Arkansas State University System

Little Rock, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS STATE UNIVERSITY SYSTEM
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Arkansas

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

Rep. Richard Womack
House Chair
Rep. Mary Bentley
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports 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 aggregate discretely presented component units of the University as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 20 to the financial statements, the beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement no. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-26, 98-99, and 100-106 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), 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 26, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 26, 2018
EDHE12518

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, 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 26, 2018. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc. and Arkansas State University Red Wolves Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University System Foundation, Inc. and Arkansas State University Red Wolves 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 a certain matter that we reported to management of the University in a separate letter dated November 26, 2018.

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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 26, 2018

Arkansas

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ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2018, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2017	Fall Term 2017	Spring Term 2018	Summer I Term 2018
Student Headcount	7,001	23,045	21,794	9,189
Student Semester Credit Hours	27,426	227,308	209,308	42,180

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 26, 2018

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, 2018. 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, 2017 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has remained stable during the fiscal year.

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

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

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

In June 2012, the GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

In March 2016, the GASB issued Statement no. 81, *Irrevocable Split-Interest Agreements*. Although the effective date of the Standard is for fiscal year 2018, the University early implemented the requirements of the Standard in accounting for an irrevocable split-interest agreement at the Jonesboro campus in fiscal year 2017.

The University's financial statements for the year ended June 30, 2018 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, 2018 and 2017 where appropriate.

Statement Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2018, 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, 2018:

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

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

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

Condensed Statement of Net Position

	2018	2017	Increase/ (Decrease)	Percent Change
Assets and Deferred Outflows:				
Current Assets	$ 88,261,630	$ 89,250,385	$ (988,755)	(1.11%)
Capital Assets, net	473,391,757	487,173,412	(13,781,655)	(2.83%)
Other Noncurrent Assets	100,209,485	87,683,265	12,526,220	14.29%
Total Assets	661,862,872	664,107,062	(2,244,190)	(0.34%)
Deferred Outflows	11,782,976	10,407,696	1,375,280	13.21%
Total Assets and Deferred Outflows	$ 673,645,848	$ 674,514,758	$ (868,910)	(0.13%)
Liabilities and Deferred Inflows:				
Current Liabilities	$ 45,519,863	$ 42,888,543	$ 2,631,320	6.14%
Noncurrent Liabilities	267,386,870	265,529,939	1,856,931	0.70%
Total Liabilities	312,906,733	308,418,482	4,488,251	1.46%
Deferred Inflows	6,660,694	4,793,099	1,867,595	38.96%
Total Liabilities and Deferred Inflows	319,567,427	313,211,581	6,355,846	2.03%
Net Position:				
Net Investment in Capital Assets	249,687,618	261,798,452	(12,110,834)	(4.63%)
Restricted, Nonexpendable	16,716,836	16,419,262	297,574	1.81%
Restricted, Expendable	11,315,926	10,540,995	774,931	7.35%
Unrestricted	76,358,041	72,544,468	3,813,573	5.26%
Total Net Position	354,078,421	361,303,177	(7,224,756)	(2.00%)
Total Liabilities and Net Position	$ 673,645,848	$ 674,514,758	$ (868,910)	(0.13%)

Statement Discussion (Continued)

Statement of Net Position (Continued)

Assets and Deferred Outflows
Total assets and deferred outflows decreased by $869,000.

Current Assets
Current assets decreased by $1 million.

Cash and Cash Equivalents
Cash and cash equivalents decreased by $2.6 million. The Jonesboro campus had a substantial decrease of $5.3 million. This was due to a reclassification of current cash and cash equivalents to noncurrent cash and cash equivalents. Newport also decreased by $1 million due to the cash purchase of investments. Beebe, Mid-South, and Mountain Home had increases of approximately $3.7 million. Beebe's increase was due to the increases in sales tax revenue, investment income, and state funding. Additionally, the campus saw decreases in salary and related benefit expenses. Mid-South's decrease was due to spending cash for a construction project.

Short-term Investments
Short-term investments increased by $1 million. This increase was due to the purchase of certificate of deposits at the Beebe campus of approximately $1.4 million. The remaining amount was a decrease at the Jonesboro campus due to a reclassification of investments held by the foundation to cash and cash equivalents.

