Arkansas State University System

Little Rock, Arkansas

Basic Financial Statements and Other Reports

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS STATE UNIVERSITY SYSTEM
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Arkansas

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

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 2 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement no. 72, *Fair Value Measurement and Application*, during the year ended June 30, 2016. No restatement of the University's beginning net position was required due to the adoption of this Statement. Additionally, as discussed in Notes 1 and 17, Mid-South Community College merged with the University effective July 1, 2015. The beginning net position was increased $39,857,932 due to this merger. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 8-22, 89-92, and 93-96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1), the Statement of Net Position by Campus (Schedule 2), the Statement of Revenues, Expenses, and Changes in Net Position by Campus (Schedule 3), and the Statement of Cash Flows by Campus (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
November 10, 2016
EDHE12516

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
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Rep. Mary Broadaway
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LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 10, 2016. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated November 10, 2016.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 10, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with University officials during the course of our audit fieldwork and at the exit conference.

Arkansas State University – Jonesboro

1. Arkansas State University System Internal Audit (IA) conducted a selected review of University travel expenses for the period September 1, 2014, through February 28, 2015, and determined the following:

   - $4,807 in unallowable lodging, meal, and airfare expenses for broadcasting employees that were obligations of the Red Wolves Foundation (Foundation) were paid by the University. Other private sources reimbursed $4,807 to the University.

   - $3,604 in unallowable University Athletic Department lodging, meal, and airfare expenses for non-state employees and one part-time University employee were paid by the University. The Foundation reimbursed $3,604 to the University.

   IA recommended that University financial personnel review all other Athletic Department travel expense documentation for fiscal year 2015. This review revealed that the University paid an additional $24,527 for unallowable travel expenses, which the Foundation and other private sources subsequently reimbursed or credited.

2. IA completed a selected review of University Athletic Department travel expenses for the period July 1, 2015 through March 16, 2016, and determined that the University paid $2,800 in excess travel costs, unallowable travel expenses, and a duplicate reimbursement. The University received $987 in account credits and reimbursements from other private sources.

3. IA conducted a selected review of University payments to the Chancellor, who resigned August 2, 2016, for reimbursement of expenses he claimed to have incurred during travel to Mexico relating to the University's campus at Querétaro during the period May 1, 2012 through August 2, 2016. IA determined that the former Chancellor submitted and was reimbursed for travel costs totaling $1,672, which were paid by the University's Mexico partners. The former Chancellor reimbursed this amount to the University on November 1, 2016.

4. IA conducted a selected review of the University's Office of Study Abroad relating to the Director of Study Abroad (DSA), who is the former Chancellor's spouse; two study abroad trips; and a third-party vendor primarily for the period July 1, 2013 through April 30, 2016. IA determined that:

- The DSA was a part-time, temporary, hourly-paid position that the Chancellor advocated should be a full-time position. The University Executive Council approved a full-time position with a salary of $50,000 on November 16, 2015. On the same day, the Chancellor requested a list of the base pay for all non-classified staff (except for auxiliaries and athletics) with the working title of "director" or "associate/assistant director." This list indicated a base salary range from $53,819 to $87,758. After circling seven director salaries on the list ranging from $54,073 to $66,420, the Chancellor sent the list, marked confidential, to the Executive Director of Global Initiatives. The DSA applied for the full-time position on February 11, 2016, and on February 16, 2016, the ASU System President advised the University Vice Chancellor of Finance and Administration (VCFA) that, according to System legal counsel, the Chancellor's spouse could not be a full-time employee based on Ark. Code Ann. § 25-16-1002, which states that a public official shall not appoint, employ, promote, advance, or advocate for appointment, employment, promotion, or advancement in or to a position in the state agency in which the official is serving or over which the official exercises jurisdiction or control, any person who is a relative of the public official. However, according to the System President, the DSA could remain in the part-time position. After the VCFA conveyed this information to the Chancellor on February 17, 2016, the DSA withdrew her application, and the Chancellor requested the full-time position be cancelled.

- The University employee who facilitated a Nordic Study Abroad program in May 2015 left University employment on June 30, 2015, but was reimbursed $685 for airfare expense by the University to meet with the DSA about two 2016 study abroad trips. With the knowledge of the DSA, but without communicating the payment details, the former employee planned the Nordic Study Abroad program for 2016 and accepted payments for program costs of $19,100 in personal accounts rather than through a University account. The former employee had reimbursed the University this amount as of April 2016.

- A contract was executed on January 21, 2016, between the DSA and the same former employee without appropriate VCFA review for the former employee to instruct a Spain Study Abroad program. In addition, this contract conflicted with Ark. Code Ann. § 19-11-709, which indicates it is a breach of ethical standards for a former employee to provide services to the University within one year following the date employment ceased.

- As of February 18, 2016, the University paid a third-party vendor $83,959, $72,069, and $94,677 for costs associated with a Spain Study Abroad program in 2014, 2015, and 2016, respectively, without obtaining bids required by state procurement law.

5. IA reviewed conflict of interest matters relating to the Chancellor and the Director of Study Abroad (DSA), who is the Chancellor's spouse, for the period May 1, 2012 through May 31, 2016. IA determined that:

   - The Chancellor did not include gifts and nongovernmental sources of payment related to a trip to Spain from June 11-22, 2012, on the Statement of Financial Interest for calendar year 2012, in noncompliance with Ark. Code Ann. § 21-8-701. In addition, the Chancellor traveled to Spain for the same purposes as the 2012 trip but did not complete a Statement of Financial Interest for calendar year 2014.

   - The Chancellor indicated in 2012 that he was a recent or current Board member of Grupo Sense de Madrid, to which a third-party vendor for the University's Spain Study Abroad program belonged. However, the Chancellor did not report any conflict of interest matters on the ASU System Conflict of Interest forms filed for calendar years 2012 through 2016, in noncompliance with ASU System policies. As of June 9, 2016, the University paid $83,959, $72,069, and $102,768 to this third-party vendor in fiscal years 2014, 2015, and 2016, respectively.

   - The DSA attempted to use her official position to secure special privileges when she asked to use the third-party vendor president's apartment in Spain for personal reasons, in noncompliance with Ark. Code Ann. § 21-8-304.

   - The Chancellor restricted financial discussions with the third-party vendor president to himself and the DSA, in noncompliance with ASU System policies.

6. During procedures performed in the review discussed above, IA discovered that the Chancellor appeared to use his position to secure financial assistance for a family member to attend out-of-state institutions of higher education, in conflict with Ark. Code Ann. § 21-8-304.

Arkansas State University – Mid-South

As part of the merger of the Arkansas State University (ASU) System and Mid-South Community College (MSCC), the ASU System Internal Audit (IA) conducted a selected review of MSCC travel expenses for the period July 1, 2014 through June 30, 2015. IA determined that the MSCC Chancellor improperly received mileage reimbursements totaling $747 for five trips using a MSCC Foundation -owned vehicle.

STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2016, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2015	Fall Term 2015	Spring Term 2016	Summer I Term 2016
Student Headcount	6,650	23,276	22,195	9,084
Student Semester Credit Hours	26,602	235,139	220,162	41,733

During our review, nothing came to our attention that would cause us to believe that the student enrollment data was not substantially correct.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the governing board, University management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 10, 2016

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, 2016. 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, 2015 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, 2016 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, 2016 and 2015 where appropriate. Due to the merger of Mid-South Community College into the Arkansas State University System, the 2015 comparative amounts are shown separately for Arkansas State University and Mid-South Community College. The 2015 comparative amounts have been adjusted for the merger to provide a more complete comparison of the two years. Additional information about the merger may be found in Note 17.

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, 2016, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed below.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2016:

Did the University have sufficient assets available to meet its existing obligations and continue operations?

How much did the University owe to external parties including vendors and lending institutions?

What resources did the University have available to make future investments and expenditures?

Assets and Deferred Outflows

Total assets and deferred outflows increased by $23.1 million.

Current Assets

Current assets decreased by $2 million. Cash and cash equivalents decreased by $3.6 million. The Jonesboro campus had a decrease of $4 million. This decrease was due to the spending of state treasury funds for the Humanities and Social Sciences building. Newport had a decrease of $1.4 million due to spending cash for projects on campus. Mid-South showed an increase of $1.4 million from excess millage received from the trustee that was not converted to investments as of June 30, 2016. The other campuses had a combined increase of approximately $285,000. Short-term investments increased marginally by $832,000. This increase was due to reclassifications of investments at the Beebe campus from long-term to short-term. Accounts receivable decreased by $225,000. Gross receivables increased by $245,000. Allowances for doubtful accounts increased by $470,000. 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 decreased by $800,000. The Jonesboro campus had a decrease due to year-end adjustments of inventories for IT and the Convocation Center. Beebe also experienced a decrease during the year due to an initiative to lower inventory levels and maximize available space. Deposits with trustees increased by $2.5 million. This was due to the energy savings performance contract at the Jonesboro campus. Prepaid expenses decreased by $440,000. Of this amount, the Jonesboro campus experienced the largest decrease in the amount of $445,000. This was caused by a reduction in prepaid expenses for athletics and the recognition of the 2016 expense for the optional voluntary retirement incentive program that was due to employees on July 1, 2015 but was paid prior to that date.

Condensed Statement of Net Position

	2016	2015 Revised	2015 Mid-South	2015 ASU	Increase/ (Decrease)	Percent Change
Assets and Deferred Outflows:						
Current Assets	$ 85,574,675	$ 87,582,292	$ 7,512,787	$ 80,069,505	$ (2,007,617)	(2.29%)
Capital Assets, net	497,746,788	484,190,705	47,541,421	436,649,284	13,556,083	2.80%
Other Noncurrent Assets	83,351,283	73,702,064	11,584,966	62,117,098	9,649,219	13.09%
Deferred Outflows	7,535,714	5,671,266	187,580	5,483,686	1,864,448	32.88%
Total Assets and Deferred Outflows	$ 674,208,460	$ 651,146,327	$ 66,826,754	$ 584,319,573	$ 23,062,133	3.54%
Liabilities and Deferred Inflows:						
Current Liabilities	$ 44,514,737	$ 47,130,311	$ 3,697,164	$ 43,433,147	$ (2,615,574)	(5.55%)
Noncurrent Liabilities	269,170,577	252,757,250	22,921,131	229,836,119	16,413,327	6.49%
Deferred Inflows	5,726,879	7,171,535	350,527	6,821,008	(1,444,656)	(20.14%)
Total Liabilities and Deferred Inflows	319,412,193	307,059,096	26,968,822	280,090,274	12,353,097	4.02%
Net Position:						
Net Investment in Capital Assets	266,541,265	259,300,473	25,914,869	233,385,604	7,240,792	2.79%
Restricted, Nonexpendable	15,436,967	16,456,863	967,261	15,489,602	(1,019,896)	(6.20%)
Restricted, Expendable	10,721,576	12,773,249	2,393,125	10,380,124	(2,051,673)	(16.06%)
Unrestricted	62,096,459	55,556,646	10,582,677	44,973,969	6,539,813	11.77%
Total Net Position	354,796,267	344,087,231	39,857,932	304,229,299	10,709,036	3.11%
Total Liabilities and Net Position	$ 674,208,460	$ 651,146,327	$ 66,826,754	$ 584,319,573	$ 23,062,133	3.54%

Capital Assets, net

Capital assets, net increased by $13.6 million. Accumulated depreciation increased from $334,352,053 in 2015 to $355,995,030 in 2016. This increase is due to new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2015 and began depreciating in 2016. The increase in accumulated depreciation was offset by the addition of $43.9 million in capital assets and the retirement of $8.7 million in capital assets with accumulated depreciation of $7.8 million. Of the $43.9 million added to capital assets, $35 million was construction in progress.

Other Noncurrent Assets

Other noncurrent assets increased by $9.6 million. Noncurrent cash increased by $11.6 million while restricted cash decreased by $3 million. The increase in noncurrent cash was due to a lower amount of plant related accounts payables at June 30, 2016 compared to June 30, 2015. These were for several high-dollar projects at the Jonesboro campus including the Student Activities Center and Centennial Stadium expansion. The decrease in restricted cash was mostly due to the completion of the Humanities and Social Sciences building on the Jonesboro campus; which was funded in part with general improvement funds from the State. Endowment investments decreased by $572,000. This was due to a decrease at the Jonesboro campus in the amount of $628,000 and an increase at the Beebe campus in the amount of $55,000. Other long-term investments decreased slightly by $275,000. Nearly all of this decrease was attributable to the reclassifications of investments from long-term to short-term at the Beebe campus. Deposits with trustees increased by $2.3 million. The Jonesboro campus received funds for the energy savings performance contract in the amount of $15,226,080. Of this amount, there was $5.8 million remaining at the end of fiscal year 2016, with $3.3 million classified as noncurrent and the remaining $2.5 million as current.

Deferred Outflows

Deferred outflows increased by $1.9 million. Nearly all of this increase was due to an increased amount of deferred outflows related to pensions. All of the campuses 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.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows increased by $12.4 million.

Current Liabilities

Current liabilities decreased by $2.6 million. Accounts payable and accrued liabilities decreased by $6.7 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 at the Jonesboro campus. Also, bonds, notes, and leases payable increased by $954,000 and was attributable to the new debt issued at the Jonesboro campus. Unearned revenues increased by $3.7 million. 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 2016. Nearly all of this amount was attributable to the increase of unearned revenue for the second summer term at the Jonesboro campus.

Noncurrent Liabilities

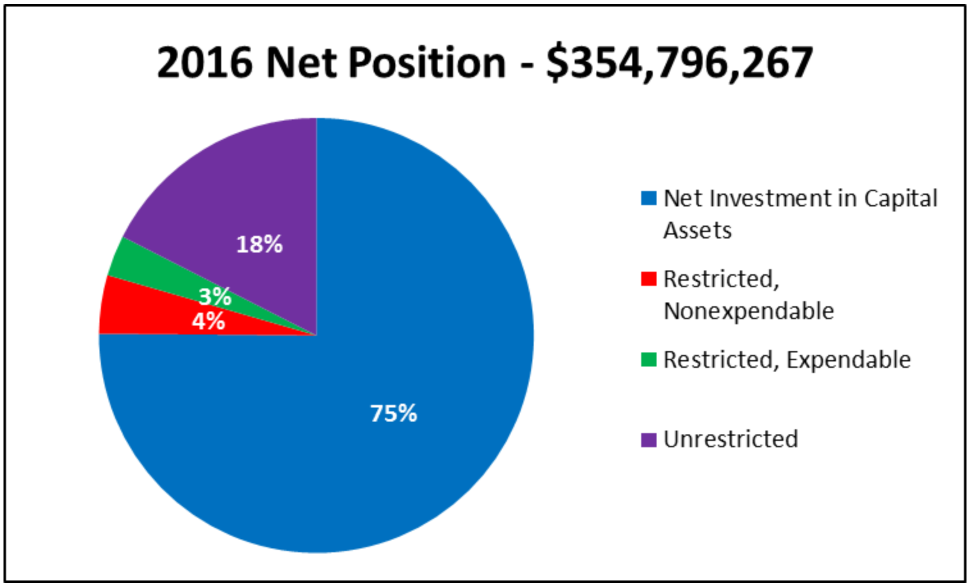
Noncurrent liabilities increased by $16.4 million. Of this amount, $13.8 million was an increase in bonds, notes, and leases payable due to the new debt recorded for Jonesboro. The campuses also recorded an additional $1.4 million for other postemployment benefits. Additional information about the other postemployment benefits may be found in Note 12. The University's portion of the net pension liability increased by $2.4 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 $1.4 million. These amounts are related to pensions and was recognized in fiscal year 2016 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.

Net Position

Total net position increased by $10.7 million. The percentage of each net position category is displayed in the chart on the next page.



Net investment in capital assets

Net investment in capital assets increased by $7.2 million. This increase was mainly attributable to the increase of capital assets recorded as construction in progress at the Jonesboro campus.

Restricted, Nonexpendable

Restricted, nonexpendable net position decreased by $1 million.

Scholarships and Fellowships—Restricted, nonexpendable net position for scholarships and fellowships decreased by $222,000. This was due to the Jonesboro campus's decrease 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 $506,500. This was due to a correction of a Perkins Loan accounts receivable for accrued reimbursement cancellations recorded for the Jonesboro campus.

Other—Restricted, nonexpendable net position for other purposes than those mentioned above decreased by $292,000. This decrease was due to a decline in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net position decreased by $2.1 million.

Scholarships and Fellowships—Restricted, expendable net position for scholarships and fellowships increased by $375,000. This increase was mostly attributable to an increase in Mid-South's net position in the amount of $319,000 for a new grant received.

Loans—The restricted, expendable net position for loans did not change for fiscal year 2016. 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 $2.7 million. This was related to the spending and reimbursement of capital appropriations for the Humanities and Social Sciences building at the Jonesboro campus as discussed previously. 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 a very slight change of $16,800 during the fiscal year.

Other—The restricted, expendable net position for other purposes than those listed above increased by $296,000. This was caused by an increase in non-research grant activity at the Jonesboro campus.

Unrestricted

Unrestricted net position increased by $6.5 million. The majority of this increase was a $5 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 $1.2 million in an effort to increase their reserves balance. Mid-South and Mountain Home also had increases in the amounts of $1 million and $393,000, respectively; while Newport had a decrease of $1 million due to expenses related to projects at the campus.

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, 2016.

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 2016 compared to fiscal year 2015 is shown on the next page.

