State University CQ, A.C., (ASUCQ), a private foundation led by Mexico businessman Ricardo Gonzalez, invested more than $100 million to build 800,000 square feet of academic and residential buildings and recreational facilities in the first phase of the 370 acre campus and a 2,000 acre community development plan. State funds are not being used to build or operate the campus and all of Jonesboro's startup costs are reimbursed with funds from private gifts. The initial degree programs cover three major subject areas: business and communications, engineering and technology, and science. Eight undergraduate degrees and two graduate degrees are available for A-State CQ students, and diplomas will be valid in both the United States and Mexico. Construction on six buildings has been substantially completed, with four more expected to be complete by the end of the year. Four additional residence hall buildings will be added next year and a second academic building will be added in year three to support a projected 5,000 students in the first phase.

**Other Postemployment Benefits**

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

| | Fiscal Year Ended | | | |
|---|---|---|---|---|
| | June 30, 2017 | | June 30, 2016 | |
| **Cost Element** | **Amount** | **Percent of Payroll[1]** | **Amount** | **Percent of Payroll[2]** |
| 1. Beginning of year unfunded actuarial accrued liability | $ 17,748,531 | 16.74% | $ 16,604,021 | 15.75% |
| Annual Required Contribution (ARC) | | | | |
| 2. Normal cost | $ 1,321,933 | | $ 1,283,430 | |
| 3. Amortization of UAAL | 879,143 | | 822.451 | |
| 4. Interest on above items | 66.032 | | 63.176 | |
| 5. Annual Required Contribution (ARC) (2. – 3. – 4.) | $ 2,267,108 | 2.11% | $ 2,169,057 | 2.06% |
| Annual OPEB Cost (Expense) | | | | |
| 6. Annual Required Contribution | $ 2.267.108 | | $ 2.169.057 | |
| 7. Amortization of beginning of year accrual | (643.399) | | (574.587) | |
| 8. Interest on beginning of year accrual | 378,327 | | 337,865 | |
| 9. Annual OPEB cost (6. – 7. – 8.) | $ 2.002,036 | 1.87% | $ 1.932.335 | 1.83% |
| End of Year Accrual (Net OPEB Obligation) | | | | |
| 10. Beginning of year accrual | $ 12,610,909 | | $ 11,262,160 | |
| 11. Annual OPEB cost | 2,002,036 | | 1,932,335 | |
| 12. Employer contribution (benefit payments) | (557.891) | | (583.586) | |
| 13. End of year accrual (10. – 11. - 12.)[3] | $ 14,055,054 | 13.10% | $ 12,610,909 | 11.96% |

[1] Annual payroll for the approximately 2,250 plan participants for fiscal year beginning July 1, 2016 is $106,009,771, excluding ASU Mid-South.

[2] Annual payroll for the approximately 2,163 plan participants for fiscal year beginning July 1, 2015 is $105,417,081.

[3] Actual contributions and administrative fees paid in fiscal year 2017 of $861,845 less participant contributions of $303,954; $923,569 and $339,983, respectively, in fiscal year 2016. The employer contributed 27.87% of annual OPEB cost during fiscal year 2017. compared to 30.20% during fiscal year 2016.

**Schedule of Employer Contributions**

| Fiscal Year Ended | Annual Required Contributions | Actual Contributions[4] | Percentage Contributed |
|---|---|---|---|
| June 30, 2017 | $ 2,002,036 | $ 557,891 | 27.87% |
| June 30, 2016 | 1,932,335 | 583,586 | 30.20% |
| June 30, 2015 | 2,140,331 | 245,533 | 11.47% |

[4] Since there is no funding, these are actual benefit payments less retiree contributions. For 2017, these amounts are $861,845 and $303,954, respectively. For 2016, these amounts are $923,569 and $339,983, respectively. For 2015, these amounts are $613,478 and $367,945, respectively.

**Schedule of Funding Progress**

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

| Fiscal Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded/ (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll[5] (c) | UAAL as a Percentage of Covered Payroll[5] [(b) - (a) / (c)] |
|---|---|---|---|---|---|---|
| June 30, 2017 | $ - | $18,938,385 | $ 18,938,385 | 0% | $106,009,771 | 17.86% |
| June 30, 2016 | - | 17,748,531 | 17,748,531 | 0% | 105,417,081 | 16.84% |
| June 30, 2015 | - | 16,604,021 | 16,604,021 | 0% | 106,249,782 | 15.63% |

[5] Payroll as of July 1, 2016, July 1, 2015 and July 1, 2014 includes only plan participants.

Note: The annual required contribution (ARC) of $2,267,108 for fiscal year 2017 and accrual of $14,055,054 as of June 30,2017, are based on a current decision not to fund in a segregated GASB qualified trust; $2,169,057 and $12,610,909, respectively, as of June 30, 2016; and $2,337,226 and $11,262,160, respectively, as of June 30, 2015.

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2017 | $2,002,036 | 27.87% | $ 14,055,054 |
| June 30, 2016 | 1,932,335 | 30.20% | 12,610,909 |
| June 30, 2015 | 2,140,331 | 11.47% | 11,262,160 |

**Summary of Key Actuarial Methods and Assumptions**

**Valuation year** July 1, 2016 – June 30, 2017

**Actuarial cost method** Projected Unit Credit, level dollar

**Amortization method** 30 years, level dollar open amortization [6]

**Asset valuation method** N/A

[6]Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

Discount rate 3.0%

Inflation rate 2.5%

Projected payroll growth rate 1.0% per year through 2018, then 2.5% thereafter.

Heath care cost trend rate for medical and prescription drugs: Trend rates are 7% for fiscal year 2018 grading down to reach an ultimate trend rate of 5.00% in 2031.

**General Overview of the Valuation Methodology**

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

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

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

**Valuation Year** July 1, 2016 – June 30, 2017

**Date of Census Data** June 30, 2017

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

**Retiree Premiums**

| Health (monthly rate) | Employee Cost | Employer Cost | Total |
|---|---|---|---|
| Single | $ 223.95 | $ 223.95 | $ 447.90 |
| Employee and Spouse | 437.45 | 437.45 | 874.90 |
| Employee and Children | 341.39 | 341.39 | 682.78 |
| Family | 544.78 | 544.78 | 1,089.56 |
| Spouse Only | 447.90 | - | 447.90 |

**Annual Health Care Trend Rate** Trend rates are 7% for fiscal year 2017 grading down to reach an ultimate trend rate of 5.00% in 2031.

**Discount Rate** 3.0% per year

**Inflation Rate** 2.5% per year

**Spouse Age Difference** Husbands are assumed to be three years older than wives for current and future retirees who are married. 40% of employees are assumed to be married and cover their spouses upon retirement.

**Mortality** Society of Actuaries (SOA) table.

**Participation Rates** 90% of employees currently enrolled in a medical plan are assumed to participate in the retiree medical program. All employees are assumed to participate in the retiree life insurance program.

**Retirement Rates** Rates of retirement vary by age and service for eligible employees as shown below:

| Age | Retirement Rate (Less than 28 years of service) | Retirement Rate (28 or more years of service) |
|---|---|---|
| 55 | 6% | 9% |
| 56 | 9% | 12% |
| 57 | 9% | 10% |
| 58 | 9% | 11% |
| 59 | 9% | 14% |
| 60 - 61 | 10% | 14% |
| 62 | 25% | 28% |
| 63 - 64 | 20% | 17% |
| 65 | 20% | 27% |
| 66 | 20% | 30% |
| 67 - 74 | 100% | 30% |
| 75 and older | 100% | 100% |

**Termination Rates** Sample rates of termination are shown below:

| | Service | | | | | |
|---|---|---|---|---|---|---|
| Age | 0 | 1 | 2 | 3 | 4 | 5+ |
| 20 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 9.2% |
| 25 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 9.2% |
| 30 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 8.7% |
| 35 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 7.3% |
| 40 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 6.0% |
| 45 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 4.9% |
| 50 | 35.0% | 18.0% | 14.0% | 12.0% | 10.0% | 3.8% |

## ARKANSAS STATE UNIVERSITY SYSTEM
## REQUIRED SUPPLEMENTARY INFORMATION
## JUNE 30, 2017

### Pension Plans

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

**Arkansas Teacher Retirement System**

| | 2017* | 2016* | 2015* |
|---|---|---|---|
| Proportion of the net pension liability (asset) | 0.32% | 0.35% | 0.36% |
| Proportionate share of the net pension liability (asset) | $ 14,053,207 | $ 11,434,400 | $ 9,331,442 |
| Covered payroll | $ 9,199,761 | $ 10,241,904 ** | $ 10,114,727 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered emloyee payroll | 152.76% | 111.64% | 92.26% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.75% | 82.20% | 84.98% |

* The amounts presented were determined as of June 30th of the previous year.
**Mid-South Community College merged with the Arkansas State University System effective July 1, 2015

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.

**Schedule of the University Contributions**

**Arkansas Teacher Retirement System**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contributions | $ 1,211,404 | $ 1,305,613 | $ 1,320,906 |
| Contributions in relation to the contractually required contribution | $(1,211,404) | $(1,305,613) | $(1,320,906) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 8,589,558 | $ 9,199,761 | $ 9,404,438 |
| Contributions as a percentage of covered payroll | 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.