Accounts Receivable
Accounts receivable increased by approximately $500,000. All campuses, other than Jonesboro, had increases. Gross receivables increased by $635,000. The Jonesboro campus's decrease of $1.7 million was due to a decline in enrollment during fiscal year 2018. The remaining campuses had an increase of $2.2 million resulting from increases in receivables for grant activity. Allowances for doubtful accounts increased by $146,000. 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. Beebe was the only campus to have a decrease for allowance for doubtful accounts due to an increase in student tuition and fee collections. The other campuses had slight increases.

Inventories
Inventories decreased by $221,000. All campuses with inventories, other than Newport, had decreases during the year. The Jonesboro campus had a decrease due to year-end adjustments of inventories for IT which was offset by an increase of inventories for Residence Life. The total of this amount was $457,000. Beebe's decrease of $34,000 was due to a decline of inventories for the bookstore and central stores. Mid-South had a small decrease of $2,400 due to a decline of inventories for promotional items and central stores. Newport's increase of $272,000 was a result of adopting a new inventory model for the bookstore. The model is projected to be both profitable to the campus and generate cost savings for students.

Deposits with Trustees
Deposits with trustees increased slightly by $15,000. This was due to higher interest and dividend earnings during the year.

Prepaid Expenses
Prepaid expenses increased by $649,000. Of this amount, the Jonesboro campus experienced the largest increase in the amount of $555,000. This was caused by the implementation of an optional voluntary retirement incentive plan with a July 1, 2018 payment. Additional information about this is included in Note 17. Mid-South also had an increase of $129,000. Beebe, Mountain Home, and Newport had a combined decrease of $35,000 from lower prepaid postage and an IT contract.

Statement Discussion (Continued)

Statement of Net Position (Continued)

Capital Assets, net

Capital assets, net decreased by $13.8 million. Accumulated depreciation increased from $383,891,123 in 2017 to $414,831,110 in 2018. This increase, of approximately $31 million, is due to new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2017 and began depreciating in 2018. The increase in accumulated depreciation was offset by the addition of $20.4 million in capital assets and the retirement of $3.2 million in capital assets with accumulated depreciation of $2.5 million. Of the $20.4 million added to capital assets, $14.2 million was construction in progress. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

Other Noncurrent Assets

Other noncurrent assets increased by $12.5 million.

Noncurrent Cash

Noncurrent cash increased by $12.6 million while restricted cash increased by $690,000. The increase in noncurrent cash was due to a reclassification of cash and cash equivalents from current cash to noncurrent cash at the Jonesboro campus. The Jonesboro campus is the only campus to have a noncurrent cash balance. The increase in restricted cash was mostly due to the Mid-South and Mountain Home campuses. Mid-South had an increase in the cash restricted for the energy performance improvements at the campus and Mountain Home had an increase from unspent endowment funds as well as higher returns on those funds.

Endowment Investments

Endowment investments increased slightly by $500,000. This was due to an increase in the return rate of the investments compared to previous years.

Other Long-term Investments

Other long-term investments decreased slightly by $832,000. The largest decrease was $1.4 million at the Beebe campus due to a restructuring of long-term investments to short-term investments. The decrease of $1.4 million at Beebe was offset by an increase of $504,000 at Newport from an increase in investment activity. These were offset by a small increase at Jonesboro and a small decrease at Mid-South.

Irrevocable Split-Interest Agreement

The Jonesboro campus early implemented GASB no. 81, *Irrevocable Split-Interest Agreements*, which was effective July 1, 2017 during fiscal year 2017. There was an increase of $545,000 during fiscal year 2018 as the trustee re-appraised the value of the asset.

Deposits with Trustees

Deposits with trustees decreased slightly by $251,000. The Jonesboro campus's decrease of $592,000 was due to the refunding of a bond issue with the use of the prior bond's debt service reserve. Additionally, the Mid-South campus had an increase of $341,000 due to an increase of property taxes received and held by the trustee.