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

	2016	2015 Revised	2015 Mid-South	2015 ASU	Increase/ (Decrease)	Percent Change
Operating Revenues						
Tuition and Fees, Net	$ 61,466,443	$ 59,103,743	$ 2,790,851	$ 56,312,892	$ 2,362,700	4.00%
Grants and Contracts	33,294,306	29,707,880	5,882,040	23,825,840	3,586,426	12.07%
Auxiliary Enterprises, Net	29,135,663	27,330,270	248,639	27,081,631	1,805,393	6.61%
Other	7,820,737	8,473,832	251,957	8,221,875	(653,095)	(7.71%)
Total Operating Revenues	131,717,149	124,615,725	9,173,487	115,442,238	7,101,424	5.70%
Operating Expenses	293,092,645	286,806,246	23,105,505	263,700,741	6,286,399	2.19%
Nonoperating Revenues (Expenses)						
Federal Appropriations	541,230	594,401	-	594,401	(53,171)	(8.95%)
State Appropriations	102,455,543	102,843,174	7,897,712	94,945,462	(387,631)	(0.38%)
Grants and Contracts	53,440,251	55,186,758	3,433,150	51,753,608	(1,746,507)	(3.16%)
Interest	(8,478,234)	(7,906,372)	(814,014)	(7,092,358)	(571,862)	7.23%
Other	8,270,495	9,520,101	3,199,357	6,320,744	(1,249,606)	(13.13%)
Total Nonoperating	156,229,285	160,238,062	13,716,205	146,521,857	(4,008,777)	(2.50%)
Income Before Other Revenues, Expenses, Gains or Losses	(5,146,211)	(1,952,459)	(215,813)	(1,736,646)	(3,193,752)	163.58%
Capital Appropriations	2,178,977	2,326,698	-	2,326,698	(147,721)	(6.35%)
Capital Grants and Gifts	13,471,345	15,144,342	1,657,744	13,486,598	(1,672,997)	(11.05%)
Other	204,925	597,971	5,118	592,853	(393,046)	(65.73%)
Total	15,855,247	18,069,011	1,662,862	16,406,149	(2,213,764)	
Increase (Decrease) in Net Position	$ 10,709,036	$ 16,116,552	$ 1,447,049	$ 14,669,503	$ (5,407,516)	(33.55%)
Net Position, Beginning of Year	$ 344,087,231	$ 349,241,829	$ 39,464,771	$ 309,777,058		
Restatement of Prior Year Balance (GASB 68)		$ (21,271,150)	$ (1,053,888)	$ (20,217,262)		
Net Position, Beginning of Year, Restated	$ 344,087,231	$ 327,970,679	$ 38,410,883	$ 289,559,796	$ 16,116,552	4.91%
Net Position, End of Year	$ 354,796,267	$ 344,087,231	$ 39,857,932	$ 304,229,299	$ 10,709,036	3.11%

Revenues

Total revenues increased by approximately $4 million.

Operating Revenues

Total operating revenues increased by $7.1 million.

Tuition and Fees, net

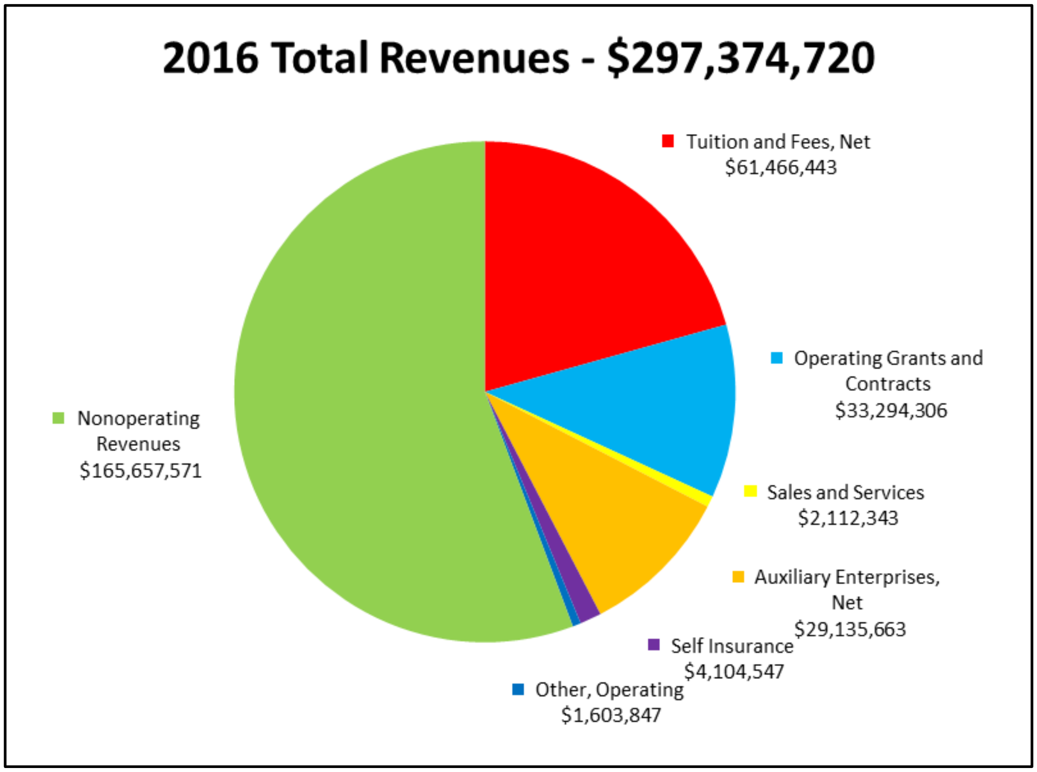
Net tuition and fees increased by nearly $2.4 million. Gross tuition and fee revenue increased by $3.3 million. All campuses had a modest tuition increase from 2015 to 2016. Beebe was the only campus to have a decrease of net tuition and fee revenue in the amount of $174,000. This was primarily the result of a decrease in enrollment. All campuses, other than Beebe and Mountain Home, experienced higher enrollment when comparing 2015 to 2016. Although Mountain Home had lower enrollment numbers, they showed an increase in net tuition and fees of approximately $85,000. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by $1 million. This increase in scholarship allowances caused a slight decrease in scholarship expense as noted in the scholarship expense section below.

Grants and Contracts

Operating grants and contracts increased by $3.6 million. The Jonesboro, Mid-South, and Newport campuses each had increases; while Beebe and Mountain Home had decreases. Jonesboro's, Mid-South's, and Newport's increases of $1.7 million, $1.9 million, and $270,000 were offset by decreases of $130,000 at Beebe and $150,000 at Mountain Home. 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 increased by $273,000. This is comprised of a $230,000 increase for the Jonesboro campus attributable to increased sales for the print shop and the IT store. Beebe's decrease of $21,000 was due to a reduction in the amount received for cattle. Mountain Home showed an increase of $64,000 due to a change in the accounting for ticket sales for campus performances.



Auxiliary Enterprises, net

Auxiliary enterprises, net increased by approximately $1.8 million. The Jonesboro campus experienced an increase of $1.9 million. This was the result of increased revenues across several of the auxiliary operations at the Jonesboro campus including athletics, residence life, vending, and food services. The Beebe campus saw a decrease of $263,000 due to a decrease in bookstore sales due to the decline in enrollment. Mid-South also realized a small decrease of $50,000. The Mountain Home and Newport campuses had increases of $143,000 from ticket sales and bookstore sales and $40,000 from food services, respectively.

Self Insurance

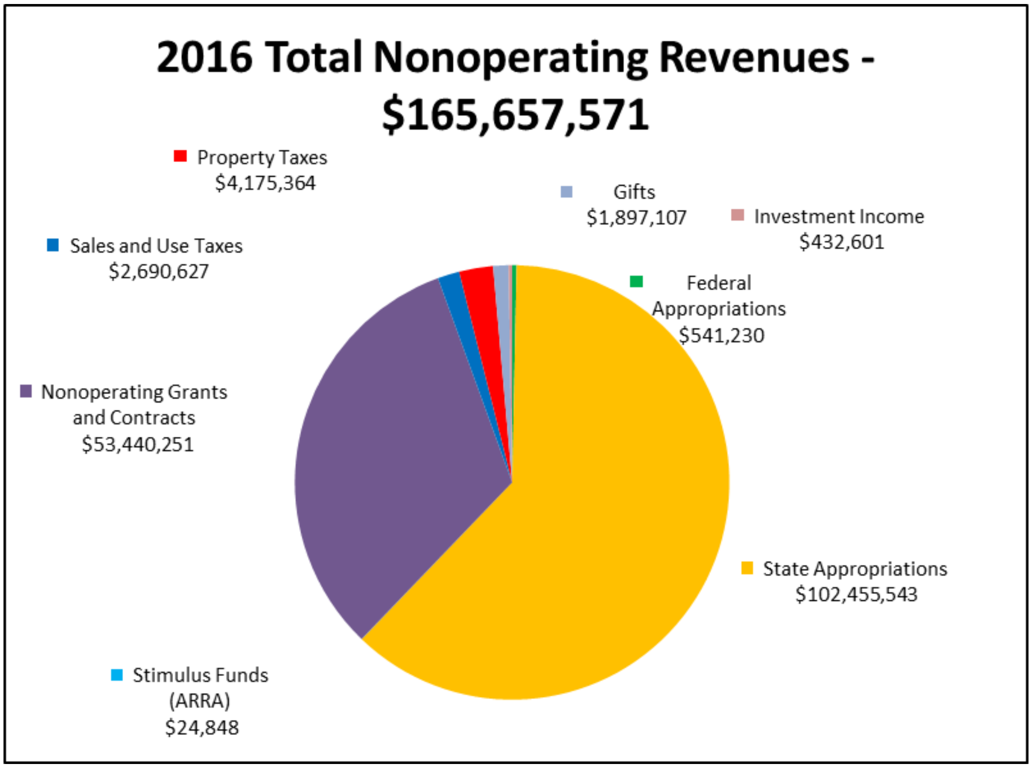
Self insurance revenues increased slightly by $26,000. During fiscal year 2016, there were no increases in premiums for either the employee withholding or employer matching amounts.

Other

Other operating revenues decreased by $950,000. The Jonesboro campus's decrease of $830,000 is due to having received overpayment of sales taxes for prior years in fiscal year 2015. In addition, the campus recorded a correction to the Perkins Loans receivable. In addition to the Jonesboro campus's decrease, the Mountain Home campus also had a decrease of $121,000 due to a one-time payment received in 2015 and Newport had a decrease of $9,100 due to a decrease in rental income. Both Beebe and Mid-South had increases in the amounts of approximately $10,000.

Nonoperating Revenues

Total nonoperating revenues decreased by $3.1 million.



Federal Appropriations

Federal appropriations decreased by $53,000. In prior fiscal years, the Jonesboro campus received several federal awards. The campus only received one new federal appropriation during fiscal year 2016.

State Appropriations

State appropriations decreased by approximately $388,000. The Beebe and Mountain Home campuses had increases of $25,000 and $58,000, respectively. The Jonesboro, Mid-South, and Newport campuses showed decreases of $173,000, $277,000, and $20,000, 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 $63,000. The Jonesboro campus is the only campus remaining with ARRA funds. It is expected that these funds will be expended in the next fiscal year.

Grants and Contracts

Nonoperating grants and contracts decreased by $1.7 million. There was a decrease of $781,000 on the Jonesboro campus. The decrease was caused from a decline in federal financial aid of $1 million; this was offset by a small increase in state financial aid in the amount of $50,000. This decrease also reduced the amount of financial aid that is processed through Jonesboro and disbursed at Mountain Home. This amount was $3.9 million during 2015 compared to $3.7 million in 2016. With the exception of Newport, that experienced an increase of $56,000, Beebe, Mid-South, and Mountain Home experienced decreases of $400,000, $334,000, and $290,000, respectively. This is a reflection of the decline in federal financial aid.

Sales and Use Taxes

Sales and use taxes decreased by $60,000. Beebe saw a decrease of $178,000 due to reduced sales tax receipts from tourism in Cleburne County. Newport had an increase of $118,000.

Property Taxes

Property tax revenues decreased by $195,000 on the Mid-South campus and increased by $94,000 on the Mountain Home campus.

Gifts

Revenues from gifts decreased by $336,000. Jonesboro had a decrease of $280,000, which was primarily due to a lower amount received by the Red Wolves Foundation for athletics. The Mountain Home and Newport campuses also had decreases of $80,000 due to declines in donations, while Mid-South had an increase of $24,000.

Investment Income

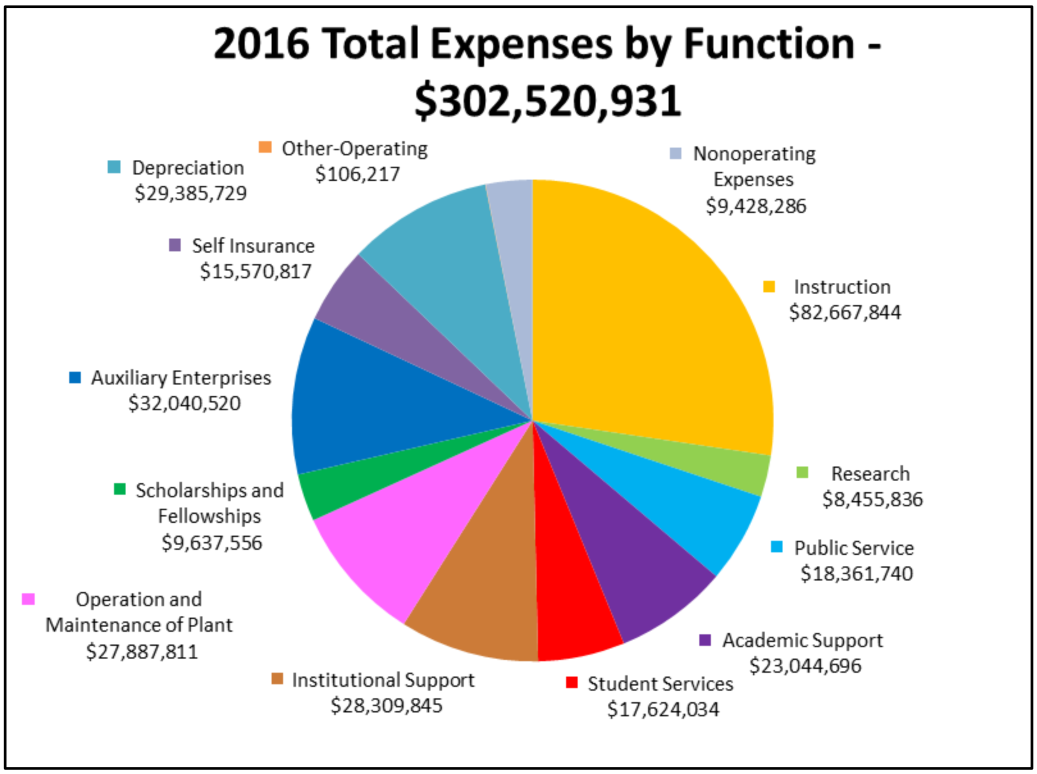
Investment income decreased by $376,000. All campuses, other than Newport, experienced decreases. The Newport campus showed an increase of $2,600. The Mid-South campus experienced the largest decrease of $200,000 due to the market conditions of 2016. Beebe and Mountain Home's decreases of $12,100 and $700, respectively, were due to lower interest rates in 2016. The decrease at Jonesboro of $166,000 was due to declines in investment income on endowments when compared to 2015. 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 increased by $7.2 million.

Operating Expenses

Total operating expenses increased by $6.3 million.
Additional information on operating expenses can be found in the tables and charts that follow.



Personal Services

Personal services increased slightly by $224,000. Each of the campuses, other than Mid-South and Newport, experienced decreases in personal services. The increases of $5,185 for Mid-South and $435,000 for Newport were minimal for the campuses. The Mountain Home campus implemented an optional voluntary retirement incentive program for fiscal year 2016. In accordance with GASB 47, *Accounting for Termination Benefits*, the financial statements reflect the liability and expense in 2016 when the offer was accepted. The amount totaled $26,704. Additional information about this program may be found in Note 18. Additionally, the campuses were able to provide modest salary increases for faculty and staff which affirms the significance of faculty and staff to the mission of the University.

Scholarships and Fellowships

Scholarships and fellowships decreased by $655,000. This was partially due to increases in the amount reflected as scholarship allowances rather than scholarship expense; from $60 million in 2015 to $60.8 million in 2016. Additionally, there were lower scholarships and fellowships due to a decline in students. While Beebe and Mountain Home experienced a decrease in headcount enrollment from fall 2015 to fall 2016; 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 increased by $5.4 million. With the exception of a $29,000 decrease at the Mountain Home campus, all other campuses experienced an increase of expenses for supplies and services. The majority of this increase was due to a rise of $5.1 million on the Jonesboro campus for renovation projects that did not meet the capitalization threshold criteria and were appropriately expensed. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

Self Insurance

Self insurance expenses decreased marginally by $42,000. This decrease was due to decreased healthcare costs for medical and pharmacy claims during the fiscal year as well as a decrease in the unpaid claims liability recorded at year end.

Depreciation

Depreciation expense increased by $1.3 million. All campuses showed an increase due to the amount of new additions or renovations at each campus that were added in 2015 and began depreciating in 2016. Additionally, as new projects were completed in 2016, 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

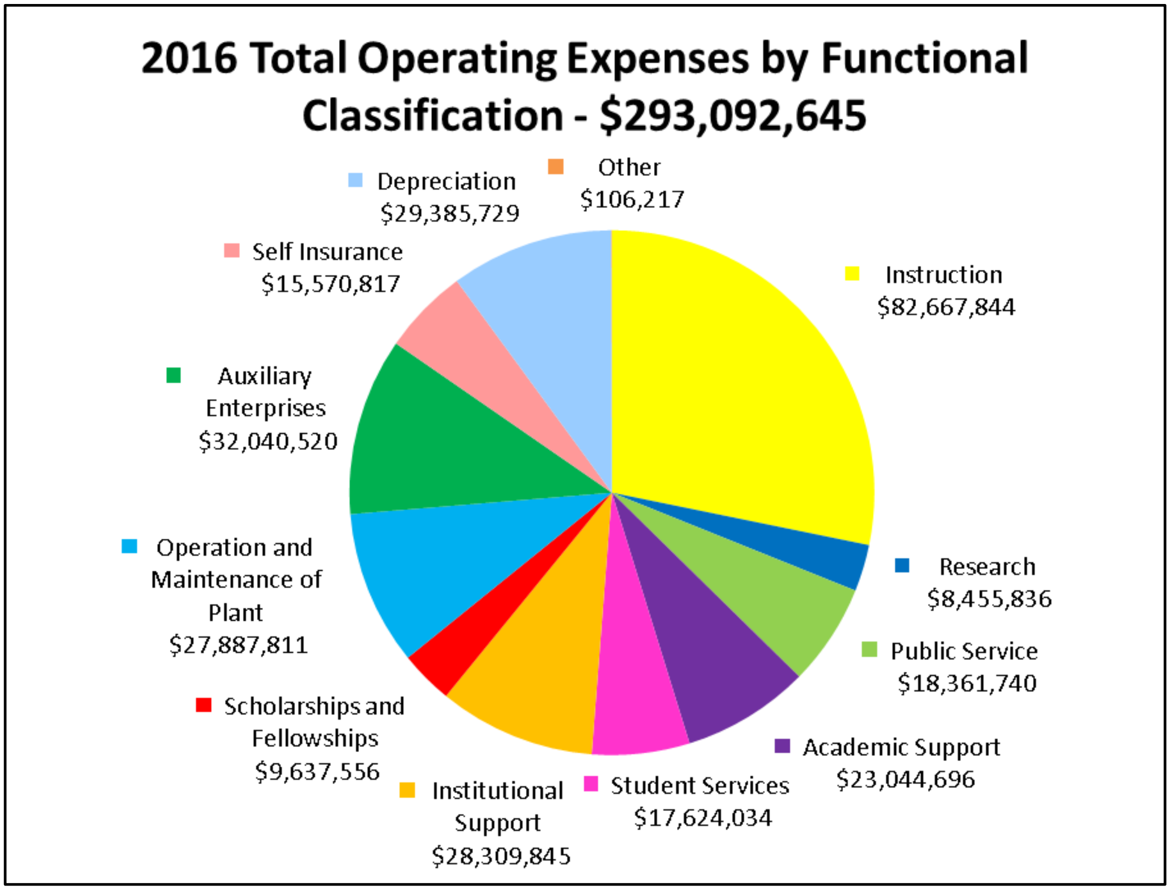
Other operating expenses were essentially the same as in 2015. These expenses are related to the Perkins Loan program on the Jonesboro campus.