**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 benefit changes for the year ended June 30, 2016.

B. Changes in assumptions
There were no significant changes in assumptions for the year ended June 30, 2016.

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

| | |
|---|---|
| Valuation date | June 30, 2016 |

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

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

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

# ARKANSAS STATE UNIVERSITY SYSTEM
# REQUIRED SUPPLEMENTARY INFORMATION
# JUNE 30, 2017

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

**Arkansas Public Employees Retirement System**

| | 2017* | 2016* | 2015* |
|---|---|---|---|
| Proportion of the net pension liability (asset) | 0.36% | 0.39% | 0.44% |
| Proportionate share of the net pension liability (asset) | $ 8,493,072 | $ 7,228,228 | $ 6,175,989 |
| Covered payroll | $ 6,303,819 | $ 6,903,139 | $ 7,573,967 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered emloyee payroll | 134.73% | 104.71% | 81.54% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.50% | 80.39% | 84.15% |

* The amounts presented were determined as of June 30th of the previous year.

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.

**Schedule of the University Contributions**

**Arkansas Public Employees Retirement System**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Contractually required contributions | $ 858,174 | $ 928,244 | $ 1,027,156 |
| Contributions in relation to the contractually required contribution | $ (858,174) | $ (928,244) | $ (1,027,156) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 5,769,334 | $ 6,303,819 | $ 6,903,139 |
| Contributions as a percentage of covered payroll | 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.

**Notes to Required Supplementary Information**

**Pensions Plans**

**Arkansas Public Employees Retirement System**

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

A. Changes in benefit terms
There were no significant changes in benefit terms for the year ended June 30, 2016.

B. Changes in assumptions
There were no significant changes in assumptions for the year ended June 30, 2016.

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

| | |
|---|---|
| Valuation date | June 30, 2016 |

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 of Percent of Payroll |
| Amortization period | 21 year closed |
| Asset valuation method | 4-year smoothed market with 25% corridor |
| Investment rate of return | 7.50% |
| Projected salary increases | 3.95 – 9.85% including inflation |
| Inflation rate | 2.50% |
| Post-retirement cost-of-living increases | 3% Annual Compounded Increase |
| Mortality table | RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females |

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# Supplemental Information

**ARKANSAS STATE UNIVERSITY SYSTEM**

**STATEMENT OF NET POSITION BY CAMPUS**

**JUNE 30, 2017**

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Total |
|---|---|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| **Current Assets:** | | | | | | |
| Cash and cash equivalents | $ 32,749,788 | $ 6,297,031 | $ 3,222,120 | $ 7,128,012 | $ 2,601,585 | $ 51,998,536 |
| Short-term investments | 465,527 | 7,026,888 | 2,000,000 | | 134,256 | 9,626,671 |
| Accounts receivable (less allowances of $2,565,273) | 14,221,678 | 1,467,988 | 2,194,940 | 1,872,667 | 2,393,736 | 22,151,009 |
| Notes and deposits receivable (less allowances of $292,176) | 703,843 | | | | | 703,843 |
| Accrued interest and late charges | 148,291 | 3,128 | 1,164 | | 1,636 | 154,219 |
| Inventories | 2,498,783 | 265,999 | 16,623 | | 11,989 | 2,793,394 |
| Deposits with trustee | 8,436 | 382 | 850,515 | 53 | 45 | 859,431 |
| Unamortized bond insurance | 409,238 | 12,454 | | 51,876 | 36,565 | 510,133 |
| Prepaid expenses | 353,744 | 13,008 | 43,936 | 39,845 | 2,616 | 453,149 |
| Total Current Assets | 51,559,328 | 15,086,878 | 8,329,298 | 9,092,453 | 5,182,428 | 89,250,385 |
| **Noncurrent Assets:** | | | | | | |
| Cash and cash equivalents | 35,731,139 | | | | | 35,731,139 |
| Restricted cash and cash equivalents | 3,132,265 | | 2,281,083 | 783,795 | | 6,197,143 |
| Endowment investments | 14,249,953 | 726,378 | | | | 14,976,331 |
| Other long-term investments | 6,839,620 | 1,358,955 | 7,892,826 | | 3,050,000 | 19,141,401 |
| Irrevocable split-interest agreement | 1,514,995 | | | | | 1,514,995 |
| Accrued interest and late charges | 651,406 | | 23,043 | | | 674,449 |
| Deposits with trustee | 2,056,826 | | 1,516,072 | | | 3,572,898 |
| Accounts receivable | 746,978 | | 1,321,615 | | | 2,068,593 |
| Notes and deposits receivable (less allowances of $1,645,079) | 3,806,316 | | | | | 3,806,316 |
| Capital assets (net of accumulated depreciation of $383,891,123) | 350,584,700 | 53,375,283 | 44,028,201 | 17,639,884 | 21,545,344 | 487,173,412 |
| Total Noncurrent Assets | 419,314,198 | 55,460,616 | 57,062,840 | 18,423,679 | 24,595,344 | 574,856,677 |
| **TOTAL ASSETS** | 470,873,526 | 70,547,494 | 65,392,138 | 27,516,132 | 29,777,772 | 664,107,062 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Excess of bond reacquisition costs over carrying value | 2,776,868 | 847,901 | 64,474 | 20,638 | 60,266 | 3,770,147 |
| Pensions | 4,281,279 | 1,417,226 | 206,305 | 81,528 | 651,211 | 6,637,549 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 477,931,673 | 72,812,621 | 65,662,917 | 27,618,298 | 30,489,249 | 674,514,758 |
| **LIABILITIES** | | | | | | |
| **Current Liabilities:** | | | | | | |
| Accounts payable and accrued liabilities | 7,687,292 | 487,234 | 1,608,166 | 136,074 | 251,834 | 10,170,600 |
| Bonds, notes and leases payable | 7,688,427 | 1,351,900 | 527,162 | 841,531 | 507,166 | 10,916,186 |
| Compensated absences | 4,786,829 | 897,588 | 62,312 | 27,034 | 648,384 | 6,422,147 |
| Unearned revenue | 10,772,417 | 80,303 | 92,443 | 130,186 | 72,742 | 11,148,091 |
| Funds held in trust for others | 502,773 | 154,396 | 25,814 | 29,562 | 78,359 | 790,904 |
| Deposits | 1,194,519 | 38,280 | | | 8,328 | 1,241,127 |
| Interest payable | 1,627,626 | 200,429 | 323,354 | 21,994 | 26,085 | 2,199,488 |
| Total Current Liabilities | 34,259,883 | 3,210,130 | 2,639,251 | 1,186,381 | 1,592,898 | 42,888,543 |
| **Noncurrent Liabilities:** | | | | | | |
| Bonds, notes and leases payable | 157,035,825 | 30,027,518 | 20,085,067 | 5,518,077 | 5,338,444 | 218,004,931 |
| Compensated absences | 3,169,399 | 464,251 | 530,091 | 423,532 | 80,137 | 4,667,410 |
| Accrued other postemployment benefits payable | 9,726,097 | 1,883,377 | 815,193 | 702,753 | 927,634 | 14,055,054 |
| Net pension liability | 14,244,554 | 5,010,139 | 797,752 | 306,293 | 2,187,541 | 22,546,279 |
| Deposits | 428,217 | | | | | 428,217 |
| Refundable federal advances | 5,828,048 | | | | | 5,828,048 |
| Total Noncurrent Liabilities | 190,432,140 | 37,385,285 | 22,228,103 | 6,950,655 | 8,533,756 | 265,529,939 |
| **TOTAL LIABILITIES** | 224,692,023 | 40,595,415 | 24,867,354 | 8,137,036 | 10,126,654 | 308,418,482 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Pensions | 2,022,701 | 610,483 | 330,574 | 189,247 | 125,099 | 3,278,104 |
| Irrevocable split-interest agreement | 1,514,995 | | | | | 1,514,995 |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 228,229,719 | 41,205,898 | 25,197,928 | 8,326,283 | 10,251,753 | 313,211,581 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 188,389,357 | 22,843,766 | 23,415,972 | 11,352,791 | 15,796,566 | 261,798,452 |
| Restricted for nonexpendable purposes: | | | | | | |
| Scholarships and fellowships | 5,084,054 | 726,378 | | | | 5,810,432 |
| Renewal and replacement | | | 967,261 | | | 967,261 |
| Loans | 400,911 | 20,000 | | | | 420,911 |
| Other - College and Department Purposes | 9,220,658 | | | | | 9,220,658 |
| Restricted for expendable purposes: | | | | | | |
| Scholarships and fellowships | 647,963 | 122,658 | 221,620 | 29,840 | | 1,022,081 |
| Research | 18,593 | | | | | 18,593 |
| Loans | | | 10,000 | | | 10,000 |
| Capital projects | 100,000 | 4,180,496 | | | | 4,280,496 |
| Debt service | | | 1,687,693 | | | 1,687,693 |
| Renewal and replacement | | | 421,644 | | | 421,644 |
| Other | 647,231 | 18,436 | 677,351 | 1,344,407 | 413,063 | 3,100,488 |
| Unrestricted | 45,193,187 | 3,694,989 | 13,063,448 | 6,564,977 | 4,027,867 | 72,544,468 |
| **TOTAL NET POSITION** | $ 249,701,954 | $ 31,606,723 | $ 40,464,989 | $ 19,292,015 | $ 20,237,496 | $ 361,303,177 |