Deferred Outflows

Deferred outflows increased by nearly $1.4 million. Approximately $640,000 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. $458,000 of this increase was due to the excess of bond reacquisition costs over carrying value. All the campuses, other than Jonesboro, had decreases due to the amortization of these amounts. The amount of the increase at Jonesboro is due to a refunding bond issue during the year. Additional information about the bond issue may be found in the 'Debt Administration' section of this Management's Discussion and Analysis and Note 5. The remaining increase of $276,000 is a result of recording deferred outflows related to other postemployment benefits (OPEB) in accordance with GASB no.75. Additional information about the deferred outflows related to OPEB may be found in Note 12 and the Required Supplementary Information.

Statement Discussion (Continued)

Statement of Net Position (Continued)

Liabilities and Deferred Inflows
Total liabilities and deferred inflows increased by $6.4 million.

Current Liabilities
Current liabilities increased by $2.6 million.

Accounts Payable and Accrued Liabilities
Accounts payable and accrued liabilities increased by $2.6 million. All of the campuses experienced increases during the year. Jonesboro had an increase of $1.5 million. This increase was due to increases in medical claims and withholding and matching accounts for benefits at year-end. Additionally, the campus recorded a liability for the optional voluntary retirement incentive plan (Note 17). Mid-South's increase of $762,000 was due to payables related to the energy performance contract. The increase of $234,000 for Newport was due to inventory purchases for the bookstore. The remaining amount was due to increased purchases at year-end for both Beebe and Mountain Home. Beebe had increases for IT equipment and also for the energy performance contract at their campus.

Bonds, Notes, and Leases Payable
Bonds, notes, and leases payable increased slightly by $74,000 and was attributable to the new debt issued at the Beebe, Mid-South, and Newport campuses.

Unearned Revenues
Unearned revenues decreased by $236,000. This was due to amounts received for tuition and fee for the second summer term that were recorded as unearned revenue at the end of 2018. Nearly all of this amount was attributable to the decrease of unearned revenue for the second summer term at the Jonesboro campus.

Deposits
Deposits decreased by $539,000. The majority of this decrease was due to change in the deposit policy at the Jonesboro campus. Residence hall deposits are now applied during the academic year rather than held until a student graduates or leaves the University.

Total Other Postemployment Benefits (OPEB) Liability
The current portion of this liability, $948,000, was recorded during the year in accordance with GASB no. 75. The current portion of this total liability represents the amount that is the expected employer contributions for fiscal year 2019. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

Noncurrent Liabilities
Noncurrent liabilities increased by $1.9 million.

Bonds, Notes, and Leases Payable
Bonds, notes and leases payable had a slight decrease of $425,000. The decrease of $8.3 million at the Jonesboro and Mountain Home campuses was attributable to payments made during the year. This decrease was offset by an increase at the other campuses totaling about $7.8 million. These campuses issued new debt during the year.

Total Other Postemployment Benefits (OPEB) Liability
The noncurrent portion of this liability increased by about $5.2 million and was recorded during the year in accordance with GASB no. 75. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

Net Pension Liability
The University's portion of the net pension liability decreased by $1.8 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.

Statement Discussion (Continued)

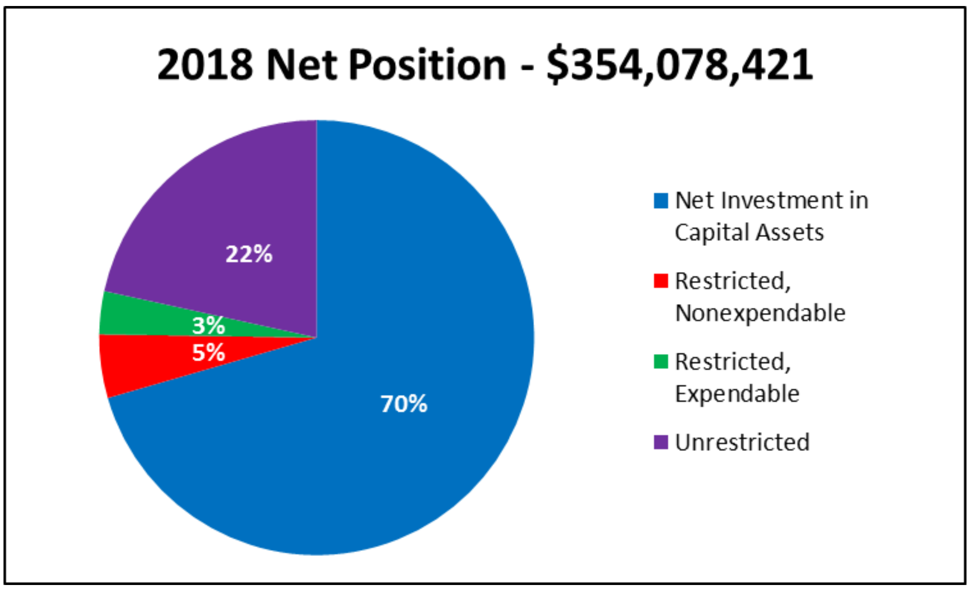
Statement of Net Position (Continued)