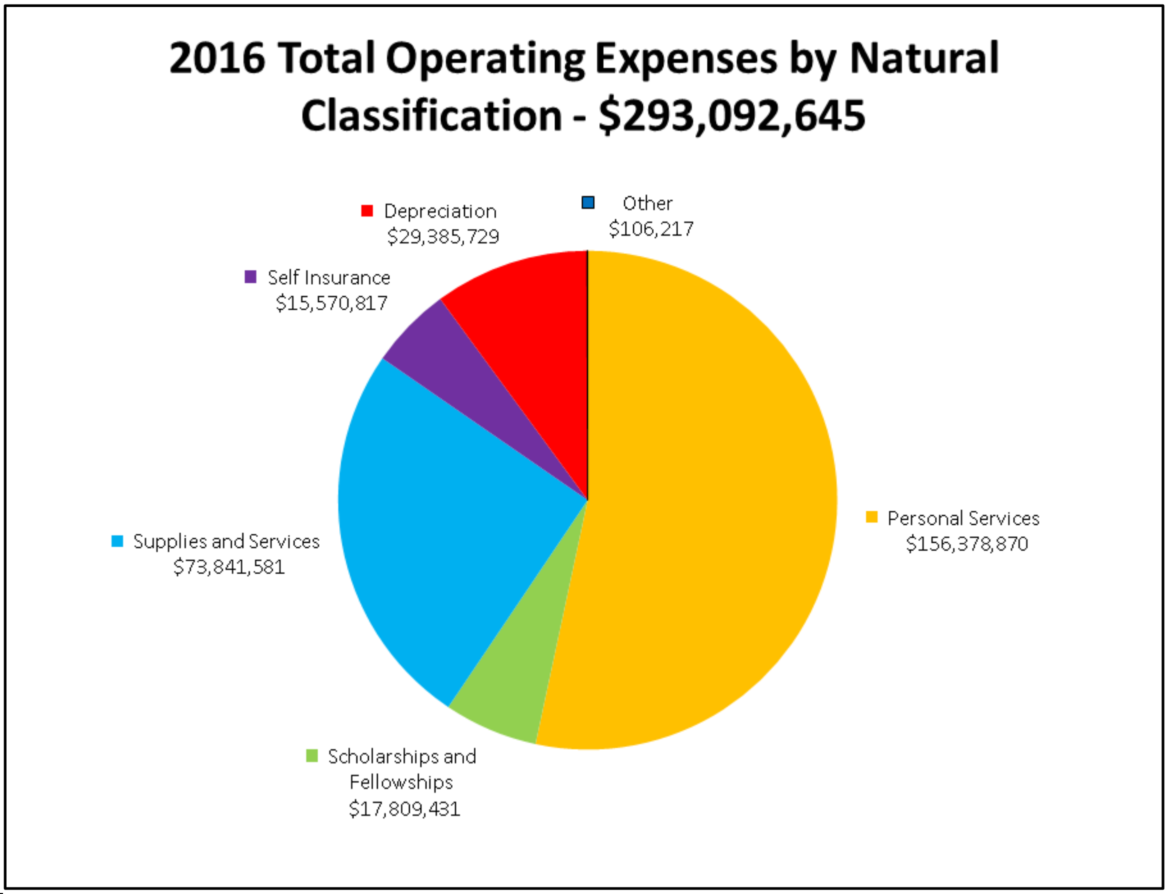
Operating Expenses by Function

	2016	2015 Revised	2015 Mid-South	2015 ASU	Increase/ (Decrease)	Percent Change
Instruction	$ 82,667,844	$ 80,642,593	$ 5,767,205	$ 74,875,388	$ 2,025,251	2.51%
Research	8,455,836	8,797,592		8,797,592	(341,756)	(3.88%)
Public Service	18,361,740	17,395,626	1,993,257	15,402,369	966,114	5.55%
Academic Support	23,044,696	21,913,221	2,828,187	19,085,034	1,131,475	5.16%
Student Services	17,624,034	17,346,864	2,072,431	15,274,433	277,170	1.60%
Institutional Support	28,309,845	29,603,275	3,642,609	25,960,666	(1,293,430)	(4.37%)
Scholarships and Fellowships	9,637,556	11,281,725	2,124,722	9,157,003	(1,644,169)	(14.57%)
Operation and Maintenance of Plant	27,887,811	26,125,258	1,562,638	24,562,620	1,762,553	6.75%
Auxiliary Enterprises	32,040,520	29,952,065		29,952,065	2,088,455	6.97%
Self Insurance	15,570,817	15,612,804		15,612,804	(41,987)	(0.27%)
Depreciation	29,385,729	28,068,084	3,114,456	24,953,628	1,317,645	4.69%
Other	106,217	67,139		67,139	39,078	58.20%
Total Operating Expenses	$ 293,092,645	$ 286,806,246	$ 23,105,505	$ 263,700,741	$ 6,286,399	11.15%

Operating Expenses by Natural Classifications

	2016	2015 Revised	2015 Mid-South	2015 ASU	Increase/ (Decrease)	Percent Change
Personal Services	$ 156,378,870	$ 156,155,075	$ 10,789,004	$ 145,366,071	$ 223,795	0.14%
Scholarships and Fellowships	17,809,431	18,464,397	2,124,722	16,339,675	(654,966)	(3.55%)
Supplies and Services	73,841,581	68,438,747	7,077,323	61,361,424	5,402,834	7.89%
Self Insurance	15,570,817	15,612,804		15,612,804	(41,987)	(0.27%)
Depreciation	29,385,729	28,068,084	3,114,456	24,953,628	1,317,645	4.69%
Other	106,217	67,139		67,139	39,078	58.20%
Total Operating Expenses	$ 293,092,645	$ 286,806,246	$ 23,105,505	$ 263,700,741	$ 6,286,399	2.19%





Nonoperating Expenses

Total nonoperating expenses increased by $867,000.

Interest

Interest expense increased by $572,000. All the campuses, other than Jonesboro and Beebe, experienced lower interest costs. The majority of the increase at the Jonesboro campus was a decrease in interest capitalized on construction projects. This amount was $873,000 in 2015 compared with $315,000 in 2016. In addition, the campus also had new debt that began repayment in 2016. The other campuses combined showed a total increase of $26,000.

Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a loss of $695,000 on capital assets compared to a loss of $133,000 in fiscal year 2015. The Jonesboro campus's statements reflect a loss of $701,600. This loss is attributable to the deletion of infrastructure and improvements projects that were no longer on campus. Mid-South and Newport had small gains in the amount of $2,700 and $4,500, respectively, due to equipment deletions.

Other Changes

Other revenues, expenses, gains and losses totaled $15.9 million. This amount decreased by $2.2 million.

Capital Appropriations

Capital appropriations decreased by $148,000. The Jonesboro campus received a slight increase of $32,000 for additional projects while the Beebe campus decreased by $180,000. The Beebe campus received only one small capital appropriation for fiscal year 2016. None of the other campuses received capital appropriations for the year.

Capital Grants and Gifts

Capital grants and gifts decreased by $1.7 million. Although the Jonesboro campus received additional funds for the year for the completion of the expansion of Centennial Stadium; the campus had a decline of $513,000 due to the gifts of land and the scoreboard at the stadium received during 2015. Beebe had an increase of $145,000 from funds received for the Arch and Pavilion projects. The Mountain Home campus had a slight increase of $13,500 received from the Foundation. Mid-South and Newport had decreases due to the decline in donation of capital gifts during the fiscal year.

Statement of Cash Flows

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

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2016 and June 30, 2015 were as follows:

Capital Assets (net of accumulated depreciation)

	2016	2015 Revised	2015 Mid-South	2015 ASU	Increase/ (Decrease)	Percent Change
Land and land improvements	$ 18,584,225	$ 18,584,225	$ 3,886,645	$ 14,697,580	$ -	0.00%
Construction in progress	19,077,688	44,406,110	4,167,397	40,238,713	(25,328,422)	(57.04%)
Livestock	236,596	283,583		283,583	(46,987)	(16.57%)
Intangibles-Software in development	1,438,448				1,438,448	n/a
Intangibles-Easements	2,675,000	2,675,000		2,675,000	-	0.00%
Intangibles-Software	2,331,444	2,720,018		2,720,018	(388,574)	(14.29%)
Buildings	312,086,457	310,635,301	34,845,838	275,789,463	1,451,156	0.47%
Improvements and infrastructure	122,799,764	84,872,718	2,059,214	82,813,504	37,927,046	44.69%
Equipment	16,907,311	18,379,616	2,473,803	15,905,813	(1,472,305)	(8.01%)
Library/audiovisual holdings	1,609,855	1,634,134	108,524	1,525,610	(24,279)	(1.49%)
Total	$ 497,746,788	$ 484,190,705	$ 47,541,421	$ 436,649,284	$ 13,556,083	2.80%

Land

The University had no additions or disposals of land and land improvements during fiscal year 2016.

Construction in progress

Construction in progress decreased by 57.04%. This decrease is mainly attributable to the completion of construction projects at the Jonesboro campus. The Jonesboro campus experienced a decrease of $21,326,357 during the year. $54,243,754 was transferred as completed construction. The major projects completed throughout the year include: Centennial Stadium expansion, the renovation of Wilson Hall for the DO School, the Student Activities Center, new seating at the Convocation Center, and an additional Child Development and Research Center. The Jonesboro and Beebe campuses were the only campuses to reflect a balance in construction in progress at the end of 2016. Jonesboro's balance is $18,907,921 and Beebe's is $169,767. The balance at the Jonesboro campus is mainly attributable to the energy savings performance contract.

Livestock

The decrease of 16.57% is attributable to a slight increase of the Jonesboro campus livestock herds of $885 and a decrease of the Beebe campus's herds in the amount of $47,872.

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, 2016. The University's threshold for capitalizing software is $1 million and the Beebe and Newport campuses have capitalized $918,342 and $520,106, respectively. It is anticipated that the future amounts spent on the ERP System will meet the capitalization threshold as an additional amount will be capitalized during fiscal year 2017. The expected go-live date for the new software is late fall 2016.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2016.

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 2016.

Buildings

The University experienced an increase in the total value of buildings. This is a result of transfers from construction in progress in the amount of $17,360,724. These buildings include: Student Activities Center at the Jonesboro campus as well as the Hospitality Annex and Aviation Annex at the Mid-South campus. Also, depreciation expense increased from $16,315,057 in 2015 to $16,758,670 in 2016 as a result of additional buildings that were added in 2015 and began depreciating in fiscal year 2016.

Improvements and infrastructure

The 44.69%, or $37,927,046, increase in improvements and infrastructure is attributable to the completion of projects at the Jonesboro campus during the fiscal year. These include: Centennial Stadium expansion, the renovation of Wilson Hall for the DO School, relocation of the tennis courts, and energy cost savings projects at the Arkansas Biosciences Institute building and Convocation Center.

Equipment

Equipment decreased by 8.01%, or $1,472,305, during the year. Equipment additions decreased from $5,424,170 in 2015 to $3,964,908 in 2016. The majority of the variance was the gift transfer of the scoreboard for the football stadium at the Jonesboro campus that was received in fiscal year 2015. Of the additions for fiscal year 2016, $133,923 were capital gifts received by the campuses. Equipment purchases remained fairly the same in 2016 as in 2015. Depreciation expense increased from $4,980,715 in 2015 to $5,413,091 in 2016. This was due to an increase of additional equipment that was added in 2015 and began depreciating in 2016.

Library/Audiovisual Holdings

The University's decrease of $24,279, or 1.49%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases in 2016 were $291,434 compared to $134,721 in 2015. Depreciation expense remained fairly consistent decreasing slightly from $331,003 in 2015 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 $210,302,525 in bonds payable, $10,919,154 in notes payable, and $15,244,732 in capital leases payable at June 30, 2016.

There were no additional bonds issued during fiscal year 2016.

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 $10,919,154 in notes payable consisted of three notes for the Jonesboro campus. During 2016, the campus issued an $8,000,000 note to renovate Wilson Hall for the new DO School and a $1,204,000 note for energy improvement projects through the state's sustainable revolving loan fund. At June 30, 2016, the outstanding amounts for these notes were $7,550,410 and $1,143,800, respectively. In addition to these amounts, the campus also has an $801,912 note for pedestrian improvements. Additionally, the Mountain Home campus has a note payable in the amount of $223,547 for a land purchase and the Newport campus has $1,199,485 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location.

The Jonesboro campus issued a capital lease in the amount of $15,226,080. This lease is for energy savings projects on the campus and the savings from utility billings will be used to pay the debt. In addition, the campus has $18,652 in capital leases comprised of a lease for a lawn mower.

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.

Due to the uncertain political climate, national and international economic conditions are volatile, with various financial indicators showing diverse reactions to events in the U.S. and abroad. Economic indicators in the U.S. point to continued growth after the Great Recession, but progress is slow and has not lead to increased rates at the Federal level. These conditions limit the University's ability to generate favorable returns on its financial assets; however, the lower rates positively affect the ability to strategically manage long-term debt and borrowing costs. The University's strong credit rating of A1 continues to provide favorable financing terms and options.

At the state level, the economy is stable, but revenues are tracking slightly below 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 indirect cost 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 posed by the current economic environment and the furtherance of its mission.

Exhibit A

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	$ 51,319,749
Short-term investments	7,625,715
Accounts receivable (less allowances of $2,654,759)	19,146,396
Notes and deposits receivable (less allowances of $260,741)	781,552
Accrued interest and late charges	132,680
Inventories	2,489,567
Deposits with trustees	3,347,261
Unamortized bond insurance	542,016
Prepaid expenses	189,739
Total Current Assets	85,574,675
Noncurrent Assets:	
Cash and cash equivalents	30,649,619
Restricted cash and cash equivalents	5,277,409
Endowment investments	13,791,928
Other long-term investments	19,879,455
Accrued interest and late charges	625,379
Deposits with trustees	6,778,916
Accounts receivable	1,721,434
Notes and deposits receivable (less allowances of $1,541,784)	4,627,143
Capital assets (net of accumulated depreciation of $355,995,030)	497,746,788
Total Noncurrent Assets	581,098,071
TOTAL ASSETS	**666,672,746**
DEFERRED OUTFLOWS OF RESOURCES	
Excess of bond reacquisition costs over carrying value	2,342,155
Pensions	5,193,559
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**674,208,460**
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	13,417,389
Bonds, notes and leases payable	10,138,728
Compensated absences	6,527,437
Unearned revenue	10,450,368
Funds held in trust for others	556,065
Deposits	1,101,782
Interest payable	2,322,968
Total Current Liabilities	44,514,737
Noncurrent Liabilities:	
Accounts payable and accrued liabilities	13,352
Bonds, notes and leases payable	226,327,683
Compensated absences	4,502,289
Accrued other postemployment benefits payable	13,145,631
Net pension liability	18,662,628
Deposits	561,468
Refundable federal advances	5,957,526
Total Noncurrent Liabilities	269,170,577
TOTAL LIABILITIES	313,685,314
DEFERRED INFLOWS OF RESOURCES	
Pensions	5,726,879
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**319,412,193**

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit A

NET POSITION		
Net investment in capital assets	$	266,541,265
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		5,395,914
Renewal and replacement		967,261
Loans		464,071
Other - College and Department Purposes		8,609,721
Expendable:		
Scholarships and fellowships		1,361,149
Loans		10,000
Capital projects		5,268,010
Debt service		1,695,792
Renewal and replacement		263,704
Other		2,122,921
Unrestricted		62,096,459
TOTAL NET POSITION	$	354,796,267

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

Exhibit A-1

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS		
Cash	$	256,720
Repurchase agreements		5,947,903
Certificates of deposit		4,977,011
Prepaid expenses		59,474
Unconditional promises to give, net		1,860,793
Short-term investment		85,690
Long-term investments		54,414,788
Cash surrender of life insurance		5,861
Property and equipment, net		934,840
Other assests		2,557
Total Assets	$	68,545,637
LIABILITIES		
Accounts payable	$	97,137
Annuities payable		3,239
Due to ASU campuses		410,506
Due to Alumni Association		597
Amounts held on behalf of Arkansas State University related entities		11,668,798
Total Liabilities		12,180,277
NET ASSETS		
Unrestricted		2,264,840
Temporarily restricted		8,426,855
Permanently restricted		45,673,665
Total Net Assets		56,365,360
Total Liabilities and Net Assets	$	68,545,637

Exhibit B

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $51,561,707)	$ 61,466,443
Grants and contracts	33,294,306
Sales and services	2,112,343
Auxiliary enterprises (net of scholarship allowances of $9,232,446)	29,135,663
Self-insurance	4,104,547
Other operating revenues	1,603,847
TOTAL OPERATING REVENUES	131,717,149
OPERATING EXPENSES	
Personal services	156,378,870
Scholarships and fellowships	17,809,431
Supplies and services	73,841,581
Self-insurance	15,570,817
Depreciation	29,385,729
Other	106,217
TOTAL OPERATING EXPENSES	293,092,645
OPERATING INCOME (LOSS)	(161,375,496)
NON-OPERATING REVENUES (EXPENSES)	
Federal appropriations	541,230
State appropriations	102,455,543
Stimulus funds (ARRA)	24,848
Grants and contracts	53,440,251
Sales and use taxes	2,690,627
Property taxes	4,175,364
Gifts	1,897,107
Investment income	432,601
Interest on capital asset - related debt	(8,478,234)
Gain or loss on disposal on capital assets	(694,387)
Refunds to grantors	(59,618)
Other nonoperating revenues (expenses)	(196,047)
NET NON-OPERATING REVENUES (EXPENSES)	156,229,285
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(5,146,211)
Capital appropriations	2,178,977
Capital grants and gifts	13,471,345
Additions to endowments	36,054
Adjustments to capital assets	(11,684)
Capitalization of library holdings at rate per volume	179,670
Livestock additions	885
INCREASE (DECREASE) IN NET POSITION	10,709,036
NET POSITION - BEGINNING OF YEAR	304,229,299
MERGER WITH MID-SOUTH COMMUNITY COLLEGE (NOTE 17)	39,857,932
NET POSITION - BEGINNING OF YEAR, AS RESTATED	344,087,231
NET POSITION - END OF YEAR	$ 354,796,267