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

**ARKANSAS STATE UNIVERSITY SYSTEM**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY CAMPUS**

**FOR THE YEAR ENDED JUNE 30, 2017**

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Total |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | |
| Student tuition and fees (net of scholarship allowances of $50,897,103) | $ 49,430,696 | $ 5,809,077 | $ 1,996,884 | $ 1,545,993 | $ 4,197,969 | $ 62,980,619 |
| Grants and contracts | 20,192,528 | 3,204,281 | 7,082,115 | 1,488,838 | 2,360,821 | 34,328,583 |
| Sales and services | 1,947,593 | 98,152 | | 52,055 | | 2,097,800 |
| Auxillary enterprises (net of scholarship allowances of $8,543,250) | 27,194,124 | 1,731,672 | 210,026 | 291,259 | 304,470 | 29,731,551 |
| Self-insurance | 4,193,379 | | | | | 4,193,379 |
| Other operating revenues | 1,804,740 | 264,966 | 311,361 | 138,507 | 98,961 | 2,618,535 |
| **TOTAL OPERATING REVENUES** | 104,763,060 | 11,108,148 | 9,600,386 | 3,516,652 | 6,962,221 | 135,950,467 |
| **OPERATING EXPENSES** | | | | | | |
| Personal services | 108,441,961 | 19,282,941 | 11,282,616 | 7,160,449 | 12,142,717 | 158,310,684 |
| Scholarships and fellowships | 8,646,328 | 3,050,924 | 1,895,327 | 1,127,904 | 2,300,924 | 17,021,407 |
| Supplies and services | 44,169,207 | 6,943,483 | 6,787,775 | 3,934,909 | 4,335,564 | 66,170,938 |
| Self-insurance | 18,176,043 | | | | | 18,176,043 |
| Depreciation | 19,292,464 | 3,140,765 | 2,913,650 | 1,853,230 | 1,925,473 | 29,125,582 |
| Other | 81,508 | | | | | 81,508 |
| **TOTAL OPERATING EXPENSES** | 198,807,511 | 32,418,113 | 22,879,368 | 14,076,492 | 20,704,678 | 288,886,162 |
| **OPERATING INCOME (LOSS)** | (94,044,451) | (21,309,965) | (13,278,982) | (10,559,840) | (13,742,457) | (152,935,695) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | | |
| Federal appropriations | 356,521 | | | | | 356,521 |
| State appropriations | 68,575,209 | 14,185,008 | 7,591,002 | 4,797,039 | 7,678,253 | 102,826,511 |
| Grants and contracts | 33,085,655 | 6,876,847 | 2,792,314 | 3,690,038 | 4,982,647 | 51,427,501 |
| Sales and use taxes | | 1,637,265 | | | 1,039,221 | 2,676,486 |
| Property taxes | | | 2,545,107 | 1,387,950 | | 3,933,057 |
| Gifts | 2,072,706 | | 286,350 | 569,089 | 42,375 | 2,970,520 |
| Investment income | 1,984,671 | 172,553 | 679,148 | 883 | 34,536 | 2,871,791 |
| Interest on capital asset - related debt | (5,997,575) | (1,067,503) | (790,912) | (230,237) | (185,943) | (8,272,170) |
| Gain or loss on disposal of capital assets | (637,762) | (5,799) | (87) | | 11,981 | (631,667) |
| Refund to grantors | (82,178) | (1,480) | (30,116) | | | (113,774) |
| Other nonoperating revenues (expenses) | (323,987) | (8,500) | (3,650) | (3,000) | (1,000) | (340,137) |
| **NET NON-OPERATING REVENUES (EXPENSES)** | 99,033,260 | 21,788,391 | 13,069,156 | 10,211,762 | 13,602,070 | 157,704,639 |
| **INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES** | 4,988,809 | 478,426 | (209,826) | (348,078) | (140,387) | 4,768,944 |
| Capital appropriations | 54,761 | | | | | 54,761 |
| Capital grants and gifts | 1,186,848 | 27,500 | 1,357 | 67,812 | 223,975 | 1,507,492 |
| Additions to endowments | | 200 | | | | 200 |
| Adjustments to capital assets | (26,685) | | | | | (26,685) |
| Capitalization of library holdings at rate per volume | 202,104 | | | 94 | | 202,198 |
| **INCREASE (DECREASE) IN NET POSITION** | 6,405,837 | 506,126 | (208,469) | (280,172) | 83,588 | 6,506,910 |
| **NET POSITION - BEGINNING OF YEAR** | 243,296,117 | 31,100,597 | 40,673,458 | 19,572,187 | 20,153,908 | 354,796,267 |
| **NET POSITION - END OF YEAR** | $ 249,701,954 | $ 31,606,723 | $ 40,464,989 | $ 19,292,015 | $ 20,237,496 | $ 361,303,177 |

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

**ARKANSAS STATE UNIVERSITY SYSTEM**

**STATEMENT OF CASH FLOWS BY CAMPUS**

**FOR THE YEAR ENDED JUNE 30, 2017**

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Consolidation Entries | Total |
|---|---|---|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | | |
| Student tuition and fees | $ 50,557,249 | $ 5,744,671 | $ 2,012,726 | $ 1,505,581 | $ 3,885,798 | | $ 63,706,025 |
| Grants and contracts | 19,733,678 | 3,226,254 | 7,859,094 | 1,392,897 | 2,207,064 | | 34,418,987 |
| Auxiliary enterprises revenues | 27,706,157 | 1,258,849 | 186,354 | 296,145 | 293,975 | | 29,741,480 |
| Sales and services | 1,952,766 | 98,476 | | 52,055 | | | 2,103,297 |
| Self-insurance program receipts | 4,202,967 | | | | | | 4,202,967 |
| Collection of principal and interest related to student loans | 852,772 | | | | | | 852,772 |
| Other receipts | 1,885,677 | 264,966 | 312,710 | 138,527 | 98,961 | | 2,700,841 |
| Payments to employees | (94,681,514) | (15,005,322) | (8,155,561) | (5,399,114) | (9,666,344) | | (132,907,855) |
| Payments for employee benefits | (13,215,757) | (4,313,003) | (3,172,373) | (1,694,281) | (2,697,013) | | (25,092,427) |
| Payments to suppliers | (47,412,438) | (6,919,067) | (7,083,186) | (3,955,024) | (4,168,554) | | (69,538,269) |
| Scholarships and fellowships | (8,646,328) | (3,050,924) | (1,895,327) | (1,127,904) | (2,300,924) | | (17,021,407) |
| Self-insurance program payments | (17,695,718) | | | | | | (17,695,718) |
| Loans issued to students | (118,950) | | | | | | (118,950) |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | (74,879,439) | (18,695,100) | (9,935,563) | (8,791,118) | (12,347,037) | | (124,648,257) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | | |
| Federal appropriations | 308,045 | | | | | | 308,045 |
| State appropriations | 68,575,209 | 14,185,008 | 6,091,002 | 4,797,039 | 7,734,628 | | 101,382,886 |
| Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners | | | 1,500,000 | | | | 1,500,000 |
| Grants and contracts | 33,175,048 | 6,876,895 | 3,257,043 | 3,619,595 | 4,886,498 | | 51,815,079 |
| Private gifts and grants | 2,531,747 | | 286,350 | 569,089 | 49,875 | | 3,437,061 |
| Payments to other campus for financial aid distribution | (70,443) | | | | | $ 70,443 | - |
| Payment from ASUJ for financial aid distribution | | | | 70,443 | | (70,443) | - |
| Sales and use taxes | | 1,627,265 | | | 1,044,495 | | 2,671,760 |
| Property taxes | | | 2,858,582 | 1,367,996 | | | 4,226,578 |
| Direct lending, PLUS and FFEL loan receipts | 92,148,388 | 2,917,643 | | 2,886,604 | 2,974,702 | | 100,927,337 |
| Direct lending, PLUS and FFEL loan payments | (93,315,773) | (2,951,515) | | (2,886,604) | (2,766,368) | | (101,920,260) |
| Agency activity | 72,698 | 76,733 | (3,653) | (3,942) | 30,047 | | 171,883 |
| Refunds to grantors | (82,178) | (1,727) | (30,116) | | | | (114,021) |
| **NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES** | 103,342,741 | 22,730,302 | 13,959,208 | 10,420,220 | 13,953,877 | - | 164,406,348 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | | |
| Distributions from debt holders of debt proceeds other than from bonds | 5,786,216 | | | | | | 5,786,216 |
| Capital appropriations | 54,761 | | | | | | 54,761 |
| Capital gifts and grants | 395,621 | 27,500 | | 67,812 | | | 490,933 |
| Proceeds from sale of capital assets | 13,801 | | 662 | | 3,161 | | 17,624 |
| Purchases of capital assets | (17,399,368) | (997,232) | (259,235) | (90,882) | (1,695,408) | | (20,442,125) |
| Payments to trustees for bond principal | (6,070,000) | (1,315,000) | | (750,000) | (294,999) | | (8,429,999) |
| Payments to trustees for bond interest and fees | (5,725,698) | (1,048,152) | | (220,424) | (133,724) | | (7,127,998) |
| Payments to debt holders for principal (other than bonds) | (1,143,822) | | | (71,010) | (208,505) | | (1,423,337) |
| Payments to debt holders for interest and fees (other than bonds) | (492,570) | | | (9,888) | (42,155) | | (544,613) |
| Property taxes remitted to bond trustees | | | (2,858,582) | | | | (2,858,582) |
| Distribution of excess property taxes from bond trustees | | | 1,467,791 | | | | 1,467,791 |
| **NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES** | (24,581,059) | (3,332,884) | (1,649,364) | (1,074,392) | (2,371,630) | - | (33,009,329) |