Noncurrent Liabilities (Continued)

Refundable Federal Advances
The refundable federal advances liability decreased by approximately $1 million. This was due to a return of funds related to the Federal Perkins Loan Program at the Jonesboro campus.

Deferred Inflows
Deferred inflows increased by $1.9 million. $1.3 million of the increase was the amount related to pensions and was recognized in fiscal year 2018 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows for pensions and net pension liability discussed previously. The remaining increase of $545,000 was recorded as part of the irrevocable split-interest agreement at the Jonesboro campus as previously mentioned in the Noncurrent Asset section.

Net Position
Total net position decreased by $7.2 million. The percentage of each net position category is displayed in the chart below.



Net investment in capital assets
Net investment in capital assets decreased by $12.1 million. This decrease was mainly attributable to recognition of depreciation expense at all of the campuses. In previous years, there have been large increases of construction projects, primarily at the Jonesboro campus, to offset the amount of depreciation recognized.

Statement Discussion (Continued)

Statement of Net Position (Continued)

Net Position (Continued)

Restricted, Nonexpendable
Restricted, nonexpendable net position increased by $298,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by $184,000. This was due to the Jonesboro and Beebe campuses' increase in the market value of endowment investments held by the ASU Foundation for scholarship purposes.

- *Renewal and Replacement*—The Mid-South campus has restricted, nonexpendable net position for renewal and replacement. There were no changes to the net position during the fiscal year.

- *Loans*—The restricted, nonexpendable net position for loans decreased in the amount of $137,000. This was due to the Federal Perkins Loan activity at the Jonesboro campus. This amount will continue to decrease as the Federal Perkins Loan Program expired on September 30, 2017.

- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above increased by $250,000. This was due to an increase in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable
Restricted, expendable net position increased by $775,000.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by $71,000. This increase was mostly attributable to an increase of scholarships awarded at the Beebe campus.

- *Research*—Restricted, expendable net position for research increased by $18,000. This slight increase is due to year-end balances of restricted grants for research purposes at the Jonesboro campus.

- *Loans*—The restricted, expendable net position for loans did not change for fiscal year 2018. 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 increased by $568,000. This was related to the energy performance project at the Mid-South campus that was in progress at the end of the year.

- *Debt Service*—The restricted, expendable net position for other purposes than those listed above decreased slightly by $9,000. The Mid-South campus is the only campus to have funds restricted for debt service due to their debt structure for bonds payable.

- *Renewal and Replacement*—The Mid-South campus has restricted, expendable net position for renewal and replacement. There was an increase of $39,000 due to the bond requirements of these funds.

- *Other*—The restricted, expendable net position for other purposes than those listed above increased by $230,000. The increase of $153,000 of non-research grant activity at the Jonesboro campus, was offset by $203,000 decreases of non-research grant activity at Mid-South and Newport. The remaining amount increase of $280,000 was mostly attributable to higher non-research grant balances and non-scholarship endowment balances at the Mountain Home campus.