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

Exhibit B-1

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Contributions	$ 84,763	$ 3,006,538	$ 3,020,180	$ 6,111,481
Contributed services	211,862			211,862
Investment return, net	45,122	1,174,986	(2,071,744)	(851,636)
Other income	536,193	172,512		708,705
Net assets released from restrictions	4,127,995	(4,127,995)		
Total Support	5,005,935	226,041	948,436	6,180,412
Expenses and Losses				
Program services				
Academic activities	692,076			692,076
Administrative	274,090			274,090
Student activities	61,272			61,272
Transfers to Arkansas State University	3,123,598			3,123,598
Supporting services				
Management and general	461,776			461,776
Fundraising	581,406			581,406
Change in split-interest agreements			3,865	3,865
Total Expenses and Losses	5,194,218		3,865	5,198,083
Increase (Decrease) in net assets	(188,283)	226,041	944,571	982,329
Net assets at beginning of year	2,458,885	8,159,485	44,764,661	55,383,031
Reclassification and internal transfers	(5,762)	41,329	(35,567)	
Total after reclassification and internal transfers	2,453,123	8,200,814	44,729,094	55,383,031
Net assets at end of year	$ 2,264,840	$ 8,426,855	$ 45,673,665	$ 56,365,360

Exhibit C

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOW FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 63,014,495
Grants and contracts	35,222,833
Auxiliary enterprises revenues	29,382,992
Sales and services	2,106,992
Self-insurance program receipts	3,990,501
Collection of principal and interest related to student loans	717,911
Other receipts	2,217,628
Payments to employees	(131,277,480)
Payments for employee benefits	(26,588,552)
Payments to suppliers	(72,782,789)
Scholarships and fellowships	(17,809,431)
Self-insurance program payments	(15,802,153)
Loans issued to students	(454,480)
Net cash provided (used) by operating activities	(128,061,533)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	450,391
State appropriations	100,927,973
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,500,000
Stimulus funds (ARRA)	34,881
Grants and contracts	52,997,755
Private gifts and grants	2,330,510
Sales and use taxes	2,728,612
Property taxes	4,102,050
Direct lending, PLUS and FFEL loan receipts	94,128,657
Direct lending, PLUS and FFEL loan payments	(95,177,982)
Other agency funds - net	(40,511)
Refunds to grantors	(62,216)
Net cash provided (used) by noncapital financing activities	163,920,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	9,204,000
Distributions from trustee of bond proceeds and interest earnings	893,014
Distributions from debt holders of debt proceeds other than from bonds	9,424,864
Capital appropriations	2,178,977
Capital gift and grants	13,473,382
Proceeds from sale of capital assets	25,824
Purchases of capital assets	(47,911,331)
Payments to trustees for bond principal	(8,060,000)
Payments to trustees for bond interest and fees	(7,769,182)
Payments to debt holders for principal (other than bonds)	(1,036,057)
Payments to debt holders for interest and fees (other than bonds)	(182,573)
Property taxes remitted to bond trustees	(2,756,821)
Distribution of excess property taxes from bond trustees	1,577,373
Net cash provided (used) by capital and related financing activities	(30,938,530)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	14,841,160
Interest on investments (net of fees)	659,196
Purchases of investments	(15,467,394)
Net cash provided (used) by investing activities	32,962
Net increase (decrease) in cash and cash equivalents	4,953,019

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash and cash equivalents - beginning of year	$	77,962,847
Merger with Mid-South Community College (Note 17)		4,330,911
Cash and cash equivalents - beginning of year (as restated)		82,293,758
Cash and cash equivalents - end of year	$	87,246,777

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

Operating income (loss)	$	(161,375,496)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		29,385,729
Change in assets and liabilities:		
Receivables, net		1,926,232
Inventories		779,271
Prepaid expenses		437,553
Accounts and salaries payable		(1,788,249)
Other postemployment benefits payable		1,401,140
Pension obligations		(1,044,394)
Unearned revenue		3,858,165
Deposits		128,137
Refundable federal advances		(1,519,501)
Compensated absences		(250,120)
Net cash provided (used) by operating activities	$	(128,061,533)

Reconciliation of Cash and Cash Equivalents

Current Assets:		
Cash and Cash Equivalents	$	51,319,749
Noncurrent Assets:		
Cash and Cash Equivalents		30,649,619
Restricted Cash and Cash Equivalents		5,277,409
	$	87,246,777

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of $91,242

Value of equipment traded for equipment - $35,500

Capital lease payable-energy savings contract - $15,226,080

Interest earned on reserve accounts held by trustee - $1,445

Interest paid from accounts held by trustee - $317

Amount earned on investments - $456,495

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

BEEBE
Equipment-capital gift of $15,000

Interest paid from accounts held by trustee - $38,810

MID-SOUTH
Equipment-capital gift of $19,500

Interest earned on reserve accounts held by trustee - $152

Trustee payments for retirement of bond principal - $500,000

Trustee payment for bond interest and fees - $809,761

Unrealized loss on investments - $196,619

Investment interest and dividends reinvested - $151

MOUNTAIN HOME
Interest earned on accounts held by trustee - $10

NEWPORT
Equipment-capital gift of $8,181

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

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.

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

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Arkansas State University Foundation, Inc.
The Arkansas State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the University in support of its mission and programs. The 33 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement 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, 2016, the Foundation transferred property, equipment, and funds of $3,123,598 to the University for academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

Financial Statement Presentation

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

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

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

In June 2012, the GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

The consolidated University financial statements were prepared from the separate statements of the 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, $314,555 of interest costs was capitalized for the Jonesboro campus.

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of assets the University is legally entitled to, but for which payment has not been received as of the close of the fiscal year at June 30, 2016. 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, 2016 are treated as unearned revenues. They are considered liabilities of the University until earned.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

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

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 post employment benefits payable (Note 12); (5) the amount of the optional voluntary retirement incentive program (Note 18); (6) net pension liability (Note 8); and (7) the refundable federal portion of the Perkins Loan Program.

Pensions

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

Property Taxes

The 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 3,992,322	$ 4,017,814
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	97,654,685	101,585,008
Total Deposits	$ 101,647,007	$ 105,602,822

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 $1,328,365 and $69,190 at June 30, 2016, respectively. Also, the above amount does not include $432,783 in certificates of deposits held by the Foundation for license plate scholarships and $76,582 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of $15,874,233 reported as investments and classified as nonnegotiable certificates of deposit. Additionally, the deposits include money market checking accounts of $134 reported as deposits with trustees.

NOTE 2: Public Fund Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University'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 $105,602,822 was fully collateralized at June 30, 2016.

Deposits with Trustees

At June 30, 2016, the University's deposits with trustees totaled $10,126,177. Other than the money market checking accounts of $134, the details of the deposits with trustee by campus are below.

Jonesboro

At June 30, 2016, the University's deposits with trustee of $2,057,262 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 42 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, 2016 is shown below:

Level 1 Quoted prices for identical investments in active markets	Level 2 Quoted prices for similar investments in active markets	Level 3 Prices determined from the University's data	Total
$ 2,057,262	$ 0	$ 0	$ 2,057,262

The remaining balance of $5,786,215 is cash funds held by the trustee for the purpose of the energy savings contract. The University is reimbursed as funds are expended for the project.

Mid-South

At June 30, 2016, the University's deposits with trustee of $2,282,556 were invested by US Bank. The fund invests solely in U.S. Treasury securities. 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 deposits with trustee consist of funds obligated as debt reserves for the University's bond issues.

NOTE 2: Public Fund Deposits and Investments (Continued)

Deposits with Trustees (Continued)

Mid-South (Continued)

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, 2016 is shown below:

Level 1 Quoted prices for identical investments in active markets	Level 2 Quoted prices for similar investments in active markets	Level 3 Prices determined from the University's data	Total
$ 2,282,556	$ 0	$ 0	$ 2,282,556

Mountain Home

At June 30, 2016, the University's deposits with trustee of $10 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 53 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, 2016 is shown below:

Level 1 Quoted prices for identical investments in active markets	Level 2 Quoted prices for similar investments in active markets	Level 3 Prices determined from the University's data	Total
$ 10	$ 0	$ 0	$ 10

University Investments (Excluding Endowment Funds)

At June 30, 2016, the University's investments, excluding endowment funds, consisted of corporate bonds of $2,392,825, U.S. agencies of $3,030,297, negotiable certificates of deposit of $1,650,642, U.S. Treasury notes of $692,412, mutual bonds of $180,662, and equity funds of $3,251,316. Details of the investments by campus are below.

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Jonesboro

At June 30, 2016, the University's investments, excluding endowment funds, consisted of corporate bonds of $1,794,142, U.S. agencies of $2,977,340, and negotiable certificates of deposit of $1,650,642.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 251,238	$ 0	$ 967,524	$ 575,380	$ 1,794,142

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 0	$ 411,471	$ 1,144,714	$ 1,421,155	$ 2,977,340

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
$ 349,062	$ 1,047,831	$ 253,749	$ 0	$ 1,650,642

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 0	$ 382,329	$ 1,168,083	$ 243,730	$ 0	$ 1,794,142

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 2,905,925	$ 0	$ 0	$ 0	$ 71,415	$ 2,977,340

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 8.572 years at June 30, 2016. The U.S. agencies had an estimated weighted average maturity of 10.333 years at June 30, 2016. The negotiable certificates of deposit had an estimated weighted average maturity of 3.318 years at June 30, 2016. 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.

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro (Continued)

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, 2016, negotiable certificates of deposits of $1,650,642 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, 2016 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
$ 746,208	$ 1,047,934	$ 0	$ 1,794,142

The fair market value of the U.S. agencies at June 30, 2016 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
$ 2,244,481	$ 732,859	$ 0	$ 2,977,340

The fair market value of the negotiable certificates of deposit at June 30, 2016 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
$ 0	$ 1,650,642	$ 0	$ 1,650,642

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South

At June 30, 2016, the University's investments consisted of corporate bonds of $598,683, U.S. agencies of $52,957, U.S. Treasury notes of $692,412, mutual bonds of $180,662, and equity funds of $3,251,316. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 50,153	$ 311,987	$ 236,543	$ 0	$ 598,683

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 0	$ 0	$ 52,957	$ 0	$ 52,957

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
$ 175,381	$ 229,309	$ 287,722	$ 0	$ 692,412

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 0	$ 50,123	$ 314,354	$ 234,206	$ 0	$ 598,683

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 52,957	$ 0	$ 0	$ 0	$ 0	$ 52,957

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
$ 692,412	$ 0	$ 0	$ 0	$ 0	$ 692,412

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 3.818 years at June 30, 2016. The U.S. agencies had an estimated weighted average maturity of 5.542 years at June 30, 2016. The U.S. Treasury notes had an estimated weighted average maturity of 3.427 years at June 30, 2016. 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.

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

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, 2016 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
$ 598,683	$ 0	$ 0	$ 598,683

The fair market value of the U.S. agencies at June 30, 2016 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
$ 52,957	$ 0	$ 0	$ 52,957

The fair market value of the U.S. Treasury notes at June 30, 2016 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
$ 692,412	$ 0	$ 0	$ 692,412

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

The fair market value of the mutual bonds at June 30, 2016 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
$ 180,662	$ 0	$ 0	$ 180,662

The fair market value of the equity funds at June 30, 2016 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
$ 3,227,354	$ 23,962	$ 0	$ 3,251,316

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 $5,007,081 were exposed to custodial credit risk because they were uninsured securities held by the Counterparty Trust Department or Agent and not in the University's name.

The Jonesboro campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 14.82% or $8,137,528 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 3,913,398
Bonds/Fixed Income Securities	1,936,204
Alternative Assets	687,104
Cash Equivalents	53,028
Bonds/Fixed Income Mutual Funds	843,287
International Equity Mutual Funds	704,507
Total	$ 8,137,528

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.

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The fair market value of the investments at June 30, 2016 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
$ 7,450,424	$ 0	$ 687,104	$ 8,137,528

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 1.18% or $647,319 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 311,301
Bonds/Fixed Income Securities	154,020
Alternative Assets	54,657
Cash Equivalents	4,218
Bonds/Fixed Income Mutual Funds	67,081
International Equity Mutual Funds	56,042
Total	$ 647,319

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, 2016 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
$ 592,662	$ 0	$ 54,657	$ 647,319

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of $3,372,803 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 2,362,922
Corporate Bonds	461,824
Cash Equivalents	151,790
U.S. Agencies	396,267
Total	$ 3,372,803

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	$ 47,832	$ 292,490	$ 59,124	$ 62,378	$ 461,824
U.S. Agencies		163,822	37,955	194,490	396,267
Total	$ 47,832	$ 456,312	$ 97,079	$ 256,868	$ 858,091

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

	Aaa	Aa	A	Baa	Ba	Not Rated	Total
Corporate Bonds	$ 18,039	$ 65,239	$ 223,985	$ 139,215	$ 15,346		$ 461,824
U.S. Agencies	219,695					$ 176,572	396,267
Total	$ 237,734	$ 65,239	$ 223,985	$ 139,215	$ 15,346	$ 176,572	$ 858,091

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 5.982 and 13.107 years, respectively, at June 30, 2016.

The fair market value of the investments at June 30, 2016 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
$ 3,372,803	$ 0	$ 0	$ 3,372,803

NOTE 2: Public Fund Deposits and Investments (Continued)

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

The V.C. and Bertie H. Kays Educational Trust of $1,634,278 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 928,286
Corporate Bonds	344,392
Cash Equivalents	69,238
U.S. Agencies	292,362
Total	$ 1,634,278

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	$ 47,593	$ 199,650	$ 44,916	$ 52,233	$ 344,392
U.S. Agencies		96,525	47,735	148,102	292,362
Total	$ 47,593	$ 296,175	$92,651	$ 200,335	$ 636,754

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

	Aaa	Aa	A	Baa	Ba	B	Not Rated	Total
Corporate Bonds	$ 14,030	$ 52,965	$ 139,203	$ 109,666	$ 14,036	$ 14,492		$ 344,392
U.S. Agencies	170,247						$ 122,115	292,362
Total	$ 184,277	$ 52,965	$ 139,203	$ 109,666	$ 14,036	$ 14,492	$ 122,115	$ 636,754

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.240 and 13.093 years, respectively, at June 30, 2016.

The fair market value of the investments at June 30, 2016 is shown below:

Level 1 Quoted prices for identical investments in active markets	Level 2 Quoted prices for similar investments in active markets	Level 3 Prices determined from the University's data	Total
$ 1,634,278	$ 0	$ 0	$ 1,634,278

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, 2016:

Arkansas State University-Jonesboro

	Balance July 1, 2015	Additions		Transfers	Retirements	Balance June 30, 2016
Nondepreciable capital assets:						
Land and improvements	$ 7,003,089					$ 7,003,089
Livestock for educational purposes	163,488	$ 885				164,373
Construction-in-progress	40,234,278	32,922,405		$ (54,243,754)	$ (5,008)	18,907,921
Intangibles-Easements	2,675,000					2,675,000
Total nondepreciable capital assets	$ 50,075,855	$ 32,923,290		$ (54,243,754)	$ (5,008)	$ 28,750,383
Other capital assets:						
Improvements and infrastructure	$ 96,225,770	$ 2,050,830		$ 42,754,121	$ (5,917,358)	$ 135,113,363
Buildings	354,626,696	508,022		11,489,633	(1,287,750)	365,336,601
Equipment	42,331,657	2,788,178			(868,012)	44,251,823
Library/audiovisual holdings	12,061,489	147,022				12,208,511
Intangibles-Software	5,828,610					5,828,610
Total other capital assets	511,074,222	5,494,052		54,243,754	(8,073,120)	562,738,908
Less accumulated depreciation/amortization for:						
Improvements and infrastructure	26,351,311	4,834,866	*	361,565	(5,760,679)	25,787,063
Buildings	155,827,429	9,149,865		(361,565)	(749,440)	163,866,289
Equipment	29,310,500	3,548,711	*		(844,291)	32,014,920
Library/audiovisual holdings	11,395,642	134,922				11,530,564
Intangibles-Software	3,108,592	388,574				3,497,166
Total accumulated depreciation	225,993,474	18,056,938		0	(7,354,410)	236,696,002
Other capital assets, net	$ 285,080,748	$ (12,562,886)		$ 54,243,754	$ (718,710)	$ 326,042,906
Capital Asset Summary:						
Nondepreciable capital assets	$ 50,075,855	$ 32,923,290		$ (54,243,754)	$ (5,008)	$ 28,750,383
Other capital assets, at cost	511,074,222	5,494,052		54,243,754	(8,073,120)	562,738,908
Total cost of capital assets	561,150,077	38,417,342		0	(8,078,128)	591,489,291
Less accumulated depreciation	225,993,474	18,056,938			(7,354,410)	236,696,002
Capital Assets, net	$ 335,156,603	$ 20,360,404		$ 0	$ (723,718)	$ 354,793,289

*Includes $78,555 for prior year depreciation expense.