*This statement is continued on the next page.*

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

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Consolidation Entries | Total |
|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Proceeds from sales and maturities of investments | 2,948,000 | 8,176,312 | 937,716 | | 2,025,000 | | 14,087,028 |
| Interest on investments | 648,445 | 86,992 | 107,693 | 752 | 34,615 | | 878,497 |
| Purchases of investments | (3,450,764) | (8,150,000) | (3,442,482) | | 9,000 | | (15,034,246) |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | 145,681 | 113,304 | (2,397,073) | 752 | 2,068,615 | - | (68,721) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 4,027,924 | 815,622 | (22,792) | 555,462 | 1,303,825 | | 6,680,041 |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 67,585,268 | 5,481,409 | 5,525,995 | 7,356,345 | 1,297,760 | | 87,246,777 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 71,613,192 | $ 6,297,031 | $ 5,503,203 | $ 7,911,807 | $ 2,601,585 | $ - | $ 93,926,818 |
| Operating income (loss) | $ (94,044,451) | $ (21,309,965) | $ (13,278,982) | $ (10,559,840) | $ (13,742,457) | | $ (152,935,695) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation expense | 19,292,464 | 3,140,765 | 2,913,650 | 1,853,230 | 1,925,473 | | 29,125,582 |
| Change in assets and liabilities: | | | | | | | |
| Receivables, net | (813,287) | (418,825) | 737,580 | (103,864) | (376,314) | | (974,710) |
| Inventories | (334,701) | 39,011 | 449 | | (8,586) | | (303,827) |
| Prepaid expenses | (219,506) | 5,521 | (21,592) | (29,708) | 1,875 | | (263,410) |
| Accounts and salaries payable | 57,183 | (77,363) | (506,905) | (13,143) | (324,409) | | (864,637) |
| Other postemployment benefits payable | 343,581 | 80,017 | 280,471 | 147,873 | 57,481 | | 909,423 |
| Pension obligations | 3,820 | 49,682 | (51,864) | (42,702) | 31,950 | | (9,114) |
| Unearned revenue | 788,207 | (49,558) | 7,084 | (28,300) | 14,251 | | 731,684 |
| Deposits | 7,095 | (1,675) | | | 674 | | 6,094 |
| Refundable federal advances | (129,478) | | | | | | (129,478) |
| Compensated absences | 169,634 | (152,710) | (15,454) | (14,664) | 73,025 | | 59,831 |
| Net cash provided (used) by operating activities | $ (74,879,439) | $ (18,695,100) | $ (9,935,563) | $ (8,791,118) | $ (12,347,037) | | $ (124,648,257) |
| Reconciliation of Cash and Cash Equivalents | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | $ 32,749,788 | $ 6,297,031 | $ 3,222,120 | $ 7,128,012 | $ 2,601,585 | | $ 51,998,536 |
| Noncurrent Assets: | | | | | | | |
| Cash and Cash Equivalents | 35,731,139 | | | | | | $ 35,731,139 |
| Restricted Cash and Cash Equivalents | 3,132,265 | | 2,281,083 | 783,795 | | | $ 6,197,143 |
| Total | $ 71,613,192 | $ 6,297,031 | $ 5,503,203 | $ 7,911,807 | $ 2,601,585 | $ - | $ 93,926,818 |

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

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# Statistical Section
# (Unaudited)

## Statistical Section
## (Unaudited)

This section of the report provides information for understanding the financial statements and notes as well as the overall health of the University and the state of Arkansas.

**Contents** **Page**



These schedules present information to understand how the University's financial activities and performance have changed over time.



These schedules contain information to assess the University's current debt levels as well as the ability to issue debt in the future.



These schedules present capital asset data to understand how the University's financial report relates to the services provided and activities performed.



These schedules provide demographic and economic indicators to better understand the environment in which the University's and the State of Arkansas's financial activities occur.

## Schedule of Changes in Net Position

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| **Operating Revenues** | | | | | | | | | | |
| Tuition and Fees, net | $ 62,980,619 | $ 61,466,443 | $ 56,312,892 | $ 54,202,184 | $ 54,188,183 | $ 53,179,741 | $ 50,458,060 | $ 49,599,394 | $ 46,395,525 | $ 41,233,852 |
| Grants and Contracts | 34,328,583 | 33,294,306 | 23,825,840 | 23,149,541 | 27,839,857 | 30,928,513 | 33,399,265 | 32,927,442 | 28,873,222 | 34,511,606 |
| Sales and Services | 2,097,800 | 2,112,343 | 1,838,753 | 1,924,664 | 1,871,734 | 1,036,266 | 964,531 | 886,927 | 765,520 | 822,233 |
| Auxiliary Enterprises, net | 29,731,551 | 29,135,663 | 27,081,631 | 25,985,508 | 24,706,113 | 23,926,128 | 21,252,473 | 23,313,170 | 23,161,155 | 22,017,670 |
| Self Insurance | 4,193,379 | 4,104,547 | 4,078,504 | 3,898,570 | 3,740,368 | 3,453,786 | 3,205,048 | 3,074,210 | 2,816,292 | 2,718,232 |
| Other | 2,618,535 | 1,603,847 | 2,304,618 | 2,190,622 | 1,998,538 | 1,880,486 | 2,988,151 | 3,525,323 | 1,474,721 | 1,303,743 |
| **Total Operating Revenues** | 135,950,467 | 131,717,149 | 115,442,238 | 111,351,089 | 114,344,793 | 114,404,920 | 112,267,518 | 113,326,466 | 103,486,435 | 102,607,336 |
| **Expenses** | | | | | | | | | | |
| **Operating Expenses** | | | | | | | | | | |
| Personal Services | 158,310,684 | 156,378,870 | 145,366,071 | 146,974,378 | 143,666,551 | 142,396,694 | 141,193,099 | 131,923,161 | 125,112,683 | 118,371,034 |
| Scholarships and Fellowships | 17,021,407 | 17,809,431 | 16,339,675 | 17,274,330 | 19,175,308 | 19,733,286 | 25,837,301 | 18,413,213 | 12,440,439 | 10,684,615 |
| Supplies and Services | 66,170,938 | 73,841,581 | 61,361,424 | 61,025,501 | 63,347,443 | 62,165,003 | 59,173,498 | 59,735,964 | 56,501,323 | 53,872,766 |
| Self Insurance | 18,176,043 | 15,570,817 | 15,612,804 | 16,082,687 | 15,164,210 | 14,774,378 | 14,397,856 | 11,270,220 | 12,414,970 | 11,925,924 |
| Depreciation | 29,125,582 | 29,385,729 | 24,953,628 | 23,824,951 | 22,500,636 | 22,208,187 | 19,138,033 | 17,488,556 | 15,785,543 | 15,551,238 |
| Other | 81,508 | 106,217 | 67,139 | 67,148 | 61,381 | 49,850 | 92,507 | 78,102 | 104,774 | 146,476 |
| **Total Operating Expenses** | 288,886,162 | 293,092,645 | 263,700,741 | 265,248,995 | 263,915,529 | 261,327,398 | 259,832,294 | 238,909,216 | 222,359,732 | 210,552,053 |
| **Operating Loss** | (152,935,695) | (161,375,496) | (148,258,503) | (153,897,906) | (149,570,736) | (146,922,478) | (147,564,776) | (125,582,750) | (118,873,297) | (107,944,717) |
| **Nonoperating Revenues (Expenses)** | | | | | | | | | | |
| Federal Appropriations | 356,521 | 541,230 | 594,401 | 1,175,443 | 3,579,588 | 5,580,251 | - | 3,544,193 | 776,366 | 35,399 |
| State Appropriations | 102,826,511 | 102,455,543 | 94,945,462 | 94,956,873 | 92,408,687 | 93,460,349 | 91,995,057 | 91,402,392 | 90,818,135 | 92,164,251 |
| Stimulus Funds (ARRA) | - | 24,848 | 88,000 | 59,738 | 162,094 | 241,189 | 2,042,785 | 1,695,457 | - | - |
| Grants and Contracts | 51,427,501 | 53,440,251 | 51,753,608 | 53,132,794 | 53,786,731 | 53,629,309 | 55,310,240 | 40,410,638 | 29,297,438 | 15,665,730 |
| Sales and Use Taxes | 2,676,486 | 2,690,627 | 2,751,115 | 2,760,987 | 2,821,506 | 2,775,286 | 2,710,217 | 2,595,140 | 2,760,722 | 2,697,782 |
| Property Taxes | 3,933,057 | 4,175,364 | 1,316,279 | 1,333,345 | 1,285,901 | 1,338,678 | 1,260,788 | 1,180,217 | 1,117,495 | 1,074,144 |
| Gifts | 2,970,520 | 1,897,107 | 2,132,117 | 1,709,564 | 1,159,225 | 1,313,548 | 1,639,038 | 2,866,816 | 1,145,463 | 2,811,013 |
| Investment Income | 2,871,791 | 432,601 | 660,842 | 2,341,189 | 1,487,484 | 804,604 | 2,130,476 | 2,588,860 | (1,014,048) | 1,998,031 |
| Interest on Capital Asset Related Debt | (8,272,170) | (8,478,234) | (7,092,358) | (7,580,770) | (7,451,756) | (7,765,915) | (7,469,157) | (4,217,414) | (7,627,925) | (5,915,185) |
| Bond Insurance and Issuance Costs | - | - | (468,765) | (334,781) | (625,586) | (46,465) | (32,506) | (11,684) | - | (400,121) |
| Gain or Loss on Disposal of Capital Assets | (631,667) | (694,387) | (135,721) | (431,058) | 234,147 | (642,348) | 744,391 | (350,187) | (441,908) | (389,780) |
| Refunds to Grantors | (113,774) | (59,618) | (48,891) | (67,997) | (88,010) | (290,916) | (94,297) | (275,252) | (74,323) | (68,288) |
| Other | (340,137) | (196,047) | 25,768 | 97,699 | (403,254) | (111,538) | 2,446 | (1,714,609) | 7,542,082 | 6,870,537 |
| **Net Nonoperating Revenues (Expenses)** | 157,704,639 | 156,229,285 | 146,521,857 | 149,153,026 | 148,356,757 | 150,286,032 | 150,239,478 | 139,714,567 | 124,299,497 | 116,543,513 |
| **Income Before Other Revenues, Expenses, Gain or Losses** | 4,768,944 | (5,146,211) | (1,736,646) | (4,744,880) | (1,213,979) | 3,363,554 | 2,674,702 | 14,131,817 | 5,426,200 | 8,598,796 |
| Capital Appropriations | 54,761 | 2,178,977 | 2,326,698 | 10,259,205 | 2,409,353 | 7,826,005 | 10,722,718 | 2,923,156 | 8,428,625 | 3,002,314 |
| Capital Grants and Gifts | 1,507,492 | 13,471,345 | 13,486,598 | 2,724,929 | 1,660,000 | 940,473 | 6,810,236 | 4,781,955 | 17,636,054 | 6,199,054 |
| Additions to Endowments | 200 | 36,054 | 425,546 | 3,711 | 1,035 | 1,476,859 | | | | |
| Adjustments to Capital Assets | (26,685) | (11,684) | 129,517 | 15,304 | 205,822 | 26,739 | 333,485 | 412,965 | (1,430,577) | 133,910 |
| Capitalization of Library Holdings | 202,198 | 179,670 | 20,333 | 49,842 | 105,109 | 153,639 | 175,735 | 247,905 | 190,680 | 218,820 |
| Livestock Additions | - | 885 | 766 | 123,422 | 205 | | 1,775 | - | 1,450 | 9,755 |
| Bond Proceeds/Accrued Interest | - | - | 16,691 | - | 86,746 | | 28,463 | | - | - |
| **Increase (Decrease) in Net Position** | $ 6,506,910 | $ 10,709,036 | $ 14,669,503 | $ 8,431,533 | $ 3,254,291 | $ 13,787,269 | $ 20,747,114 | $ 22,497,798 | $ 30,252,432 | $ 18,162,649 |