Statement Discussion (Continued)

Statement of Net Position (Continued)

Net Position (Continued)

Unrestricted
Unrestricted net position increased by $3.8 million. The majority of this increase was a $2 million increase at the Beebe campus due to an increased effort to grow the University's reserves balance. In addition, Jonesboro's unrestricted net position also increased by approximately $1.5 million in an effort to increase their reserves balance. Mountain Home and Newport also had increases in the amounts of $198,000 and $119,000, respectively; while Mid-South had a slight decrease of $3,700.

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, 2018.

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 2018 compared to fiscal year 2017 is shown on the next page.

Statement Discussion (Continued)

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2018	2017	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	$ 65,415,289	$ 62,980,619	$ 2,434,670	3.87%
Grants and Contracts	34,547,837	34,328,583	219,254	0.64%
Auxiliary Enterprises, Net	28,748,193	29,731,551	(983,358)	(3.31%)
Other	9,214,485	8,909,714	304,771	3.42%
Total Operating Revenues	137,925,804	135,950,467	1,975,337	1.45%
Operating Expenses	302,102,075	288,886,162	13,215,913	4.57%
Nonoperating Revenues (Expenses)				
State Appropriations	103,393,175	102,826,511	566,664	0.55%
Grants and Contracts	52,218,395	51,427,501	790,894	1.54%
Interest	(8,643,398)	(8,272,170)	(371,228)	4.49%
Other	12,649,935	11,722,797	927,138	7.91%
Total Nonoperating	159,618,107	157,704,639	1,913,468	1.21%
Income Before Other Revenues, Expenses, Gains or Losses	(4,558,164)	4,768,944	(9,327,108)	(195.58%)
Capital Appropriations	594,629	54,761	539,868	985.86%
Capital Grants and Gifts	1,231,593	1,507,492	(275,899)	(18.30%)
Other	124,341	175,713	(51,372)	(29.24%)
Total	1,950,563	1,737,966	212,597	
Increase (Decrease) in Net Position	$ (2,607,601)	$ 6,506,910	$ (9,114,511)	(140.07%)
Net Position, Beginning of Year	$ 361,303,177	$ 354,796,267		
Restatement of Prior Year Balance (Note 20)	$ (4,617,155)			
Net Position, Beginning of Year, Restated	$ 356,686,022	$ 354,796,267	$ 1,889,755	0.53%
Net Position, End of Year	$ 354,078,421	$ 361,303,177	$ (7,224,756)	(2.00%)

<u>Revenues</u>

Total revenues increased by approximately $4.1 million.

Statement Discussion (Continued)

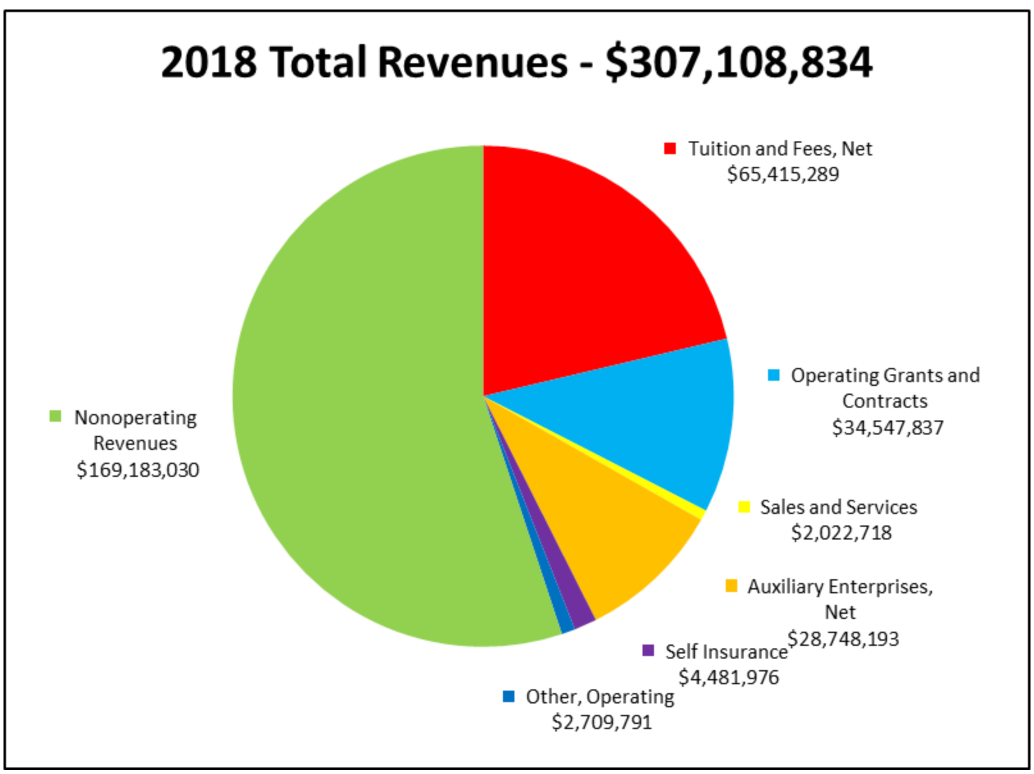
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Operating Revenues
Total operating revenues increased by $2 million.