NOTE 4: Capital Assets (Continued)

Arkansas State University-Beebe

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 3,350,508				$ 3,350,508
Livestock for educational purposes	120,095			$ (47,872)	72,223
Construction-in-progress		$ 222,843	$ (53,076)		169,767
Intangibles-Software under development		918,342			918,342
Total nondepreciable capital assets	$ 3,470,603	$ 1,141,185	$ (53,076)	$ (47,872)	$ 4,510,840
Other capital assets:					
Improvements and infrastructure	$ 16,438,487		$ 53,076		$ 16,491,563
Buildings	67,154,340			$ (135,244)	67,019,096
Equipment	5,321,337	$ 431,901		(245,256)	5,507,982
Library/audiovisual holdings	2,503,045	85,221		(23,480)	2,564,786
Total other capital assets	91,417,209	517,122	53,076	(403,980)	91,583,427
Less accumulated depreciation for:					
Improvements and infrastructure	5,854,255	1,171,090			7,025,345
Buildings	25,394,836	1,771,248		(34,777)	27,131,307
Equipment	4,216,017	462,144		(245,256)	4,432,905
Library/audiovisual holdings	1,868,978	119,895		(23,480)	1,965,393
Total accumulated depreciation	37,334,086	3,524,377		(303,513)	40,554,950
Other capital assets, net	$ 54,083,123	$ (3,007,255)	$ 53,076	$ (100,467)	$ 51,028,477
Capital Asset Summary:					
Nondepreciable capital assets	$ 3,470,603	$ 1,141,185	$ (53,076)	$ (47,872)	$ 4,510,840
Other capital assets, at cost	91,417,209	517,122	53,076	(403,980)	91,583,427
Total cost of capital assets	94,887,812	1,658,307		(451,852)	96,094,267
Less accumulated depreciation	37,334,086	3,524,377		(303,513)	40,554,950
Capital Assets, net	$ 57,553,726	$ (1,866,070)	$ 0	$ (148,339)	$ 55,539,317

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mid-South

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 3,886,645				$ 3,886,645
Construction-in-progress	4,167,397	$ 1,874,758	$ (6,042,155)		
Total nondepreciable capital assets	$ 8,054,042	$ 1,874,758	$ (6,042,155)	$ 0	$ 3,886,645
Other capital assets:					
Improvements and infrastructure	$ 5,775,787		$ 175,499		$ 5,951,286
Buildings	52,730,442		5,866,656		58,597,098
Equipment	9,988,007	$ 399,119		$ (148,161)	10,238,965
Library/audiovisual holdings	881,888	11,023		(2,101)	890,810
Total other capital assets	69,376,124	410,142	6,042,155	(150,262)	75,678,159
Less accumulated depreciation for:					
Improvements and infrastructure	3,716,573	252,386			3,968,959
Buildings	17,884,604	2,010,033			19,894,637
Equipment	7,514,204	860,158		(148,161)	8,226,201
Library/audiovisual holdings	773,364	21,737		(2,101)	793,000
Total accumulated depreciation	29,888,745	3,144,314		(150,262)	32,882,797
Other capital assets, net	$ 39,487,379	$ (2,734,172)	$ 6,042,155	$ 0	$ 42,795,362
Capital Asset Summary:					
Nondepreciable capital assets	$ 8,054,042	$ 1,874,758	$ (6,042,155)		$ 3,886,645
Other capital assets, at cost	69,376,124	410,142	6,042,155	$ (150,262)	75,678,159
Total cost of capital assets	77,430,166	2,284,900		(150,262)	79,564,804
Less accumulated depreciation	29,888,745	3,144,314		(150,262)	32,882,797
Capital Assets, net	$ 47,541,421	$ (859,414)	$ 0	$ 0	$ 46,682,007

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 2,934,808	$ 0	$ 0	$ 0	$ 2,934,808
Other capital assets:					
Improvements and infrastructure	$ 2,313,346				$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	1,899,894	$ 67,682			1,967,576
Library/audiovisual holdings	953,535	32,648			986,183
Total other capital assets	43,451,998	100,330			43,552,328
Less accumulated depreciation for:					
Improvements and infrastructure	1,914,386	154,223			2,068,609
Buildings	20,043,870	2,552,348			22,596,218
Equipment	1,399,955	188,346			1,588,301
Library/audiovisual holdings	808,228	23,642			831,870
Total accumulated depreciation	24,166,439	2,918,559			27,084,998
Other capital assets, net	$ 19,285,559	$ (2,818,229)			$ 16,467,330
Capital Asset Summary:					
Nondepreciable capital assets	$ 2,934,808				$ 2,934,808
Other capital assets, at cost	43,451,998	$ 100,330			43,552,328
Total cost of capital assets	46,386,806	100,330			46,487,136
Less accumulated depreciation	24,166,439	2,918,559			27,084,998
Capital Assets, net	$ 22,220,367	$ (2,818,229)	$ 0	$ 0	$ 19,402,138

NOTE 4: Capital Assets (Continued)

Arkansas State University-Newport

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 1,409,175				$ 1,409,175
Construction-in-progress	4,435		$ (4,435)		
Intangibles-Software in development		$ 520,106			520,106
Total nondepreciable capital assets	$ 1,413,610	$ 520,106	$ (4,435)	$ 0	$ 1,929,281
Other capital assets:					
Improvements and infrastructure	$ 2,807,717				$ 2,807,717
Buildings	30,498,084	$ 618,292	$ 4,435		31,120,811
Equipment	3,543,056	278,028		$ (12,998)	3,808,086
Library/audiovisual holdings	425,430	15,520		(525)	440,425
Total other capital assets	37,274,287	911,840	4,435	(13,523)	38,177,039
Less accumulated depreciation for:					
Improvements and infrastructure	851,864	175,671			1,027,535
Buildings	13,508,745	1,275,176			14,783,921
Equipment	2,263,659	353,732		(12,597)	2,604,794
Library/audiovisual holdings	345,041	15,517		(525)	360,033
Total accumulated depreciation	16,969,309	1,820,096		(13,122)	18,776,283
Other capital assets, net	$ 20,304,978	$ (908,256)	$ 4,435	$ (401)	$ 19,400,756
Capital Asset Summary:					
Nondepreciable capital assets	$ 1,413,610	$ 520,106	$ (4,435)		$ 1,929,281
Other capital assets, at cost	37,274,287	911,840	4,435	$ (13,523)	38,177,039
Total cost of capital assets	38,687,897	1,431,946		(13,523)	40,106,320
Less accumulated depreciation	16,969,309	1,820,096		(13,122)	18,776,283
Capital Assets, net	$ 21,718,588	$ (388,150)	$ 4,435	$ (401)	$ 21,330,037

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

Arkansas State University-Jonesboro

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
9/15/2005	4/1/2025	3 - 5%	$ 19,230,000	$ 10,670,000	$ 8,560,000
6/1/2007	3/1/2037	3.65 - 5%	17,065,000	13,830,000	3,235,000
6/1/2007	3/1/2037	3.65 - 5%	30,300,000	23,570,000	6,730,000
3/19/2009	3/1/2039	3 - 5.1%	9,290,000	8,135,000	1,155,000
12/7/2010	3/1/2031	2 - 4.125%	6,075,000	4,620,000	1,455,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	1,960,000	640,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	1,245,000	2,190,000
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	4,520,000	820,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	2,180,000	595,000
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	6,100,000	410,000
3/1/2012	3/1/2042	2 - 4%	6,875,000	6,395,000	480,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	3,055,000	370,000
12/1/2012	3/1/2042	0.866 - 4.7%	4,470,000	4,215,000	255,000
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,175,000	80,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,360,000	140,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	25,820,000	3,075,000
8/1/2013	8/1/2023	0.24%	1,000,000	801,912	198,088
12/1/2013	12/1/2038	0.864 - 5.779%	11,130,000	10,570,000	560,000
12/1/2013	12/1/2043	2 - 5%	14,685,000	14,130,000	555,000
9/5/2014	9/18/2017	6.15%	42,472	18,652	23,820
11/1/2015	11/1/2025	0.00%	600,000	570,000	30,000
11/1/2015	11/1/2025	0.00%	604,000	573,800	30,200
11/5/2015	11/5/2023	2.97%	8,000,000	7,550,410	449,590
12/17/2015	12/1/2035	3.21%	15,226,080	15,226,080	
Unamortized discount			(163,516)	(129,125)	(34,391)
Unamortized premium			1,802,007	1,543,151	258,856
Totals			$ 201,966,043	$ 169,704,880	$ 32,261,163

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Beebe

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
12/1/2012	12/1/2032	1 - 3%	$ 1,890,000	$ 1,655,000	$ 235,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	1,700,000	195,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	7,760,000	245,000
5/1/2015	12/1/2035	2 - 4%	12,930,000	12,510,000	420,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	8,790,000	395,000
Unamortized discount			(91,432)	(83,919)	(7,513)
Unamortized premium			404,190	380,237	23,953
Totals			$ 34,217,758	$ 32,711,318	$ 1,506,440

Arkansas State University-Mid-South

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
8/26/2010	2/1/2040	2 - 4.7%	$ 5,180,000	$ 4,515,000	$ 665,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	16,550,000	1,960,000
Unamortized discount			(47,842)	(38,274)	(9,568)
Unamortized premium			112,689	97,664	15,025
Totals			$ 23,754,847	$ 21,124,390	$ 2,630,457

Arkansas State University-Mountain Home

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
8/1/1999	4/10/2019	4.80%	$ 1,032,704	$ 223,547	$ 809,157
12/1/2010	12/1/2017	2.2 - 2.6%	2,920,000	880,000	2,040,000
12/1/2012	12/1/2032	0.666 - 4.25%	6,995,000	6,075,000	920,000
Unamortized premium			28,993	6,212	22,781
Totals			$ 10,976,697	$ 7,184,759	$ 3,791,938

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Newport

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
7/23/2012	7/23/2027	3.75%	$ 1,500,000	$ 1,199,485	$ 300,515
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	2,914,999	825,001
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,645,000	230,000
Unamortized discount			(22,328)	(18,420)	(3,908)
Totals			$ 7,092,672	$ 5,741,064	$ 1,351,608

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 150,745,393		$ 5,781,367	$ 144,964,026	$ 5,941,367
Notes payable	1,162,140	$ 9,204,000	870,018	9,496,122	1,132,006
Capital leases payable	32,575	15,226,080	13,923	15,244,732	14,805
Compensated absences	8,117,139	4,392,986	4,723,531	7,786,594	5,061,861
Totals	$ 160,057,247	$ 28,823,066	$ 11,388,839	$ 177,491,474	$ 12,150,039

Arkansas State University-Beebe

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 34,063,217		$ 1,351,899	$ 32,711,318	$ 1,331,900
Compensated absences	1,443,025	$1,027,439	955,915	1,514,549	882,061
Totals	$ 35,506,242	$ 1,027,439	$ 2,307,814	$ 34,225,867	$ 2,213,961

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mid-South

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 21,626,552		$ 502,162	$ 21,124,390	$ 512,161
Compensated absences	601,786	$519,954	513,883	607,857	44,314
Totals	$ 22,228,338	$ 519,954	$ 1,016,045	$ 21,732,247	$ 556,475

Arkansas State University-Mountain Home

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 7,695,354		$ 734,142	$ 6,961,212	$ 754,142
Notes payable	291,268		67,721	223,547	71,010
Compensated absences	431,923	$ 246,386	213,079	465,230	27,914
Totals	$ 8,418,545	$ 246,386	$ 1,014,942	$ 7,649,989	$ 853,066

Arkansas State University-Newport

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable	$ 4,830,462		$ 288,883	$ 4,541,579	$ 293,884
Notes payable	1,283,880		84,395	1,199,485	87,453
Compensated absences	685,973	$ 715,360	745,837	655,496	511,287
Totals	$ 6,800,315	$ 715,360	$ 1,119,115	$ 6,396,560	$ 892,624

NOTE 5: Long-Term Liabilities (Continued)

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

Arkansas State University-Jonesboro

Year ended June 30,	Principal		Interest		Total
2017	$ 7,088,178	*	$ 6,669,947	**	$ 13,758,125
2018	7,300,132		7,001,904		14,302,036
2019	7,505,447		6,579,132		14,084,579
2020	7,954,195		6,165,482		14,119,677
2021	8,296,534		5,861,863		14,158,397
2022 - 2026	39,890,936		24,347,862		64,238,798
2027 - 2031	36,061,791		17,069,840		53,131,631
2032 - 2036	37,177,037		8,874,634		46,051,671
2037 - 2041	14,814,404		2,466,413		17,280,817
2042 - 2044	3,616,226		237,400		3,853,626
Totals	$ 169,704,880	***	$ 85,274,477		$ 254,979,357

*Includes discount amortization of $6,200 and premium amortization of $82,567.
**Includes interest payable of $1,737,258 recorded as a current liability at June 30, 2016.
***Total principal of $169,704,880 includes discount amortization of $129,125 and premium amortization of $1,543,151.

Arkansas State University-Beebe

Year ended June 30,	Principal		Interest		Total
2017	$ 1,331,900	*	$ 1,040,079	**	$ 2,371,979
2018	1,351,898		1,017,644		2,369,542
2019	1,366,900		991,010		2,357,910
2020	1,406,900		961,157		2,368,057
2021	1,451,900		925,023		2,376,923
2022 - 2026	7,409,391		3,909,459		11,318,850
2027 - 2031	7,984,615		2,614,955		10,599,570
2032 - 2036	9,075,726		1,115,369		10,191,095
2037 - 2039	1,332,088		96,969		1,429,057
Totals	$ 32,711,318	***	$ 12,671,665		$ 45,382,983

*Includes discount amortization of $3,996 and premium amortization of $20,895.
**Includes interest payable of $204,408 recorded as a current liability at June 30, 2016.
***Total principal of $32,711,318 includes discount amortization of $83,919 and premium amortization of $380,237.

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mid-South

Year ended June 30,	Principal		Interest		Total
2017	$ 512,161	*	$ 795,611	**	$ 1,307,772
2018	527,161		780,361		1,307,522
2019	542,161		764,664		1,306,825
2020	557,161		748,051		1,305,212
2021	577,161		730,989		1,308,150
2022 - 2026	3,190,805		3,351,933		6,542,738
2027 - 2031	3,800,805		2,744,617		6,545,422
2032 - 2036	4,580,805		1,961,848		6,542,653
2037 - 2041	5,577,406		969,150		6,546,556
2042	1,258,764		50,200		1,308,964
Totals	$ 21,124,390	***	$ 12,897,424		$ 34,021,814

*Includes discount amortization of $1,594 and premium amortization of $3,756.
**Includes interest payable of $328,822 recorded as a current liability at June 30, 2016.
***Total principal of $21,124,390 includes discount amortization of $38,274 and premium amortization of $97,664.

Arkansas State University-Mountain Home

Year ended June 30,	Principal		Interest		Total
2017	$ 825,152	*	$ 227,401	**	$ 1,052,553
2018	841,531		208,637		1,050,168
2019	403,076		193,474		596,550
2020	330,000		183,546		513,546
2021	340,000		175,039		515,039
2022 - 2026	1,865,000		703,844		2,568,844
2027 - 2031	2,000,000		323,584		2,323,584
2032 - 2033	580,000		24,862		604,862
Totals	$ 7,184,759	***	$ 2,040,387		$ 9,225,146

*Includes premium amortization of $4,142.
**Includes interest payable of $24,713 recorded as a current liability at June 30, 2016.
***Total principal of $7,184,759 includes premium amortization of $6,212.

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Newport

Year ended June 30,	Principal		Interest		Total
2017	$ 381,337	*	$ 177,907	**	$ 559,244
2018	384,662		169,809		554,471
2019	398,115		160,508		558,623
2020	411,611		150,154		561,765
2021	430,416		138,046		568,462
2022 - 2026	2,327,972		473,233		2,801,205
2027 - 2031	1,173,630		106,141		1,279,771
2032 - 2033	233,321		7,125		240,446
Totals	$ 5,741,064	***	$ 1,382,923		$ 7,123,987

*Includes discount amortization of $1,117.
**Includes interest payable of $27,767 recorded as a current liability at June 30, 2016.
***Total principal of $5,741,064 includes discount amortization of $18,420.

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled $11,915,918 at June 30, 2016. 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	$ 8,494	$ 33,978
Energy Performance Contract	11,881,940		11,881,940
Total	$ 11,924,412	$ 8,494	$ 11,915,918

Fiscal Year Ending June 30,	Amount
2017	$ 281,846
2018	815,445
2019	857,793
2020	890,484
2021	932,835
2022 - 2026	5,374,904
2027 - 2031	5,893,612
2032 - 2036	6,763,588
Total Minimum Lease Payments	21,810,507
Less: Amount Representing Interest	6,565,775
Total Present Value of Net Minimum Lease Payments	$ 15,244,732

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2016:

A. Construction Contracts

Project Name	Estimated Completion Date		Contract Balance
Jonesboro			
Humanities and Social Sciences Building	July 2016	$	233,610
Centennial Expansion	July 2016		150,000
Football Field Turf Replacement	August 2016		533,880
Student Union Coolers/Freezers	August 2016		392,708
Parking Deck Maintenance	August 2016		198,180
Childhood Development Center	August 2016		157,957
Track Resurfacing	August 2016		115,941
Collegiate Park Repairs	August 2016		96,067
Gross Anatomy Lab HVAC	August 2016		90,302
Health, Physical Education and Sport Sciences Building Roof	August 2016		77,302
Bradbury Art Museum	August 2016		75,687
Agriculture Building Parking Lot	August 2016		62,605
Fowler Center Chiller Repair	September 2016		69,064
DO School Renovation	October 2016		416,391
Convocation Center Generator	November 2016		112,638
Marion Berry Phase III-Loop Road	January 2017		817,819
Village ADA Interior	January 2017		539,470
Campus Energy Savings Performance Contract	February 2017		3,541,899
Math and Computer Science Building Roof Repairs	August 2017		107,979
Beebe			
Mainframe Upgrade	December 2016		445,997
Newport			
Alarm System	September 2016		184,234
ERP (Enterprise Resource Planning) System	June 2017		303,704

NOTE 7: Commitments

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, printers/copiers, computers, and other office equipment with terms ranging from 24 to 120 months

(a) Future minimum rental payments (aggregate) at June 30, 2016: $2,610,292

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

NOTE 7: Commitments (Continued)

B. Operating Leases (Continued)

Year Ended June 30,	Amount	
2017	$	790,451
2018		622,181
2019		442,361
2020		379,412
2021		154,402
2022 - 2025		221,485

Rental payments for the above operating leases, for the year ended June 30, 2016, were approximately $1,100,100.

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 participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. The plan also offers variable annuities and mutual funds. Arkansas law authorizes participation in the plan.

Funding Policy
Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum contribution is 6%. For campuses other than Mid-South, the University contributes 10% of earnings for all applicable employees. For the employees on the Jonesboro, Beebe, Mountain Home, and Newport campuses hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later at these campuses, participants vest after one year. The Mid-South campus contributes 14% of earnings for all applicable employees and vest after one year. 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 2016, $34,888 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2016 were $8,360,038 and $7,309,582, respectively.

Variable Annuity Life Insurance Company (VALIC)

Plan Description
The Jonesboro, Beebe, Mountain Home, and Newport campuses contribute to VALIC, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. VALIC provides insurance policies that become the property of the participant when issued.

Funding Policy
Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum percentage is 6%. The University's contributory rate is 10% for all applicable employees. For employees hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later, participants vest after one year. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2016, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2016 were $1,317,929 and $1,201,459, respectively.

NOTE 8: Retirement Plans (Continued)

ING Life Insurance and Annuity Company

Plan Description

The Mid-South campus contributes to ING Life Insurance and Annuity Company (ILIAC), a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by the State Board of Workforce Education and Career Opportunities and ILIAC. Funding is provided through a group of deferred annuity contract issued by ILIAC.

Funding Policy

The participants' contributions are tax-sheltered and amount to a minimum of 6% of compensation. The University's contribution rate is 14%. Participants become vested after one year. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and returned to the University annually. The University received forfeited amounts in fiscal year 2016 of $7,518. The University's and participants' contributions for the year ended June 30, 2016 were $684,450 and $429,717, 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 of (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%.

NOTE 8: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

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 $19,077 as of June 30, 2016. 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, 2016. 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 $3,256,909,830 was measured as of June 30, 2015, 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, 2016, the University reported a liability of $11,434,400 for its proportionate share of the net pension liability. At June 30, 2015, the University's proportion was .35% of the collective net pension liability.