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

Source: Controller's Office

## Schedule of Major Sources of Revenue

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Tuition and Fees, net | $ 62,980,619 | $ 61,466,443 | $ 56,312,892 | $ 54,202,184 | $ 54,188,183 | $ 53,179,741 | $ 50,458,050 | $ 49,599,394 | $ 46,395,525 | $ 41,233,852 |
| Grants and Contracts | 34,328,583 | 33,294,306 | 23,825,840 | 23,149,541 | 27,839,857 | 30,928,513 | 33,399,265 | 32,927,442 | 28,873,222 | 34,511,606 |
| Sales and Services | 2,097,800 | 2,112,343 | 1,838,753 | 1,924,664 | 1,871,734 | 1,036,266 | 964,531 | 886,927 | 765,520 | 822,233 |
| Auxiliary Enterprises, net | 29,731,551 | 29,135,663 | 27,081,631 | 25,985,508 | 24,706,113 | 23,926,128 | 21,252,473 | 23,313,170 | 23,161,155 | 22,017,670 |
| Self Insurance | 4,193,379 | 4,104,547 | 4,078,504 | 3,898,570 | 3,740,368 | 3,453,786 | 3,205,048 | 3,074,210 | 2,816,292 | 2,718,232 |
| Other | 2,618,535 | 1,603,847 | 2,304,618 | 2,190,622 | 1,998,538 | 1,880,486 | 2,988,151 | 3,525,323 | 1,474,721 | 1,303,743 |
| **Total Operating Revenues** | **135,950,467** | **131,717,149** | **115,442,238** | **111,351,089** | **114,344,793** | **114,404,920** | **112,267,518** | **113,326,466** | **103,486,435** | **102,607,336** |
| **Nonoperating Revenues and Other** Changes | | | | | | | | | | |
| Federal Appropriations | 356,521 | 541,230 | 594,401 | 1,175,443 | 3,579,588 | 5,580,251 | - | 3,544,193 | 776,366 | 35,399 |
| State Appropriations | 102,826,511 | 102,455,543 | 94,945,462 | 94,956,873 | 92,408,687 | 93,460,349 | 91,995,057 | 91,402,392 | 90,818,135 | 92,164,251 |
| Stimulus Funds (ARRA) | - | 24,848 | 88,000 | 59,738 | 202,399 | 241,189 | 2,042,785 | 1,695,457 | - | - |
| Grants and Contracts | 51,427,501 | 53,440,251 | 51,753,608 | 53,132,794 | 53,786,731 | 53,629,309 | 55,310,240 | 40,410,638 | 29,297,438 | 15,665,730 |
| Sales and Use Taxes | 2,676,486 | 2,690,627 | 2,751,115 | 2,760,987 | 2,821,506 | 2,775,286 | 2,710,217 | 2,595,140 | 2,760,722 | 2,697,782 |
| Property Taxes | 3,933,057 | 4,175,364 | 1,316,279 | 1,333,345 | 1,285,901 | 1,338,678 | 1,260,788 | 1,180,217 | 1,117,495 | 1,074,144 |
| Gifts | 2,970,520 | 1,897,107 | 2,132,117 | 1,709,564 | 1,159,225 | 1,313,548 | 1,639,038 | 2,866,816 | 1,145,463 | 2,811,013 |
| Investment Income | 2,871,791 | 432,601 | 660,842 | 2,341,189 | 1,487,484 | 804,604 | 2,130,476 | 2,588,860 | (1,014,048) | 1,998,031 |
| Capital Appropriations | 54,761 | 2,178,977 | 2,326,698 | 10,259,205 | 2,409,353 | 7,826,005 | 10,722,718 | 2,923,156 | 8,428,625 | 3,002,314 |
| Capital Grants and Gifts | 1,507,492 | 13,471,345 | 13,486,598 | 2,724,929 | 1,619,695 | 940,473 | 6,810,236 | 4,781,955 | 17,636,054 | 6,199,054 |
| Net Gain on Disposal of Capital Assets | (631,667) | (694,387) | (135,721) | (431,058) | 234,147 | (642,348) | 744,391 | (350,187) | (441,908) | (389,780) |
| Capitalization of Library Holdings | 202,198 | 179,670 | 20,333 | 49,842 | 105,109 | 153,639 | 175,735 | 247,905 | 190,680 | 218,820 |
| Livestock Additions | - | 885 | 766 | 123,422 | 205 | | 1,775 | - | 1,450 | 9,755 |
| Net Other Nonoperating Revenues | (339,937) | (159,993) | 468,005 | 116,714 | 87,781 | 1,476,859 | 30,909 | (1,714,609) | 7,542,082 | 6,870,537 |
| **Total Nonoperating Revenues and Other Changes** | **167,855,234** | **180,634,068** | **170,408,503** | **170,312,987** | **161,187,811** | **168,897,842** | **175,574,365** | **152,171,933** | **158,258,554** | **132,357,050** |
| **Total Revenues and Other Changes** | **$ 303,805,701** | **$ 312,351,217** | **$ 285,850,741** | **$ 281,664,076** | **$ 275,532,604** | **$ 283,302,762** | **$ 287,841,883** | **$ 265,498,399** | **$ 261,744,989** | **$ 234,964,386** |