Tuition and Fees, net
Net tuition and fees increased by $2.4 million. Gross tuition and fee revenue increased by $3.4 million. All campuses had a modest tuition increase from 2017 to 2018. Mid-South and Mountain Home were the only campuses to have a decrease of net tuition and fee revenue. The $312,000 decrease at Mid-South was primarily the result of a decrease of in-state enrollment and Technical Center revenue. All campuses, other than Mountain Home, experienced lower enrollment when comparing 2017 to 2018. Although Mountain Home had slightly higher enrollment numbers, they showed a slight decrease in net tuition and fees of approximately $4,300. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by $934,000. This increase in scholarship allowances caused an increase in scholarship expense as noted in the scholarship expense section.

Grants and Contracts
Operating grants and contracts increased by $219,000. All campuses, other than Mid-South, had increases. Jonesboro's, Beebe's, Mountain Home's and Newport's increases of $185,000, $42,000, $537,000 and $206,000 were offset by the decreases of $751,000 at Mid-South. This decrease was due to lower grant revenue received during the year and the ending of a large grant. The increases at the campuses were due to new grants that were received during the fiscal year. As the available grant resources continue to decline; there will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars.

Sales and Services
Sales and services decreased slightly by $75,000. The decrease of $89,000 at the Jonesboro campus was due to lower revenues from printing services and the IT Store. Mountain Home showed an increase of $10,000 from ticket revenue from the Sheid Community Development Center. Beebe had a slight increase of $4,000.



Statement Discussion (Continued)

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

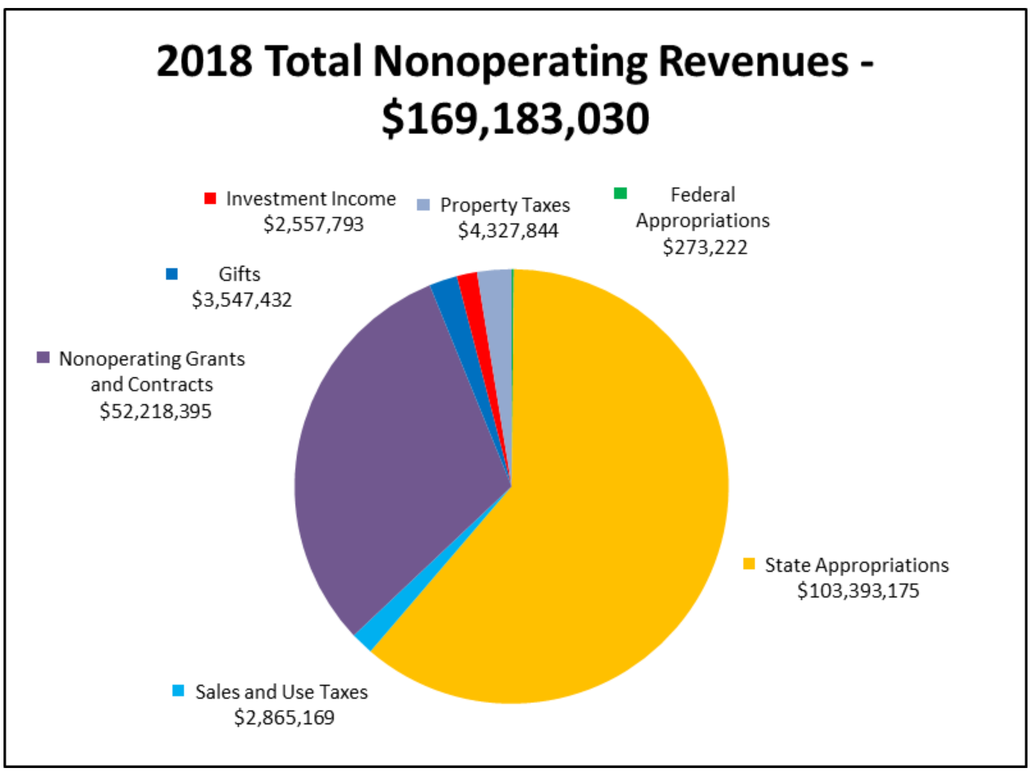
Operating Revenues (Continued)