For the year ended June 30, 2016, the University recognized pension expense of $508,412. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 357,280	$ 234,284
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	1,511,689	2,971,660
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,072	1,058,770
Contributions subsequent to the measurement date	$ 1,305,613	
Totals	$ 3,180,654	$ 4,264,714

$1,305,613 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, 2017. 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
2017	$ (824,977)
2018	(824,977)
2019	(824,977)
2020	186,073
2021	(100,815)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2015. 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)

NOTE 8: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	4.7%
Fixed Income	20%	0.9%
Alternatives	5%	4.4%
Real Assets	15%	4.3%
Private Equity	10%	6.5%
Cash Equivalents	0%	0.1%
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	$ 18,989,838	$ 11,434,400	$ 5,100,943

NOTE 8: Retirement Plans (Continued)

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 $1,603 as of June 30, 2016. 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.

Member may have employee contributions in the System is (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.

NOTE 8: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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, 2016.

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

The collective net pension liability of $1,841,733,371 was measured as of June 30, 2015, 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, 2016, the University reported a liability of $7,228,228 for its proportionate share of the net pension liability. At June 30, 2015, the University's proportion was .39% of the collective net pension liability.

For the year ended June 30, 2016, the University recognized pension expense of $681,051. At June 30, 2016, 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		$ 473,871
Changes of assumptions	$ 1,066,732	
Changes in proportion and differences between employer contributions and share of contributions	17,929	629,666
Net difference between projected and actual earnings on pension plan investments		358,628
Contributions subsequent to the measurement date	928,244	
Totals	$ 2,012,905	$ 1,462,165

$928,244 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, 2017. 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
2017	$ (186,279)
2018	(186,279)
2019	(252,221)
2020	247,275

NOTE 8: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2015. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial cost 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 2015 – 2024 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, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	42%	6.82%
International equity	25%	6.88%
Real assets	12%	3.07%
Absolute return	5%	3.35%
Domestic fixed	16%	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.

NOTE 8: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

The following presents the proportionate share of the net pension liability using the discount rate of 7.50%, 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	$ 11,906,757	$ 7,228,228	$ 3,337,337

NOTE 9: Natural Classifications by Function

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

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self-insurance	Depreciation	Other	Total
Instruction	$ 70,071,763	$ 1,753,979	$ 10,842,102				$ 82,667,844
Research	5,798,985	234,519	2,422,332				8,455,836
Public service	12,343,129	157,601	5,861,010				18,361,740
Academic support	13,258,637	38,305	9,747,754				23,044,696
Student services	13,672,751	270,007	3,681,276				17,624,034
Institutional support	20,945,505	35,500	7,328,840				28,309,845
Scholarships and fellowships		9,637,556					9,637,556
Operations and maintenance of plant	10,411,096		17,476,715				27,887,811
Auxiliary enterprises	9,877,004	5,681,964	16,481,552				32,040,520
Self-insurance				$ 15,570,817			15,570,817
Depreciation					$ 29,385,729		29,385,729
Other						$ 106,217	106,217
Totals	$ 156,378,870	$ 17,809,431	$ 73,841,581	$ 15,570,817	$ 29,385,729	$ 106,217	$ 293,092,645

NOTE 10: Receivable and Payable Balances

Accounts receivables at June 30, 2016 as reported in the Statement of Net Position, were as follows:

	Current	Noncurrent	Total
Student receivables, net	$ 8,921,502		$ 8,921,502
Grants and contracts	6,256,717		6,256,717
Sales and use tax	183,400		183,400
Construction projects	2,633		2,633
Travel advances	13,005		13,005
Property tax accrual	1,136,850	$ 1,635,090	2,771,940
Auxiliary enterprises	512,738	22,078	534,816
Miscellaneous	2,119,551	64,266	2,183,817
Totals	$ 19,146,396	$ 1,721,434	$ 20,867,830

NOTE 10: Receivable and Payable Balances (Continued)

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was $2,654,759 at June 30, 2016. 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, 2016 were as follows:

	Current	Noncurrent	Total
Notes receivable, net	$ 781,552	$ 4,621,384	$ 5,402,936
Deposits receivable		5,759	5,759
Totals	$ 781,552	$ 4,627,143	$ 5,408,695

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2016 was reduced by an allowance for doubtful accounts of $260,741 for the current portion and $1,541,784 for the noncurrent portion.

Accounts payable and accrued liabilities at June 30, 2016 are detailed below:

	Current	Noncurrent	Total
Vendors	$ 9,910,007		$ 9,910,007
Students	3,697		3,697
Sales tax and use tax	29,801		29,801
Health claims	867,041		867,041
Arkansas Delta Training and Education Consortium	362,863		362,863
Salaries and other payroll related items	2,150,363		2,150,363
Optional Voluntary Retirement Incentive Program	42,561	$ 13,352	55,913
Miscellaneous	51,056		51,056
Totals	$ 13,417,389	$ 13,352	$ 13,430,741

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

Jonesboro, Beebe, Mountain Home, and Newport

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

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

1. Medical insurance (including spouse and unmarried dependents, if covered at the time the employee retires or unless a qualifying event occurs) will be provided at one-half of the total cost (one-half of what ASU pays and half of the employee premium).

NOTE 12: Other Postemployment Benefits (Continued)

Jonesboro, Beebe, Mountain Home, and Newport (Continued)

2. Life insurance and accidental death and dismemberment benefits equal to the scheduled amount at the time of the retiree's retirement will continue at no cost to the retiree; and

3. Continuing eligibility of the retiree, their spouse, and unmarried dependent children for tuition discounts in effect for current university employees.

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

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

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

In accordance with GASB Statement no. 45, the University accrued an additional $1,348,749 in retiree healthcare expense during fiscal year 2016. This compares to $1,894,798 accrued during fiscal year 2015.

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.

NOTE 12: Other Postemployment Benefits (Continued)

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

Cost Element		**Fiscal Year Ending June 30, 2016** Amount	Percent of Payroll [1]	**June 30, 2015** Amount	Percent of Payroll [2]
1.	Beginning of year unfunded actuarial accrued liability	$ 16,604,021	15.75%	$ 16,271,097	15.31%
Annual Required Contribution (ARC)					
2.	Normal cost	$ 1,283,430		$ 1,463,191	
3.	Amortization of UAAL	822,451		805,960	
4.	Interest on Above Items	63,176		68,075	
5.	Annual Required Contribution (ARC) (2+3+4)	$ 2,169,057	2.06%	$ 2,337,226	2.20%
Annual OPEB Cost (Expense)					
6.	Annual Required Contribution	$ 2,169,057		$ 2,337,226	
7.	Amortization of beginning of year accrual	(574,587)		(477,916)	
8.	Interest on beginning of year accrual	337,865		281,021	
9.	Annual OPEB Cost (6. + 7. + 8.)	$ 1,932,335	1.83%	$ 2,140,331	2.01%
End of Year Accrual (Net OPEB Obligation)					
10.	Beginning of year accrual	$ 11,262,160		$ 9,367,362	
11.	Annual OPEB cost	1,932,335		2,140,331	
12.	Employer contribution (benefit payments)	(583,586)		(245,533)	
13.	End of year accrual (10. + 11. + 12.) [3]	$ 12,610,909	11.96%	$ 11,262,160	10.60%

[1] Annual payroll for the approximately 2,163 plan participants for fiscal year beginning July 1, 2015 is $105,417,081.
[2] Annual payroll for the approximately 2,224 plan participants for fiscal year beginning July 1, 2014 is $106,249,782.
[3] Actual contributions and administrative fees paid in fiscal year 2016 of $923,569 less participant contributions of $339,983; $613,478 and $367,945, respectively, in fiscal year 2015. The employer contributed 30.2% of annual OPEB cost during fiscal year 2016, compared to 11.5% during fiscal year 2015.

Schedule of Employer Contributions

Fiscal Year Ended	**Annual Required Contributions**	**Actual Contributions [4]**	**Percentage Contributed**
June 30, 2016	$ 1,932,335	$ 583,586	30.2%
June 30, 2015	2,140,331	245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%

[4] Since there is no funding, these are actual benefit payments less retiree contributions. For 2016, these amounts are $923,569 and $339,983, respectively. For 2015, these amounts are $613,478 and $367,945, respectively. For 2014, these amounts are $518,461 and $310,345, respectively.

NOTE 12: Other Postemployment Benefits (Continued)

Schedule of Funding Progress

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

Fiscal Year Ending	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) (b)**	**Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)**	**Funded Ratio (a)/(b)**	**Covered Payroll [5] (c)**	**UAAL as a Percentage Of Covered Payroll [5] [(b)-(a)]/(c)**
June 30, 2016	$ 0	$ 16,604,021	$ 16,604,021	0%	$ 105,417,081	15.75%
June 30, 2015	0	16,271,097	16,271,097	0%	106,249,782	15.31%
June 30, 2014	0	15,342,391	15,342,391	0%	105,128,638	14.59%

[5] Payroll as of July 1, 2015, July 1, 2014, and July 1, 2013 includes only plan participants.

Note: The annual required contribution (ARC) of $2,169,057 for fiscal year 2016 and accrual of $12,610,909 as of June 30, 2016, are based on a current decision not to fund in a segregated GASB qualified trust; $2,337,226 and $11,262,160, respectively, as of June 30, 2015; and $2,245,948 and $9,367,362, respectively, as of June 30, 2014.

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, 2016	$ 1,932,335	30.2%	$ 12,610,909
June 30, 2015	2,140,331	11.5%	11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2015 – June 30, 2016
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% per year for 2016 through 2018, then 2.5% thereafter.
Heath care cost trend rate for medical and prescription drugs	Trend rates are 7.5% for fiscal year 2016 grading down to reach an ultimate trend rate of 5.00% in 2041.

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 2016.

NOTE 12: Other Postemployment Benefits (Continued)

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

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

Valuation Year July 1, 2015 – June 30, 2016
Date of Census Data December 31, 2015
Actuarial Cost Method Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

Retiree Premiums

Health (monthly rate)	**Employee Cost**	**Employer Cost**	**Total**
Single	$ 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	0.00	447.90

Annual Health Care Trend Rate Trend rates are 7.5% for fiscal year 2016 grading down to reach an ultimate trend rate of 5.00% in 2040.

Discount Rate 3.0% per annum

Inflation 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.

NOTE 12: Other Postemployment Benefits (Continued)

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%	18%	14%	12%	10%	9.2%
25	35%	18%	14%	12%	10%	9.2%
30	35%	18%	14%	12%	10%	8.7%
35	35%	18%	14%	12%	10%	7.3%
40	35%	18%	14%	12%	10%	6.0%
45	35%	18%	14%	12%	10%	4.9%
50	35%	18%	14%	12%	10%	3.8%

Mid-South

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.

Plan Description. The University offers postemployment health care benefits, basic life insurance, and dental insurance to all employees who officially retire from the University and meet certain age and service related requirements. The University's full-time employees are eligible to retire at age 55 if they have completed at least 10 years of continuous employment at Arkansas State University-Mid-South.

NOTE 12: Other Postemployment Benefits (Continued)

Funding Policy. Health care benefits and basic life insurance benefits are offered through the University's participation in the Arkansas Higher Education Consortium (AHEC), an agent multiple-employers defined benefit plan. Basic life insurance of $20,000 is continued, but will be reduced to $13,000 at age 65 and to $10,000 at age 70. The retiree is responsible for the premiums. Under the University's retirement program, there are two options for Health insurance depending on age and years of service to the University. A retiree from age 55 to 65 with 10 years of service may remain a member of the health insurance group until eligible for Medicare provided the retired employee pays the applicable premium cost. A retiree who is at least 55 years old and whose age plus years of service to the University total 75 or more may remain a member of the health insurance group, and the University will contribute to the health insurance plan at the same rate as for current faculty and staff. Medical coverage ceases when the retiree becomes Medicare eligible (currently age 65). At that time, the retiree may elect to continue medical coverage, including dependents, under the University's plan. The retiree is responsible for payment of the premiums, and Medicare will serve as the primary coverage. Retirees may also elect to continue the University's group dental insurance with the retiree being responsible for the premium costs.

Annual OPEB Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement no. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As part of the transition provisions of GASB Statement no. 45, the University accrued an additional $52,391 in retiree healthcare benefit expense during the fiscal year 2016.

Reconciliation of Net Other Post Employment Benefit Obligation (Net OPEB)

	2015 - 2016
1. Actuarilly Required Contribution	$ 75,903
2. Interest on OPEB Obligation	22,911
3. Adjustment to 1.	(30,488)
4. Annual OPEB Cost (1. + 2. + 3.)	68,326
5. Actual Contribution Made	15,935
6. Increase in Net OPBE Obligation (4. - 5.)	52,391
7. Net OPEB Obligation - beginning of year	482,331
8. Net OPEB Obligation - end of year	$ 534,722

Determination of the Actuarially Required Contribution

Normal cost	$ 48,941
Amortization of the unfunded actuarillay accrued liability over 30 years	23,520
Interest	3,442
Total Actuarially Required Contribution	$ 75,903

NOTE 12: Other Postemployment Benefits (Continued)

The sponsor's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year were as follows:

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
June 30, 2016	$ 68,326	23.32%	$ 534,722
June 30, 2015	69,416	(a)	482,331
June 30, 2014	70,446	6.95%	412,915
June 30, 2013	60,656	14.59%	347,949
June 30, 2012	61,336	12.43%	295,555
June 30, 2011	62,072	6.14%	241,847
June 30, 2010	60,911	(a)	183,589

(a) The University had no participating retirees in fiscal years 2010 and 2015.

Schedule of Funding Progress

Fiscal Year Ending	**Market Value of Plan Assets**	**Actuarial Accrued Liability**	**Unfunded Accrued Liability (UAAL)**	**Funded Ratio**	**Annual Covered Payroll**	**UAAL as a Percentage Of Covered Payroll**
June 30, 2013	$ 0	$ 389,768	$ 389,768	0%	$ 6,393,438	6.10%
June 30, 2010	0	334,118	334,118	0%	6,876,166	4.86%
June 30, 2007	0	294,819	294,819	0%	6,314,359	4.67%

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 Assumptions

Cost method Projected Unit Credit

Discount rate 4.75%

Heath care cost trend rate "Medical inflation" was assumed to be 10.0% next year, 9.0% the second year, 8.0% the third year, with the rate decreasing by 0.50% each year, to an ultimate rate of 5.00% in the ninth year.

Base claim costs Most retirees pay the same premium as an active employee. But, since health care for a retired group is higher than the average for employees, this results in a subsidy for the retiree.

The following subsidy was assumed:

	Implicit Subsidy	Maximum Explicit Subsidy	Maximum Total Net	Maximum Retiree Payment
Retiree, no Medicare	$ 142.39	$ 495.00	$ 637.39	$ 0
Retiree, with Medicare	0	0	0	0

NOTE 12: Other Postemployment Benefits (Continued)

Source of claim costs

The medical cost for retirees equals the explicit subsidy paid by the University at the beginning of the year. This was increased by the implicit subsidy contained in such rates for a retiree. This subsidy was assumed to be $42.39 for retirees under age 65 and was developed from retiree claim costs from other public entities in Arkansas.

Administrative costs

None assumed.

Selection of coverage

It is assumed that 80% of eligible retirees would select the coverage when they initially retired, and that 0% of them would continue it past age 65.

Data used

The census listing from the University is summarized below:

	July 1, 2013
Number of active employees	137
Number of retirees covered	
Under 65	1
Over 65	0

Pre-retirement mortality

Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table.

Post-retirement mortality

The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

Age	Males	Females
55	25.49 years	29.53 years
65	17.26 years	20.69 years

Voluntary terminations

Generally, the voluntary termination assumption utilized by the Arkansas Teacher Retirement System was used. Termination at some sample ages are:

Age	Termination rate per 100 members
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

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

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

NOTE 12: Other Postemployment Benefits (Continued)

Expected retirement pattern The following rates of retirement were assumed:

Age	Retirement rate per 100 members
55 - 59	5.0
60	15.0
61	14.0
62	25.0
63	15.0
64	15.0
65	35.0
66	30.0
67	30.0
68	30.0
69	100.0

Disabilities The disability rates utilized by the Arkansas Teacher Retirement System was used. Rates at some sample ages are:

Age	Retirement rate per 100 members
20	0.10
25	0.10
30	0.08
35	0.08
40	0.14
45	0.24
50	0.53
55	0.88
60	1.00

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 (other than Mid-South) participate in the program, which is administered by BlueAdvantage administrators.

At June 30, 2016, approximately 4,069 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.

The University estimates its unpaid health claims liability at June 30, 2016 to be $867,041 with BlueAdvantage. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

NOTE 13: Self-insurance Program (Continued)

Unpaid Claims Liability

		FY 2016
Unpaid Claims, 7-1-15	$	926,226
Incurred claims during current year		10,288,115
Current year claims paid		9,431,412
Prior year claims paid		915,888
Total payments		10,347,300
Unpaid Claims, 6-30-16	$	867,041

The University purchases specific reinsurance to reduce its exposure to large claims. Beacon Risk Strategies 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

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds, and other managed investments. The endowment net position at June 30, 2016 was $12,375,337. Of this amount, $11,502,040 was nonexpendable and the remaining $873,297 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.