*By Percent of Total Revenues*

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Tuition and Fees, net | 20.73% | 19.68% | 19.70% | 19.24% | 19.67% | 18.77% | 17.53% | 18.68% | 17.73% | 17.55% |
| Grants and Contracts | 11.30% | 10.66% | 8.34% | 8.22% | 10.10% | 10.92% | 11.60% | 12.40% | 11.03% | 14.69% |
| Sales and Services | 0.69% | 0.68% | 0.64% | 0.68% | 0.68% | 0.37% | 0.34% | 0.33% | 0.29% | 0.35% |
| Auxiliary Enterprises, net | 9.79% | 9.33% | 9.47% | 9.23% | 8.97% | 8.45% | 7.38% | 8.78% | 8.85% | 9.37% |
| Self Insurance | 1.38% | 1.31% | 1.43% | 1.38% | 1.36% | 1.22% | 1.11% | 1.16% | 1.08% | 1.16% |
| Other | 0.86% | 0.51% | 0.81% | 0.78% | 0.73% | 0.66% | 1.04% | 1.33% | 0.56% | 0.55% |
| **Total Operating Revenues** | **44.75%** | **42.17%** | **40.39%** | **39.53%** | **41.50%** | **40.38%** | **39.00%** | **42.68%** | **39.54%** | **43.67%** |
| **Nonoperating Revenues and Other** Changes | | | | | | | | | | |
| Federal Appropriations | 0.12% | 0.17% | 0.21% | 0.42% | 1.30% | 1.97% | 0.00% | 1.33% | 0.30% | 0.02% |
| State Appropriations | 33.85% | 32.80% | 33.22% | 33.71% | 33.54% | 32.99% | 31.96% | 34.43% | 34.70% | 39.22% |
| Stimulus Funds (ARRA) | 0.00% | 0.01% | 0.03% | 0.02% | 0.07% | 0.09% | 0.71% | 0.64% | 0.00% | 0.00% |
| Grants and Contracts | 16.93% | 17.11% | 18.11% | 18.86% | 19.52% | 18.93% | 19.22% | 15.22% | 11.19% | 6.67% |
| Sales and Use Taxes | 0.88% | 0.86% | 0.96% | 0.98% | 1.02% | 0.98% | 0.94% | 0.98% | 1.05% | 1.15% |
| Property Taxes | 1.29% | 1.34% | 0.46% | 0.47% | 0.47% | 0.47% | 0.44% | 0.44% | 0.43% | 0.46% |
| Gifts | 0.98% | 0.61% | 0.75% | 0.61% | 0.42% | 0.46% | 0.57% | 1.08% | 0.44% | 1.20% |
| Investment Income | 0.95% | 0.14% | 0.23% | 0.83% | 0.54% | 0.28% | 0.74% | 0.98% | -0.39% | 0.85% |
| Capital Appropriations | 0.02% | 0.70% | 0.81% | 3.64% | 0.87% | 2.76% | 3.73% | 1.10% | 3.22% | 1.28% |
| Capital Grants and Gifts | 0.50% | 4.31% | 4.72% | 0.97% | 0.59% | 0.33% | 2.37% | 1.80% | 6.74% | 2.64% |
| Net Gain on Disposal of Capital Assets | -0.21% | -0.22% | -0.05% | -0.15% | 0.08% | -0.23% | 0.26% | -0.13% | -0.17% | -0.17% |
| Capitalization of Library Holdings | 0.07% | 0.06% | 0.01% | 0.02% | 0.04% | 0.05% | 0.06% | 0.09% | 0.07% | 0.09% |
| Livestock Additions | 0.00% | 0.00% | 0.00% | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net Other Nonoperating Revenues | -0.11% | -0.05% | 0.16% | 0.04% | 0.03% | 0.52% | 0.01% | -0.65% | 2.88% | 2.92% |
| **Total Nonoperating Revenues and Other Changes** | **55.25%** | **57.83%** | **59.61%** | **60.47%** | **58.50%** | **59.62%** | **61.00%** | **57.32%** | **60.46%** | **56.33%** |
| **Total Revenues and Other Changes** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Controller's Office

## Schedule of Expenses by Use

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | | | | | |
| Personal Services | $ 158,310,684 | $ 156,378,870 | $ 145,366,071 | $ 146,974,378 | $ 143,666,551 | $ 142,396,694 | $ 141,193,099 | $ 131,923,161 | $ 125,112,683 | $ 118,371,034 |
| Scholarships and Fellowships | 17,021,407 | 17,809,431 | 16,339,675 | 17,274,330 | 19,175,308 | 19,733,286 | 25,837,301 | 18,413,213 | 12,440,439 | 10,684,615 |
| Supplies and Services | 66,170,938 | 73,841,581 | 61,361,424 | 61,025,501 | 63,347,443 | 62,165,003 | 59,173,498 | 59,735,964 | 56,501,323 | 53,872,766 |
| Self Insurance | 18,176,043 | 15,570,817 | 15,612,804 | 16,082,687 | 15,164,210 | 14,774,378 | 14,397,856 | 11,270,220 | 12,414,970 | 11,925,924 |
| Depreciation | 29,125,582 | 29,385,729 | 24,953,628 | 23,824,951 | 22,500,636 | 22,208,187 | 19,138,033 | 17,488,556 | 15,785,543 | 15,551,238 |
| Other | 81,508 | 106,217 | 67,139 | 67,148 | 61,381 | 49,850 | 92,507 | 78,102 | 104,774 | 146,476 |
| **Total Operating Expenses** | 288,886,162 | 293,092,645 | 263,700,741 | 265,248,995 | 263,915,529 | 261,327,398 | 259,832,294 | 238,909,216 | 222,359,732 | 210,552,053 |
| **Nonoperating Expenses and Other Changes** | | | | | | | | | | |
| Interest on Capital Asset Related Debt | 8,272,170 | 8,478,234 | 7,092,358 | 7,580,770 | 7,451,756 | 7,765,915 | 7,469,157 | 4,217,414 | 7,627,925 | 5,915,185 |
| Net Adjustments to Capital Assets | 26,685 | 11,684 | (129,517) | (15,304) | (205,822) | (26,739) | (333,485) | (412,965) | 1,430,577 | (133,910) |
| Refunds to Grantors | 113,774 | 59,618 | 48,891 | 67,997 | 88,010 | 290,916 | 94,297 | 275,252 | 74,323 | 68,288 |
| Bond Insurance and Issuance Costs | - | - | 468,765 | 334,781 | 625,586 | 46,465 | 32,506 | 11,684 | - | 400,121 |
| Other | - | - | - | - | 403,254 | 111,538 | - | - | - | - |
| **Total Nonoperating Expenses and Other Changes** | 8,412,629 | 8,549,536 | 7,480,497 | 7,968,244 | 8,362,784 | 8,188,095 | 7,262,475 | 4,091,385 | 9,132,825 | 6,249,684 |
| **Total Expenses and Other Changes** | $ 297,298,791 | $ 301,642,181 | $ 271,181,238 | $ 273,217,239 | $ 272,278,313 | $ 269,515,493 | $ 267,094,769 | $ 243,000,601 | $ 231,492,557 | $ 216,801,737 |

*By Percentage of Total Expenses*

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | | | | | |
| Personal Services | 53.25% | 51.84% | 53.60% | 53.79% | 52.76% | 52.83% | 52.86% | 54.29% | 54.05% | 54.60% |
| Scholarships and Fellowships | 5.73% | 5.90% | 6.03% | 6.32% | 7.04% | 7.32% | 9.67% | 7.58% | 5.37% | 4.93% |
| Supplies and Services | 22.26% | 24.48% | 22.63% | 22.34% | 23.27% | 23.07% | 22.15% | 24.58% | 24.41% | 24.85% |
| Self Insurance | 6.11% | 5.16% | 5.76% | 5.89% | 5.57% | 5.48% | 5.39% | 4.64% | 5.36% | 5.50% |
| Depreciation | 9.80% | 9.74% | 9.20% | 8.72% | 8.26% | 8.24% | 7.17% | 7.20% | 6.82% | 7.17% |
| Other | 0.03% | 0.04% | 0.02% | 0.02% | 0.02% | 0.02% | 0.03% | 0.03% | 0.05% | 0.07% |
| **Total Operating Expenses** | 97.17% | 97.17% | 97.24% | 97.08% | 96.93% | 96.96% | 97.28% | 98.32% | 96.05% | 97.12% |
| **Nonoperating Expenses and Other Changes** | | | | | | | | | | |
| Interest on Capital Asset Related Debt | 2.78% | 2.81% | 2.62% | 2.77% | 2.74% | 2.88% | 2.80% | 1.74% | 3.30% | 2.73% |
| Net Adjustments to Prior Year Capital Assets | 0.01% | 0.00% | -0.05% | -0.01% | -0.08% | -0.01% | -0.12% | -0.17% | 0.62% | -0.06% |
| Refunds to Grantors | 0.04% | 0.02% | 0.02% | 0.02% | 0.03% | 0.11% | 0.04% | 0.11% | 0.03% | 0.03% |
| Bond Issuance Costs | 0.00% | 0.00% | 0.17% | 0.12% | 0.23% | 0.02% | 0.01% | 0.00% | 0.00% | 0.18% |
| Other | 0.00% | 0.00% | 0.00% | 0.00% | 0.15% | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Total Nonoperating Expenses and Other Changes** | 2.83% | 2.83% | 2.76% | 2.92% | 3.07% | 3.04% | 2.72% | 1.68% | 3.95% | 2.88% |
| **Total Expenses and Other Changes** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Controller's Office