Arkansas State University-Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds, and other managed investments. The endowment net position at June 30, 2016 was $620,319. Of this amount, $601,927 was nonexpendable and the remaining $18,392 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, 2016 are as follows:

Arkansas State University-Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 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	$ 2,657,989	$ 14,342,625	$ 760,763	$ 435,947	$ 7,958,181	$ 1,955,609	45.02%
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Parking Garage	Parking Fees	1,392,988	4,887,375	259,237	148,553	2,711,819	666,391	29.27%
Series 2007 Student Fee	6/1/2007	3/1/2037	Construction of Recreation Center	Recreation Center Fee	1,860,697	17,065,000	395,000	664,680	13,830,000	8,383,451	56.95%
Series 2007 Housing	6/1/2007	3/1/2037	Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park	Housing Fees	3,674,139	30,300,000	960,000	1,186,938	23,570,000	12,935,712	58.43%
Series 2009 Housing	3/19/2009	3/1/2039	Construction of Living Learning Community	Housing Fees	439,577	9,290,000	205,000	388,834	8,135,000	5,580,905	100.00%
Series 2010 Refunding	12/7/2010	3/1/2031	Refinance Series 2001 Family Housing Phase I	Housing Fees	1,218,899	6,075,000	255,000	171,456	4,620,000	1,487,736	34.99%
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	72,454	1,960,000	613,752	0.22%
Series 2010B Refunding	12/7/2010	12/1/2017	Refinance Series 2002-Renovation of Kays Hall and Twin Towers	Housing Fees	1,650,004	1,568,376	232,498	16,117	452,319	13,438	15.07%
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	57,502	23,408	792,681	173,674	0.09%

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	$ 765,244	$ 6,510,000	$ 140,000	$ 281,126	$ 6,100,000	$ 4,785,522	55.03%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	765,244	4,470,000	100,000	176,655	4,215,000	2,964,019	36.15%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees	491,627	6,875,000	165,000	222,835	6,395,000	3,623,670	78.89%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees	491,627	1,255,000	30,000	35,431	1,175,000	575,625	13.31%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,650,004	3,425,000	95,000	118,606	3,055,000	1,438,238	12.95%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,650,004	1,500,000	50,000	38,731	1,360,000	498,094	5.38%
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	175,294	4,520,000	2,017,764	0.42%
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	68,919	2,180,000	723,712	0.19%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall	Housing Fees	4,228,926	22,521,103	810,588	748,820	20,124,412	7,907,971	36.87%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Family Housing Phase II	Housing Fees	1,218,889	6,373,897	229,412	211,930	5,695,588	2,238,104	36.21%
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	11,130,000	280,000	529,313	10,570,000	7,866,178	0.93%
Series 2013B Student Fee	12/1/2013	12/1/2043	Construction of Humanities and Social Sciences builidng	Gross Tuition and Fees	see below	14,685,000	280,000	635,550	14,130,000	11,308,045	1.05%

Note: Issues with Tuition and Fees pledged, 2016 Gross Revenue--$86,890,241

Arkansas State University-Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 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	$ 41,875	$ 1,655,000	$ 414,106	1.18%
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	195,000	41,925	1,700,000	193,375	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	817,213	8,005,000	245,000	243,773	7,760,000	3,721,325	59.81%
Series 2015 Refunding	5/1/2015	12/1/2035	Refinance Series 2005B Student Fee-Construction of academic and administrative buildings at the Heber Springs campus	Gross Tuition and Fees	see below	12,930,000	420,000	459,473	12,510,000	4,846,935	8.54%
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	395,000	231,681	8,790,000	3,495,924	6.09%

Note: Issues with Tuition and Fees pledged, 2016 Gross Revenue--$10,298,303

Arkansas State University-Mid-South

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 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	$ 2,765,092	$ 5,180,000	$ 100,000	$ 197,304	$ 4,515,000	$ 3,215,161	10.75%
Series 2012 Construction	8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	2,765,092	18,510,000	400,000	608,808	16,550,000	9,682,263	36.48%

Arkansas State University-Mountain Home

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 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 Property Tax Millage	$ 5,823,389	$ 2,920,000	$ 420,000	$ 24,455	$ 880,000	$ 21,030	7.63%
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Construction of Community Development Center	Gross Tuition and Fees	4,413,117	6,995,000	310,000	206,101	6,075,000	2,000,209	11.69%

Arkansas State University-Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2016 Gross Revenue	Amount Issued	2016 Principal Paid	2016 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	$ 209,999	$ 95,712	$ 2,914,999	$ 692,960	4.20%
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	41,517	1,645,000	413,419	1.67%

Note: Issues with Tuition and Fees pledged, 2016 Gross Revenue--$7,280,788

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; and a comprehensive K&R policy to cover costs and provide assistance in certain crisis events involving University directors, officers, employees, faculty, and students.

NOTE 17: Merger with Mid-South Community College

On January 9, 2015, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and Mid-South Community College (MSCC). In the merger agreement, Mid-South Community College became a member of the Arkansas State University System. The ASU System agreed to maintain and oversee operations of Mid-South Community College, after the merger to be known as Arkansas State University Mid-South (ASU Mid-South), an institution of higher learning in the eastern Arkansas Delta region and as a campus in the ASU System. The agreement was entered into so that both parties can provide for sound growth of and sustain ASU Mid-South as a first-class community college according to a plan of transition calling for specific action by the ASU System and MSCC. This agreement was entered into so that MSCC was fully merged into the Arkansas State University System, which is the surviving legal institution and will continue to be governed by the laws of the State of Arkansas with the ASU System receiving and assuming, upon the date of transfer, the assets and liabilities of MSCC. The merger was effective on July 1, 2015.

As of July 1, 2015, ASU Mid-South had the following assets, deferred outflows, liabilities, deferred inflows and net position.

Mid-South Community College
Statement of Net Position
July 1, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	$ 2,645,021
Accounts receivable (less allowances of $1,104,157)	4,009,944
Inventories	12,086
Deposits with trustees	837,301
Prepaid expenses	8,435
Total Current Assets	7,512,787
Noncurrent Assets:	
Cash and cash equivalents	1,685,890
Other long-term investments	6,677,696
Accrued interest and late charges	19,145
Deposits with trustees	1,575,416
Accounts receivable	1,626,819
Capital assets (net of accumulated depreciation of $29,888,745)	47,541,421
Total Noncurrent Assets	59,126,387
TOTAL ASSETS	**66,639,174**
DEFERRED OUTFLOWS OF RESOURCES	
Excess of bond reacquisition costs over carrying value	70,335
Pensions	117,245
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**66,826,754**
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	2,696,518
Bonds payable	502,162
Compensated absences	45,646
Unearned revenue	86,891
Funds held in trust for others	30,808
Interest payable	335,139
Total Current Liabilities	3,697,164
Noncurrent Liabilities:	
Bonds payable	21,124,390
Compensated absences	556,140
Accrued other postemployment benefits payable	482,331
Net pension liability	758,270
Total Noncurrent Liabilities	22,921,131
TOTAL LIABILITIES	26,618,295
DEFERRED INFLOWS OF RESOURCES	
Pensions	350,527
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**26,968,822**
NET POSITION	
Net investment in capital assets	25,914,869
Restricted for:	
Nonexpendable:	
Renewal and replacement	967,261
Expendable:	
Scholarships and fellowships	143,583
Loans	10,000
Capital projects	255,099
Debt service	1,703,917
Renewal and replacement	280,526
Unrestricted	10,582,677
TOTAL NET POSITION	$ 39,857,932

NOTE 18: 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 will be paid to the employee's retirement fund in July 2016 and 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, 2016, the liability totaling $26,704 has been recorded on the University's financial statements with $13,352 recorded as a current liability and the remaining $13,352 as a noncurrent liability.

Newport

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

NOTE 19: Lease Obligations with Red Wolves Foundation

In January 2015, the University entered into an agreement with the Red Wolves Foundation. This lease agreement allowed the Red Wolves Foundation to obtain financing to complete the expansion of the football stadium and press box (Centennial Bank Stadium). The agreement allows the Red Wolves Foundation to utilize the space and complete construction of the facility which will ultimately belong to the University. The term of the lease is 10 years and the amount of the financing 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 20: Subsequent Events

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 July 29, 2016, the University entered into a capital lease agreement to purchase IT equipment. The amount of the lease is $545,160 with an interest rate of 2.98%. The term of the lease is three years with annual payments commencing on October 1, 2016.

On August 2, 2016, Dr. Tim Hudson resigned as chancellor after four years of service. Dr. Charles Welch, President of the ASU System, named Dr. Lynita Cooksey, Provost and Vice Chancellor for Academic Affairs and Research, as the acting chancellor.

On September 1, 2016, Dr. Charles Welch, President of the ASU System, named Dr. Doug Whitlock, President Emeritus of Eastern Kentucky University, to serve as interim chancellor of Arkansas State University effective September 12, 2016.

Jonesboro

On September 23, 2016, the Board of Trustees approved to refund the Series 2007 Student Fee and Series 2007 Housing bond issues. The refundings will have a net present value savings of at least 4%. The bonds will mature no later than March 1, 2037 and will have a true interest cost (after taking into account original issue discount and premium and underwriters' discount but excluding costs of issuing and insuring the bonds) not greater than 4.25%.

Other Postemployment Benefits

Jonesboro, Beebe, Mountain Home, and Newport

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

Cost Element		Fiscal Year Ending June 30, 2016 Amount	June 30, 2016 Percent of Payroll [1]	June 30, 2015 Amount	June 30, 2015 Percent of Payroll [2]
1.	Beginning of year unfunded actuarial accrued liability	$ 16,604,021	15.75%	$ 16,271,097	15.31%
Annual Required Contribution (ARC)					
2.	Normal cost	$ 1,283,430		$ 1,463,191	
3.	Amortization of UAAL	822,451		805,960	
4.	Interest on Above Items	63,176		68,075	
5.	Annual Required Contribution (ARC) (2+3+4)	$ 2,169,057	2.06%	$ 2,337,226	2.20%
Annual OPEB Cost (Expense)					
6.	Annual Required Contribution	$ 2,169,057		$ 2,337,226	
7.	Amortization of beginning of year accrual	(574,587)		(477,916)	
8.	Interest on beginning of year accrual	337,865		281,021	
9.	Annual OPEB Cost (6. + 7. + 8.)	$ 1,932,335	1.83%	$ 2,140,331	2.01%
End of Year Accrual (Net OPEB Obligation)					
10.	Beginning of year accrual	$ 11,262,160		$ 9,367,362	
11.	Annual OPEB cost	1,932,335		2,140,331	
12.	Employer contribution (benefit payments)	(583,586)		(245,533)	
13.	End of year accrual (10. + 11. + 12.) [3]	$ 12,610,909	11.96%	$ 11,262,160	10.60%

[1] Annual payroll for the approximately 2,163 plan participants for fiscal year beginning July 1, 2015 is $105,417,081.
[2] Annual payroll for the approximately 2,224 plan participants for fiscal year beginning July 1, 2014 is $106,249,782.
[3] Actual contributions and administrative fees paid in fiscal year 2016 of $923,569 less participant contributions of $339,983; $613,478 and $367,945, respectively, in fiscal year 2015. The employer contributed 30.2% of annual OPEB cost during fiscal year 2016, compared to 11.5% during fiscal year 2015.

Schedule of Employer Contributions

Fiscal Year Ended	**Annual Required Contributions**	**Actual Contributions [4]**	**Percentage Contributed**
June 30, 2016	$ 1,932,335	$ 583,586	30.2%
June 30, 2015	2,140,331	245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%

[4] Since there is no funding, these are actual benefit payments less retiree contributions. For 2016, these amounts are $923,569 and $339,983, respectively. For 2015, these amounts are $613,478 and $367,945, respectively. For 2014, these amounts are $518,461 and $310,345, 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.

Other Postemployment Benefits (Continued)

Fiscal Year Ending	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) (b)**	**Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)**	**Funded Ratio (a)/(b)**	**Covered Payroll [5] (c)**	**UAAL as a Percentage Of Covered Payroll [5] [(b)-(a)]/(c)**
June 30, 2016	$ 0	$ 16,604,021	$ 16,604,021	0%	$ 105,417,081	15.75%
June 30, 2015	0	16,271,097	16,271,097	0%	106,249,782	15.31%
June 30, 2014	0	15,342,391	15,342,391	0%	105,128,638	14.59%

[5] Payroll as of July 1, 2015, July 1, 2014, and July 1, 2013 includes only plan participants.

Note: The annual required contribution (ARC) of $2,169,057 for fiscal year 2016 and accrual of $12,610,909 as of June 30, 2016, are based on a current decision not to fund in a segregated GASB qualified trust; $2,337,226 and $11,262,160, respectively, as of June 30, 2015; and $2,245,948 and $9,367,362, respectively, as of June 30, 2014.

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, 2016	$ 1,932,335	30.2%	$ 12,610,909
June 30, 2015	2,140,331	11.5%	11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2015 – June 30, 2016
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% per year for 2016 through 2018, then 2.5% thereafter.
Heath care cost trend rate for medical and prescription drugs	Trend rates are 7.5% for fiscal year 2016 grading down to reach an ultimate trend rate of 5.00% in 2041.

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 2016.

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, 2015 – June 30, 2016
Date of Census Data	December 31, 2015
Actuarial Cost Method	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

Other Postemployment Benefits (Continued)

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	0.00	447.90

Annual Health Care Trend Rate — Trend rates are 7.5% for fiscal year 2016 grading down to reach an ultimate trend rate of 5.00% in 2040.

Discount Rate — 3.0% per annum

Inflation — 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%	18%	14%	12%	10%	9.2%
25	35%	18%	14%	12%	10%	9.2%
30	35%	18%	14%	12%	10%	8.7%
35	35%	18%	14%	12%	10%	7.3%
40	35%	18%	14%	12%	10%	6.0%
45	35%	18%	14%	12%	10%	4.9%
50	35%	18%	14%	12%	10%	3.8%

Other Postemployment Benefits (Continued)

Mid-South

Reconciliation of Net Other Post Employment Benefit Obligation (Net OPEB)

	2015 - 2016
1. Actuarilly Required Contribution	$ 75,903
2. Interest on OPEB Obligation	22,911
3. Adjustment to 1.	(30,488)
4. Annual OPEB Cost (1. + 2. + 3.)	68,326
5. Actual Contribution Made	15,935
6. Increase in Net OPBE Obligation (4. - 5.)	52,391
7. Net OPEB Obligation - beginning of year	482,331
8. Net OPEB Obligation - end of year	$ 534,722

Determination of the Actuarially Required Contribution

Normal cost	$ 48,941
Amortization of the unfunded actuarillay accrued liability over 30 years	23,520
Interest	3,442
Total Actuarially Required Contribution	$ 75,903

The sponsor's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 68,326	23.32%	$ 534,722
June 30, 2015	69,416	(a)	482,331
June 30, 2014	70,446	6.95%	412,915
June 30, 2013	60,656	14.59%	347,949
June 30, 2012	61,336	12.43%	295,555
June 30, 2011	62,072	6.14%	241,847
June 30, 2010	60,911	(a)	183,589

(a) The University had no participating retirees in fiscal year 2010 and 2015.

Schedule of Funding Progress

Fiscal Year Ending	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage Of Covered Payroll
June 30, 2013	$ 0	$ 389,768	$ 389,768	0%	$ 6,393,438	6.10%
June 30, 2010	0	334,118	334,118	0%	6,876,166	4.86%
June 30, 2007	0	294,819	294,819	0%	6,314,359	4.67%

Pension Plans

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

Arkansas Teacher Retirement System

Proportionate share of the net pension liability (asset)	$	11,434,400		$	9,331,442
Covered employee payroll	$	10,241,904	**	$	10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll		111.64%			92.26%
Plan fiduciary net position as a percentage of the total pension liability		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 University Contributions

Arkansas Teacher Retirement System

		2016		2015
Contractually required contribution	$	1,305,613	$	1,320,906
Contributions in relation to the contractually required contribution	$	(1,305,613)	$	(1,320,906)
Contribution deficiency (excess)	$	0	$	0
Covered employee payroll	$	9,199,761	$	9,404,438
Contributions as a percentage of covered employee payroll		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, 2015.

B. Changes in assumptions
There were no significant changes in assumptions for the year ended June 30, 2015.

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

Valuation date: June 30, 2015

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)

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

Arkansas Public Employees Retirement System

		2016*		2015*
Proportion of the net pension liability (asset)		0.39%		0.44%
Proportionate share of the net pension liability (asset)	$	7,228,228	$	6,175,989
Covered employee payroll	$	6,903,139	$	7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll		104.71%		81.54%
Plan fiduciary net position as a percentage of the total pension liability		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 University Contributions

Arkansas Public Employees Retirement System

		2016		2015
Contractually required contribution	$	928,244	$	1,027,156
Contributions in relation to the contractually required contribution	$	(928,244)	$	(1,027,156)
Contribution deficiency (excess)	$	0	$	0
Covered employee payroll	$	6,303,819	$	6,903,139
Contributions as a percentage of covered employee payroll		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
Pension 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, 2015.

B. Changes in assumptions
Changes in assumptions used to calculate the total pension liability between fiscal year 2014 and fiscal year 2015 are as follows:

	FY 2015	FY 2014
Inflation rate	2.50%	3.75%
Salary increases	3.95% - 9.85%	3.75% - 10.35%
Discount rate	7.50%	7.75%

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

Valuation date: June 30, 2015

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.

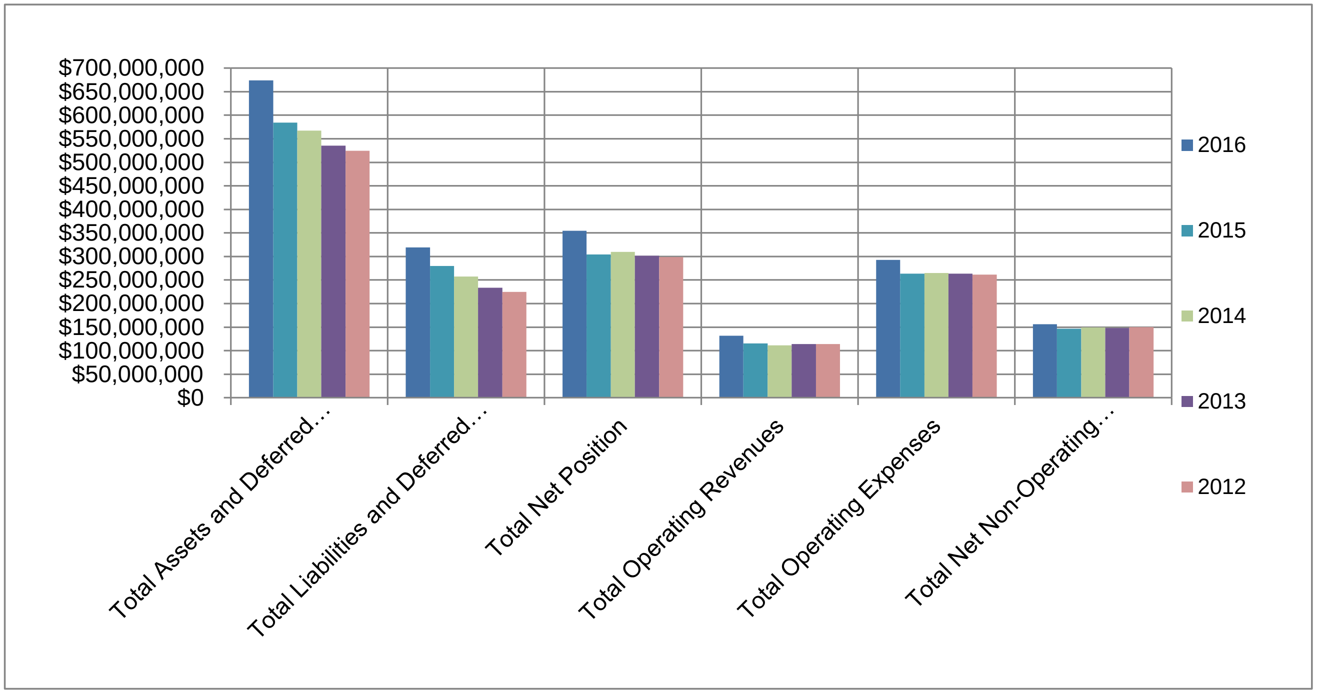
The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll
Amortization Period	25 year closed
Asset Valuation Method	4 year smoothed market with 25% corridor
Investment Rate of Return	7.50%
Salary Increases	3.95 – 9.85% including inflation
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

Schedule 1

ARKANSAS STATE UNIVERSITY SYSTEM
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2016
(Unaudited)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets and Deferred Outflows	$ 674,208,460	$ 584,319,573	$ 567,433,881	$ 535,203,798	$ 524,263,612
Total Liabilities and Deferred Inflows	319,412,193	280,090,274	257,656,823	233,858,273	225,138,771
Total Net Position	354,796,267	304,229,299	309,777,058	301,345,525	299,124,841
Total Operating Revenues	131,717,149	115,442,238	111,351,089	114,344,793	114,404,920
Total Operating Expenses	293,092,645	263,700,741	265,248,995	263,915,529	261,327,398
Total Net Non-Operating Revenues	156,229,285	146,521,857	149,153,026	148,356,757	150,286,032
Total Other Revenues, Expenses, Gains or Losses	15,855,247	16,406,149	13,176,413	4,468,270	10,423,715



Schedule 2

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2016

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2016	Beebe June 30, 2016	Mid-South June 30, 2016	Mountain Home June 30, 2016	Newport June 30, 2016	Total June 30, 2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets:						
Cash and cash equivalents	$ 33,824,981	$ 5,481,409	$ 4,033,453	$ 6,682,146	$ 1,297,760	$ 51,319,749
Short-term investments	432,783	7,068,611			124,321	7,625,715
Accounts receivable (less allowances of $2,654,759)	11,338,270	834,629	3,397,070	1,748,849	1,827,578	19,146,396
Notes and deposits receivable (less allowances of $260,741)	781,552					781,552
Accrued interest and late charges	128,017	2,948			1,715	132,680
Inventories	2,164,082	305,010	17,072		3,403	2,489,567
Deposits with trustees	2,506,133	87	840,984	10	47	3,347,261
Unamortized bond insurance	430,517	13,257		58,680	39,562	542,016
Prepaid expenses	134,238	18,529	22,344	10,137	4,491	189,739
Total Current Assets	51,740,573	13,724,480	8,310,923	8,499,822	3,298,877	85,574,675
Noncurrent Assets:						
Cash and cash equivalents	30,649,619					30,649,619
Restricted cash and cash equivalents	3,110,668		1,492,542	674,199		5,277,409
Endowment investments	13,144,609	647,319				13,791,928
Other long-term investments	6,672,167	1,309,406	6,822,767		5,075,115	19,879,455
Accrued interest and late charges	604,831		20,548			625,379
Deposits with trustees	5,337,344		1,441,572			6,778,916
Accounts receivable	86,167		1,635,267			1,721,434
Notes and deposits receivable (less allowances of $1,541,784)	4,627,143					4,627,143
Capital assets (net of accumulated depreciation of $355,995,030)	354,793,289	55,539,317	46,682,007	19,402,138	21,330,037	497,746,788
Total Noncurrent Assets	419,025,837	57,496,042	58,094,703	20,076,337	26,405,152	581,098,071
TOTAL ASSETS	**470,766,410**	**71,220,522**	**66,405,626**	**28,576,159**	**29,704,029**	**666,672,746**
DEFERRED OUTFLOWS OF RESOURCES						
Excess of bond reacquisition costs over carrying value	1,290,285	895,399	67,404	23,531	65,536	2,342,155
Pensions	3,265,596	1,117,055	224,347	74,824	511,737	5,193,559
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	475,322,291	73,232,976	66,697,377	28,674,514	30,281,302	674,208,460

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2016

Schedule 2

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2016	Beebe June 30, 2016	Mid-South June 30, 2016	Mountain Home June 30, 2016	Newport June 30, 2016	Total June 30, 2016
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	$ 10,205,967	$ 386,630	$ 2,111,685	$ 135,866	$ 577,241	$ 13,417,389
Bonds, notes, and leases payable	7,088,178	1,331,900	512,161	825,152	381,337	10,138,728
Compensated absences	5,061,861	882,061	44,314	27,914	511,287	6,527,437
Unearned revenue	10,018,171	129,861	85,359	158,486	58,491	10,450,368
Funds held in trust for others	369,869	71,529	32,852	33,503	48,312	556,065
Deposits	1,054,173	39,955			7,654	1,101,782
Interest payable	1,737,258	204,408	328,822	24,713	27,767	2,322,968
Total Current Liabilities	35,535,477	3,046,344	3,115,193	1,205,634	1,612,089	44,514,737
Noncurrent Liabilities:						
Accounts payable and accrued liabilities				13,352		13,352
Bonds, notes, and leases payable	162,616,702	31,379,418	20,612,229	6,359,607	5,359,727	226,327,683
Compensated absences	2,724,733	632,488	563,543	437,316	144,209	4,502,289
Accrued other postemployment benefits payable	9,382,516	1,803,360	534,722	554,880	870,153	13,145,631
Net pension liability	11,794,902	3,934,760	920,242	283,538	1,729,186	18,662,628
Deposits	561,468					561,468
Refundable federal advances	5,957,526					5,957,526
Total Noncurrent Liabilities	193,037,847	37,750,026	22,630,736	7,648,693	8,103,275	269,170,577
TOTAL LIABILITIES	228,573,324	40,796,370	25,745,929	8,854,327	9,715,364	313,685,314
DEFERRED INFLOWS OF RESOURCES						
Pensions	3,452,850	1,336,009	277,990	248,000	412,030	5,726,879
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	232,026,174	42,132,379	26,023,919	9,102,327	10,127,394	319,412,193

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2016

Schedule 2

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2016	Beebe June 30, 2016	Mid-South June 30, 2016	Mountain Home June 30, 2016	Newport June 30, 2016	Total June 30, 2016
NET POSITION						
Net investment in capital assets	$ 189,266,591	$ 23,723,397	$ 25,557,617	$ 12,299,589	$ 15,694,071	$ 266,541,265
Restricted for:						
Nonexpendable:						
Scholarships and fellowships	4,793,987	601,927				5,395,914
Renewal and replacement			967,261			967,261
Loans	444,071	20,000				464,071
Other - College and Department Purposes	8,609,721					8,609,721
Expendable:						
Scholarships and fellowships	573,053	197,562	559,650	30,884		1,361,149
Loans			10,000			10,000
Capital projects	785,840	4,482,170				5,268,010
Debt service			1,695,792			1,695,792
Renewal and replacement			263,704			263,704
Other	785,737	18,945		1,040,173	278,066	2,122,921
Unrestricted	38,037,117	2,056,596	11,619,434	6,201,541	4,181,771	62,096,459
TOTAL NET POSITION	$ 243,296,117	$ 31,100,597	$ 40,673,458	$ 19,572,187	$ 20,153,908	$ 354,796,267

ARKANSAS STATE UNIVERSITY SYSTEM

STATE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS

FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

	Jonesboro 2016	Beebe 2016	Mid-South 2016	Mountain Home 2016	Newport 2016	Total 2016
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of $51,561,707)	$ 48,064,294	$ 5,610,296	$ 2,281,093	$ 1,397,594	$ 4,113,166	$ 61,466,443
Grants and contracts	19,802,468	3,419,768	7,795,679	1,026,763	1,249,628	33,294,306
Sales and services	1,937,832	110,183		64,328		2,112,343
Auxillary enterprises (net of scholarship allowances of $9,232,446)	26,472,635	1,874,878	198,285	352,492	237,373	29,135,663
Self-insurance	4,104,547					4,104,547
Other operating revenues	830,416	304,129	255,360	142,839	71,103	1,603,847
TOTAL OPERATING REVENUES	101,212,192	11,319,254	10,530,417	2,984,016	5,671,270	131,717,149
OPERATING EXPENSES						
Personal services	107,161,543	19,663,241	10,794,189	7,228,477	11,531,420	156,378,870
Scholarships and fellowships	9,447,708	2,811,428	1,917,875	1,281,505	2,350,915	17,809,431
Supplies and services	51,422,750	7,321,500	7,102,075	3,588,947	4,406,309	73,841,581
Self-insurance	15,570,817					15,570,817
Depreciation	17,978,383	3,524,377	3,144,314	2,918,559	1,820,096	29,385,729
Other	106,217					106,217
TOTAL OPERATING EXPENSES	201,687,418	33,320,546	22,958,453	15,017,488	20,108,740	293,092,645
OPERATING INCOME (LOSS)	(100,475,226)	(22,001,292)	(12,428,036)	(12,033,472)	(14,437,470)	(161,375,496)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	541,230					541,230
State appropriations	68,326,240	14,122,727	7,620,235	4,847,039	7,539,302	102,455,543
Stimulus funds (ARRA)	24,848					24,848
Grants and contracts	34,459,877	6,728,737	3,099,074	4,196,330	4,956,233	53,440,251
Sales and use taxes		1,575,991			1,114,636	2,690,627
Property taxes			2,765,092	1,410,272		4,175,364
Gifts	1,570,601		125,250	162,863	38,393	1,897,107
Investment income	379,594	73,071	(52,578)	706	31,808	432,601
Interest on capital asset - related debt	(6,144,780)	(1,092,506)	(800,563)	(246,653)	(193,732)	(8,478,234)
Gain or loss on disposal of capital assets	(701,601)		2,742		4,472	(694,387)
Refund to grantors	(35,557)	(264)	(23,797)			(59,618)
Other nonoperating revenues (expenses)	(79,597)	(108,800)	(3,650)	(3,000)	(1,000)	(196,047)
NET NON-OPERATING REVENUES (EXPENSES)	98,340,855	21,298,956	12,731,805	10,367,557	13,490,112	156,229,285
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(2,134,371)	(702,336)	303,769	(1,665,915)	(947,358)	(5,146,211)
Capital appropriations	2,158,977	20,000				2,178,977
Capital grants and gifts	12,699,573	232,860	511,757	13,550	13,605	13,471,345
Additions to endowments		36,054				36,054
Adjustments to capital assets	132,883	(144,567)				(11,684)
Capitalization of library holdings at rate per volume	147,022			32,648		179,670
Livestock additions	885					885
INCREASE (DECREASE) IN NET POSITION	13,004,969	(557,989)	815,526	(1,619,717)	(933,753)	10,709,036
NET POSITION - BEGINNING OF YEAR	230,291,148	31,658,586		21,191,904	21,087,661	304,229,299
MERGER WITH MID-SOUTH COMMUNITY COLLEGE (NOTE 17)			39,857,932			39,857,932
NET POSITION - BEGINNING OF YEAR, AS RESTATED	230,291,148	31,658,586	39,857,932	21,191,904	21,087,661	344,087,231
NET ASSETS - END OF YEAR	$ 243,296,117	$ 31,100,597	$ 40,673,458	$ 19,572,187	$ 20,153,908	$ 354,796,267

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

	Jonesboro 2016	Beebe 2016	Mid-South 2016	Mountain Home 2016	Newport 2016	Consolidation Entries	Total 2016
CASH FLOW FROM OPERATING ACTIVITIES							
Student tuition and fees	$ 49,853,813	$ 5,569,881	$ 2,356,783	$ 1,367,827	$ 3,866,191		$ 63,014,495
Grants and contracts	20,778,501	3,397,552	8,644,607	1,127,867	1,274,306		35,222,833
Auxiliary enterprises revenues	26,696,024	1,907,347	199,834	334,632	245,155		29,382,992
Sales and services	1,932,481	110,183		64,328			2,106,992
Self-insurance program receipts	3,990,501						3,990,501
Collection of principal and interest related to student loans	717,911						717,911
Other receipts	1,421,588	290,896	291,202	142,839	71,103		2,217,628
Payments to employees	(93,560,433)	(15,179,034)	(8,283,719)	(5,454,912)	(8,799,382)		(131,277,480)
Payments for employee benefits	(15,088,493)	(4,593,351)	(2,469,403)	(1,725,664)	(2,711,641)		(26,588,552)
Payments to suppliers	(49,716,410)	(7,253,706)	(7,684,162)	(3,592,612)	(4,535,899)		(72,782,789)
Scholarships and fellowships	(9,447,708)	(2,811,428)	(1,917,875)	(1,281,505)	(2,350,915)		(17,809,431)
Self-insurance program payments	(15,802,153)						(15,802,153)
Loans issued to students	(454,480)						(454,480)
Net cash provided (used) by operating activities	(78,678,858)	(18,561,660)	(8,862,733)	(9,017,200)	(12,941,082)		(128,061,533)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Federal appropriations	450,391						450,391
State appropriations	68,326,240	14,122,727	6,120,235	4,847,039	7,511,732		100,927,973
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners			1,500,000				1,500,000
Stimulus (ARRA) funds	34,881						34,881
Grants and contracts	38,081,862	6,728,737	2,726,890	514,416	4,945,850		52,997,755
Private gifts and grants	2,038,503	(27,000)	125,250	162,864	30,893		2,330,510
Payments to other campus for financial aid distribution	(3,681,914)					$ 3,681,914	
Payment from ASUJ for financial aid distribution				3,681,914		(3,681,914)	
Sales and use taxes		1,602,991			1,125,621		2,728,612
Property taxes			2,756,821	1,345,229			4,102,050
Direct lending, PLUS and FFEL loan receipts	89,481,934	2,198,080			2,448,643		94,128,657
Direct lending, PLUS and FFEL loan payments	(90,473,439)	(2,204,963)			(2,499,580)		(95,177,982)
Agency activity	(49)	2,779	1,470	(1,479)	(43,232)		(40,511)
Refunds to grantors	(35,557)	(2,862)	(23,797)				(62,216)
Net cash provided (used) by noncapital financing activities	104,222,852	22,420,489	13,206,869	10,549,983	13,519,927	0	163,920,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	9,204,000						9,204,000
Distributions from trustee of bond proceeds and interest earnings	893,014						893,014
Distributions from debt holders of debt proceeds other than from bonds	9,424,864						9,424,864
Capital appropriations	2,158,977	20,000					2,178,977
Capital gifts and grants	12,744,291	217,860	492,257	13,550	5,424		13,473,382
Proceeds from sale of capital assets	17,108		2,743		5,973		25,824
Purchases of capital assets	(42,520,373)	(1,639,535)	(2,265,400)	(67,682)	(1,418,341)		(47,911,331)
Payments to trustees for bond principal	(5,705,000)	(1,335,000)		(730,000)	(290,000)		(8,060,000)
Payments to trustees for bond interest and fees	(6,396,381)	(1,001,017)		(233,556)	(138,228)		(7,769,182)
Payments to debt holders for principal (other than bonds)	(883,941)			(67,721)	(84,395)		(1,036,057)
Payments to debt holders for interest and fees (other than bonds)	(123,263)			(13,178)	(46,132)		(182,573)
Property taxes remitted to bond trustees			(2,756,821)				(2,756,821)
Distribution of excess property taxes from bond trustees			1,577,373				1,577,373
Net cash provided (used) by capital and related financing activities	(21,186,704)	(3,737,692)	(2,949,848)	(1,098,587)	(1,965,699)		(30,938,530)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

	Jonesboro 2016	Beebe 2016	Mid-South 2016	Mountain Home 2016	Newport 2016	Consolidation Entries	Total 2016
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	$ 3,079,358	$ 7,367,915	$ 4,393,887				$ 14,841,160
Interest on investments (net of fees)	430,656	77,347	119,136	$ 696	$ 31,361		659,196
Purchases of investments	(2,897,042)	(7,850,000)	(4,712,227)		(8,125)		(15,467,394)
Net cash provided (used) by investing activities	612,972	(404,738)	(199,204)	696	23,236		32,962
Net increase (decrease) in cash and cash equivalents	4,970,262	(283,601)	1,195,084	434,892	(1,363,618)		4,953,019
Cash and cash equivalents - beginning of year	62,615,006	5,765,010		6,921,453	2,661,378		77,962,847
Merger with Mid-South Community College (Note 17)			4,330,911				4,330,911
Cash and cash equivalents - beginning of year (as restated)	62,615,006	5,765,010	4,330,911	6,921,453	2,661,378		82,293,758
Cash and cash equivalents - end of year	$ 67,585,268	$ 5,481,409	$ 5,525,995	$ 7,356,345	$ 1,297,760	$ 0	$ 87,246,777
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:							
Operating income (loss)	$ (100,475,226)	$ (22,001,292)	$ (12,428,036)	$ (12,033,472)	$ (14,437,470)		$ (161,375,496)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	17,978,383	3,524,377	3,144,314	2,918,559	1,820,096		29,385,729
Change in assets and liabilities:							
Receivables, net	1,316,398	(51,957)	984,880	95,662	(418,751)		1,926,232
Inventories	749,353	34,904	(4,986)				779,271
Prepaid expenses	444,727	(573)	(13,909)	8,710	(1,402)		437,553
Accounts and salaries payable	(1,338,054)	(6,631)	(584,259)	(5,394)	146,089		(1,788,249)
Other postemployment benefits payable	1,104,829	147,823	52,391	48,082	48,015		1,401,140
Pension obligations	(624,060)	(288,397)	(17,667)	(46,600)	(67,670)		(1,044,394)
Unearned revenue	3,895,264	6,312	(1,532)	(36,054)	(5,825)		3,858,165
Deposits	119,574	2,250			6,313		128,137
Refundable federal advances	(1,519,501)						(1,519,501)
Compensated absences	(330,545)	71,524	6,071	33,307	(30,477)		(250,120)
Net cash provided (used) by operating activities	$ (78,678,858)	$ (18,561,660)	$ (8,862,733)	$ (9,017,200)	$ (12,941,082)		$ (128,061,533)
Reconciliation of Cash and Cash Equivalents							
Current Assets:							
Cash and Cash Equivalents	$ 33,824,981	$ 5,481,409	$ 4,033,453	$ 6,682,146	$ 1,297,760		$ 51,319,749
Noncurrent Assets:							
Cash and Cash Equivalents	30,649,619						30,649,619
Restricted Cash and Cash Equivalents	3,110,668		1,492,542	674,199			5,277,409
	$ 67,585,268	$ 5,481,409	$ 5,525,995	$ 7,356,345	$ 1,297,760		$ 87,246,777

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

	Jonesboro 2016	Beebe 2016	Mid-South 2016	Mountain Home 2016	Newport 2016	Consolidation Entries	Total 2016

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of $91,242

Value of equipment traded for equipment - $35,500

Capital lease payable-energy savings contract - $15,226,080

Interest earned on reserve accounts held by trustee - $1,445

Interest paid from accounts held by trustee - $317

Amount earned on investments - $456,495

BEEBE

Equipment-capital gift of $15,000

Interest paid from accounts held by trustee - $38,810

MID-SOUTH

Equipment-capital gift of $19,500

Interest earned on reserve accounts held by trustee - $152

Trustee payments for retirement of bond principal - $500,000

Trustee payment for bond interest and fees - $809,761

Unrealized loss on investments - $196,619

Investment interest and dividends reinvested - $151

MOUNTAIN HOME

Interest earned on accounts held by trustee - $10

NEWPORT

Equipment-capital gift of $8,181