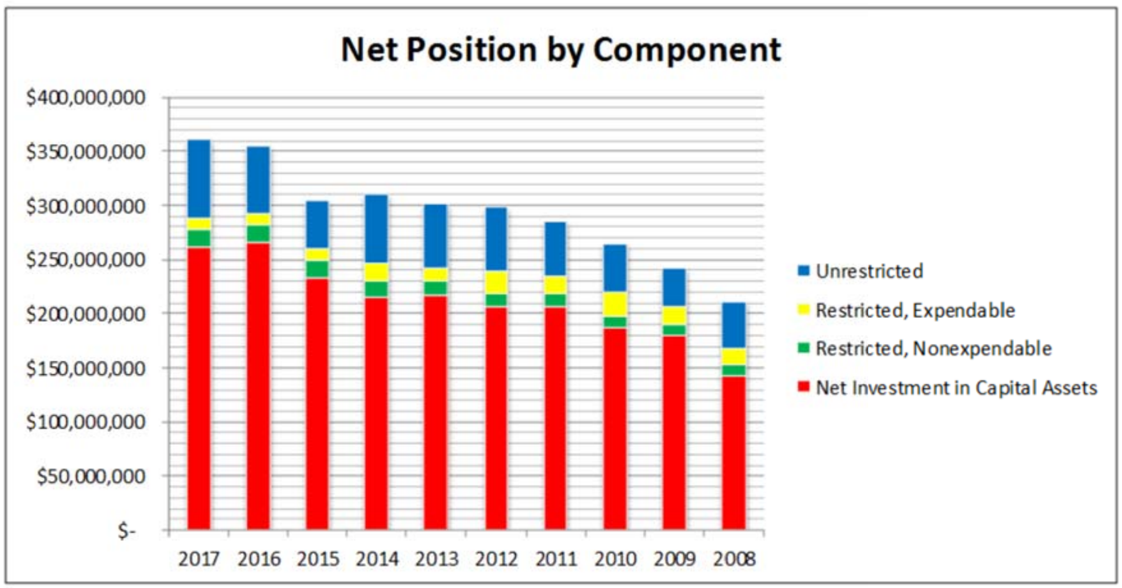
## Schedule of Net Position by Component

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Investment in Capital Assets | $ 261,798,452 | $ 266,541,265 | $ 233,385,604 | $ 214,836,136 | $ 216,938,842 | $ 205,872,011 | $ 206,297,618 | $ 186,931,513 | $ 180,153,062 | $ 142,234,133 |
| Restricted, Nonexpendable | 16,419,262 | 15,436,967 | 15,489,602 | 15,057,533 | 13,782,556 | 13,097,190 | 11,957,122 | 11,025,202 | 10,182,498 | 10,429,210 |
| Restricted, Expendable | 10,540,995 | 10,721,576 | 10,380,124 | 17,171,213 | 11,092,834 | 20,096,584 | 16,396,814 | 21,749,103 | 16,640,890 | 14,917,284 |
| Unrestricted | 72,544,468 | 62,096,459 | 44,973,969 | 62,712,176 | 59,531,293 | 60,059,056 | 50,686,018 | 44,884,640 | 34,433,459 | 43,576,850 |
| **Total Net Position** | **$ 361,303,177** | **$ 354,796,267** | **$ 304,229,299** | **$ 309,777,058** | **$ 301,345,525** | **$ 299,124,841** | **$ 285,337,572** | **$ 264,590,458** | **$ 241,409,909** | **$ 211,157,477** |

## Net Position Components by Percent of Total

| Fiscal Year Ended June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Investment in Capital Assets | 72.46% | 75.13% | 76.71% | 69.35% | 71.99% | 68.82% | 72.30% | 70.65% | 74.63% | 67.36% |
| Restricted, Nonexpendable | 4.54% | 4.35% | 5.09% | 4.86% | 4.57% | 4.38% | 4.19% | 4.17% | 4.22% | 4.94% |
| Restricted, Expendable | 2.92% | 3.02% | 3.41% | 5.54% | 3.68% | 6.72% | 5.75% | 8.22% | 6.89% | 7.06% |
| Unrestricted | 20.08% | 17.50% | 14.78% | 20.24% | 19.76% | 20.08% | 17.76% | 16.96% | 14.26% | 20.64% |
| **Total Net Position** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Controller's Office



**Outstanding Debt per Student**

| As of June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue Bonds | $203,215,553 | $210,302,525 | $197,334,426 | $203,635,581 | $183,186,590 | $180,099,269 | $169,000,285 | $174,167,092 | $170,463,943 | $166,175,000 |
| Notes | 9,632,008 | 10,919,154 | 2,737,288 | 3,927,386 | 4,011,621 | 5,910,524 | 6,830,588 | 3,072,181 | 2,556,173 | 3,959,772 |
| Capital Leases | 16,073,556 | 15,244,732 | 32,575 | 6,732 | 88,444 | 118,486 | - | 10,335 | 19,905 | 725,402 |
| Total Outstanding Debt | $228,921,117 | $236,466,411 | $200,104,289 | $207,569,699 | $187,286,655 | $186,128,279 | $175,830,873 | $177,249,608 | $173,040,021 | $170,860,174 |
| Student FTE | 15,737 | 16,012 | 14,953 | 15,272 | 15,453 | 15,466 | 15,469 | 14,752 | 13,983 | 13,331 |
| Total Debt per Student | $ 14,547 | $ 14,768 | $ 13,382 | $ 13,592 | $ 12,120 | $ 12,035 | $ 11,367 | $ 12,015 | $ 12,375 | $ 12,817 |

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

Sources: Office of Institutional Effectiveness; Controller's Office

# Bonds Secured by Pledged Revenues

## Educational & General Bonds

| Fiscal Year Ended June 30, | Tuition and Fees | Property Taxes | Total Revenue Available for Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage Ratio |
|---|---|---|---|---|---|---|---|
| 2017 | $ 110,003,780 | $ 3,933,057 | $ 113,936,837 | $ 4,125,538 | $ 3,899,478 | $ 8,025,016 | 14.20 |
| 2016 | 108,882,449 | 4,175,364 | 113,057,813 | 4,022,501 | 4,118,469 | 8,140,970 | 13.89 |
| 2015 | 106,658,560 | 1,311,144 | 107,969,704 | 3,250,002 | 3,397,965 | 6,647,967 | 16.24 |
| 2014 | 101,583,101 | 1,333,345 | 102,916,446 | 2,890,613 | 3,146,736 | 6,037,349 | 17.05 |
| 2013 | 100,195,774 | 1,285,901 | 101,481,675 | 2,931,372 | 2,615,167 | 5,546,539 | 18.30 |
| 2012 | 98,514,698 | 1,338,678 | 99,853,376 | 2,849,454 | 2,937,709 | 5,787,163 | 17.25 |
| 2011 | 94,499,066 | 1,260,788 | 95,759,854 | 2,660,000 | 3,056,750 | 5,716,750 | 16.75 |
| 2010 | 85,290,759 | 1,180,217 | 86,470,976 | 2,545,000 | 3,252,088 | 5,797,088 | 14.92 |
| 2009 | 77,465,017 | 1,117,495 | 78,582,512 | 2,495,000 | 3,234,441 | 5,729,441 | 13.72 |
| 2008 | 65,045,464 | 1,074,144 | 66,119,608 | 2,485,000 | 2,545,794 | 5,030,794 | 13.14 |
| 2007 | 62,234,099 | 1,021,436 | 63,255,535 | 1,965,000 | 2,346,021 | 4,311,021 | 14.67 |

## Auxiliary Bonds

| Fiscal Year Ended June 30, | Revenues | Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage Ratio |
|---|---|---|---|---|---|---|---|
| 2017 | $ 21,785,680 | $ 8,524,127 | $ 13,261,553 | $ 4,814,461 | $ 3,963,618 | $ 8,778,079 | 1.51 |
| 2016 | 21,984,118 | 8,518,248 | 13,465,870 | 4,537,498 | 4,425,752 | 8,963,250 | 1.50 |
| 2015 | 20,980,605 | 8,142,370 | 12,838,235 | 4,364,998 | 4,648,031 | 9,013,029 | 1.42 |
| 2014 | 19,865,171 | 8,512,141 | 11,353,029 | 4,174,387 | 4,830,438 | 9,004,825 | 1.26 |
| 2013 | 18,800,928 | 8,349,112 | 10,451,817 | 4,068,628 | 4,495,800 | 8,564,428 | 1.22 |
| 2012 | 17,957,702 | 7,776,904 | 10,180,798 | 3,275,546 | 4,522,009 | 7,797,555 | 1.31 |
| 2011 | 16,666,814 | 7,197,473 | 9,469,341 | 2,960,000 | 4,537,205 | 7,497,205 | 1.26 |
| 2010 | 15,389,208 | 6,275,919 | 9,113,289 | 2,635,000 | 3,501,975 | 6,136,975 | 1.48 |
| 2009 | 14,417,264 | 6,430,792 | 7,986,472 | 2,255,000 | 2,888,363 | 5,143,363 | 1.55 |
| 2008 | 13,798,183 | 6,600,579 | 7,197,604 | 1,860,000 | 2,776,193 | 4,636,193 | 1.55 |
| 2007 | 12,735,135 | 5,680,928 | 7,054,207 | 2,105,000 | 2,533,734 | 4,638,734 | 1.52 |

Note: Auxiliary revenue bonds are secured by revenues from these sources: student housing, student union, dining services, parking, and vending.

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Controller's Office

## Enrollment and Degree History

| Year | Enrollment Information | | | | Certificates and Degrees Awarded | | | |
|---|---|---|---|---|---|---|---|---|
| | Enrollment (fall term) | FTE (fall term) | Undergraduate Students | Graduate Students | Certificates | Associate Degrees | Bachelor's Degrees | Graduate Degrees |
| 2016-17 | 23,182 | 15,737 | 18,855 | 4,574 | 2,479 | 1,866 | 1,782 | 2,098 |
| 2015-16 | 23,277 | 16,012 | 19,459 | 3,818 | 2,257 | 1,871 | 1,713 | 1,739 |
| 2014-15 | 21,158 | 14,953 | 17,871 | 3,287 | 1,937 | 1,655 | 1,766 | 1,615 |
| 2013-14 | 21,417 | 15,272 | 17,963 | 3,454 | 1,651 | 1,479 | 1,824 | 1,552 |
| 2012-13 | 21,976 | 15,453 | 18,267 | 3,709 | 1,685 | 1,603 | 1,721 | 1,739 |
| 2011-12 | 22,065 | 15,466 | 18,278 | 3,787 | 1,378 | 1,619 | 1,641 | 1,892 |
| 2010-11 | 21,783 | 15,469 | 18,419 | 3,364 | 1,429 | 1,572 | 1,582 | 1,363 |
| 2009-10 | 20,201 | 14,752 | 18,069 | 2,132 | 1,314 | 1,244 | 1,552 | 725 |
| 2008-09 | 18,947 | 13,983 | 17,221 | 1,726 | 1,656 | 1,120 | 1,414 | 472 |
| 2007-08 | 17,795 | 13,331 | 16,311 | 1,484 | 1,694 | 924 | 1,362 | 461 |

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Office of Institutional Effectiveness

## Enrollment Sources by Campus

| Year | Arkansas | | | | | Out of State | | | | | International | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Jonesboro | Beebe | Mid-South | Mountain Home | Newport |
| 2016-17 | 10,167 | 3,664 | 1,411 | 1,374 | 2,397 | 3,040 | 61 | 140 | 66 | 115 | 723 | 13 | 9 | 1 | 0 |
| 2015-16 | 10,151 | 3,854 | 1,703 | 1,302 | 2,602 | 2,499 | 66 | 187 | 82 | 45 | 760 | 15 | 6 | 0 | 5 |
| 2014-15 | 10,146 | 4,068 | | 1,295 | 2,454 | 2,252 | 57 | | 98 | 22 | 746 | 15 | | 0 | 5 |
| 2013-14 | 10,437 | 4,300 | | 1,359 | 2,004 | 2,308 | 27 | | 87 | 24 | 807 | 53 | | 0 | 11 |
| 2012-13 | 10,708 | 4,543 | | 1,329 | 2,000 | 2,311 | 49 | | 84 | 27 | 858 | 51 | | 0 | 16 |
| 2011-12 | 10,698 | 4,566 | | 1,376 | 1,975 | 2,414 | 61 | | 96 | 19 | 788 | 62 | | 0 | 10 |
| 2010-11 | 10,761 | 4,628 | | 1,480 | 2,057 | 2,079 | 44 | | 103 | 36 | 575 | 11 | | 0 | 9 |
| 2009-10 | 10,474 | 4,425 | | 1,411 | 2,023 | 1,263 | 52 | | 105 | 14 | 419 | 14 | | 1 | 0 |
| 2008-09 | 9,998 | 4,381 | | 1,217 | 1,625 | 1,170 | 63 | | 77 | 77 | 322 | 15 | | 2 | 0 |
| 2007-08 | 9,500 | 4,238 | | 1,160 | 1,311 | 1,237 | 60 | | 18 | 124 | 132 | 13 | | 1 | 1 |

**NOTE:** Information is as of Fall term

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

Source: Office of Institutional Effectiveness

**Annual Tuition and Required Fees**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Undergraduate* | | | | | | | | | | |
| Resident | | | | | | | | | | |
| Jonesboro | $8,200 | $8,050 | $7,720 | $7,510 | $7,180 | $6,934 | $6,640 | $6,370 | $6,370 | $6,010 |
| Beebe | 3,480 | 3,420 | 3,270 | 3,120 | 2,970 | 2,850 | 2,790 | 2,670 | 2,670 | 2,550 |
| Mid-South | 3,880 | 3,420 | | | | | | | | |
| Mountain Home | 3,480 | 3,270 | 3,330 | 3,240 | 3,150 | 3,030 | 2,910 | 2,760 | 2,760 | 2,370 |
| Newport | 3,330 | 3,790 | 3,150 | 3,000 | 2,850 | 2,700 | 2,550 | 2,400 | 2,400 | 2,340 |
| Nonresident | | | | | | | | | | |
| Jonesboro | 14,260 | 14,050 | 13,480 | 13,120 | 12,610 | 12,238 | 14,860 | 14,290 | 14,290 | 13,390 |
| Beebe | 5,610 | 5,520 | 5,310 | 5,040 | 4,830 | 4,650 | 4,530 | 4,350 | 4,350 | 4,140 |
| Mid-South | 5,080 | 5,400 | | | | | | | | |
| Mountain Home | 5,460 | 5,010 | 5,250 | 5,100 | 4,950 | 4,770 | 4,560 | 4,410 | 4,410 | 3,900 |
| Newport | 5,100 | 4,990 | 4,860 | 4,680 | 4,500 | 4,290 | 4,140 | 3,930 | 3,930 | 3,930 |
| Graduate** | | | | | | | | | | |
| Resident | | | | | | | | | | |
| Jonesboro | 5,918 | 5,810 | 5,576 | 5,432 | 5,198 | 5,030 | 4,820 | 4,640 | 4,640 | 4,370 |
| Nonresident | | | | | | | | | | |
| Jonesboro | 10,544 | 10,382 | 9,968 | 9,716 | 9,338 | 9,073 | 10,850 | 10,436 | 10,436 | 9,770 |

*Undergraduate rates are based on a 15 hour load
**Graduate rates are based on a 9 hour load

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Office of Institutional Effectiveness

**Capital Asset Usage**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Academic and Administrative Buildings | 163 | 163 | 151 | 149 | 143 | 142 | 143 | 137 | 136 | 140 |
| Auxiliary Buildings | 94 | 97 | 165 | 163 | 158 | 164 | 182 | 180 | 178 | 186 |
| Total | 257 | 260 | 316 | 312 | 301 | 306 | 325 | 317 | 314 | 326 |

**NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.**
**Source: Campus Financial Offices**

**Number of Employees by Campus**

| Year | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Total |
|---|---|---|---|---|---|---|
| 2016-17 | 1,627 | 325 | 145 | 109 | 164 | 2,370 |
| 2015-16 | 1,587 | 306 | 145 | 109 | 154 | 2,301 |
| 2014-15 | 1,566 | 344 | | 119 | 149 | 2,178 |
| 2013-14 | 1,603 | 347 | | 119 | 144 | 2,213 |
| 2012-13 | 1,582 | 342 | | 120 | 149 | 2,193 |
| 2011-12 | 1,550 | 333 | | 124 | 151 | 2,158 |
| 2010-11 | 1,519 | 344 | | 123 | 149 | 2,135 |
| 2009-10 | 1,521 | 343 | | 114 | 147 | 2,125 |
| 2008-09 | 1,435 | 339 | | 108 | 152 | 2,034 |
| 2007-08 | 1,434 | 332 | | 105 | 145 | 2,016 |

Note: Information is as of Fall term

NOTE: Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.
Source: Office of Institutional Effectiveness

**Principal Employers in the State of Arkansas**
**Current Fiscal Year as Compared to 2008**

| Rank | 2017 | 2008 |
|---|---|---|
| 1 | Arkansas State Government | Arkansas State Government |
| 2 | Wal-Mart Stores, Inc. | Wal-Mart Stores, Inc. |
| 3 | Tyson Foods, Inc. | Tyson Foods, Inc. |
| 4 | U.S. Federal Government | U.S. Federal Government |
| 5 | Baptist Health | Baptist Health |
| 6 | Mercy | J.B. Hunt Transportation Services, Inc. |
| 7 | CHI St Vincent | Community Health Systems, Inc. |
| 8 | Kroger Company | Sisters of Mercy Health System |
| 9 | Arkansas Children's Hospital | Pilgrim's Pride Corp. |
| 10 | Simmons Food, Inc. | Kroger Company |

Information regarding number of employees is considered confidential and is not publicly disclosed.

Source: Department of Finance and Administration

**State of Arkansas Demographic and Economic Information**

| Year | Total Population (in 000's) | Per Capita Personal Income | State Unemployment Rate | National Unemployment Rate |
|---|---|---|---|---|
| 2017 | 2,988 | 40,893 | 3.4% | 4.4% |
| 2016 | 2,978 | 39,720 | 3.8% | 4.7% |
| 2015 | 2,966 | 38,376 | 5.7% | 5.3% |
| 2014 | 2,971 | 37,036 | 6.2% | 6.1% |
| 2013 | 2,963 | 35,480 | 7.2% | 7.6% |
| 2012 | 2,951 | 34,769 | 7.3% | 8.2% |
| 2011 | 2,940 | 33,722 | 7.9% | 9.1% |
| 2010 | 2,924 | 32,346 | 7.9% | 9.4% |
| 2009 | 2,900 | 31,651 | 7.5% | 9.5% |
| 2008 | 2,877 | 32,832 | 5.4% | 5.6% |

Source: US Census Bureau, Arkansas Department of Finance and Administration