Auxiliary Enterprises, net
Auxiliary enterprises, net decreased by approximately $984,000. The Jonesboro campus experienced an increase of $677,000. All campuses experienced declines from 2017 to 2018 in both gross auxiliary enterprises revenue and scholarship allowances related to auxiliary enterprises. From the various auxiliaries at the Jonesboro campus, the largest variances from 2017 to 2018 were in housing and the bookstore. Both Mid-South and Mountain Home also experienced lower bookstore revenues in 2018 than in 2017. Newport's decrease was due to a decline in food service sales during the year.

Self Insurance
Self insurance revenues increased by $289,000. During fiscal year 2018, there was a minimal increase in premiums beginning in January 2018 for the employee withholding amount.

Other
Other operating revenues increased slightly by $91,000. The largest increase was $175,000 at the Beebe campus for workforce education. Jonesboro also had a small increase of $39,000. The other three campuses had a combined decrease of $123,000. Mountain Home and Newport both had a decrease of $48,000 each. Mountain Home's decrease was due to a change in accounting for the receipts from the Sheid Community Development Center. Newport's decrease was due to prior year recoveries.

Nonoperating Revenues
Total nonoperating revenues increased by $2.1 million.



Federal Appropriations
Federal appropriations decreased by $83,000. In prior fiscal years, the Jonesboro campus received several federal awards. These amounts continue to decrease as available grant resources continue to decline.

Statement Discussion (Continued)

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

Nonoperating Revenues (Continued)

State Appropriations
State appropriations increased by approximately $567,000. The Jonesboro, Beebe, and Mid-South campuses had increases of $751,000, $24,000, and $6,700, respectively. The Mountain Home and Newport campuses showed decreases of $85,000, and $129,000, respectively. The increases and decreases at the campuses were due to variances in general appropriation funding and miscellaneous appropriations. The increase at Jonesboro was largely due to an additional $500,000 received for the efficiency and transformation review that was conducted during fiscal year 2018 for all campuses of the System.

Grants and Contracts
Nonoperating grants and contracts increased by $791,000. There was an increase of $908,000 on the Jonesboro campus. Although state financial aid declined, there was approximately $1 million of additional federal financial aid when compared to 2017. With the exception of Mountain Home and Newport, that experienced decreases of $213,000 and $182,000, respectively; Beebe, and Mid-South experienced increases of $195,000, and $83,000, respectively. This is a reflection of the decline in federal financial aid.

Sales and Use Taxes
Sales and use taxes increased by $189,000. Beebe saw an increase of $130,000 and Newport experienced an increase of $59,000.

Property Taxes
Property tax revenues increased by $377,000 on the Mid-South campus and by $17,000 on the Mountain Home campus.

Gifts
Revenues from gifts increased by $577,000. Jonesboro had an increase of $715,000, which was primarily due to a larger amount received by the Red Wolves Foundation for athletics and by the ASU Foundation for departmental use. The Mid-South campus had an increase of $103,000 due to increased donations for their Wild Game Dinner. The Mountain Home campus experienced a decrease of $221,000 due to the amount received in the prior year for a building remodel project. The Newport campus had a slight decrease of $20,000.

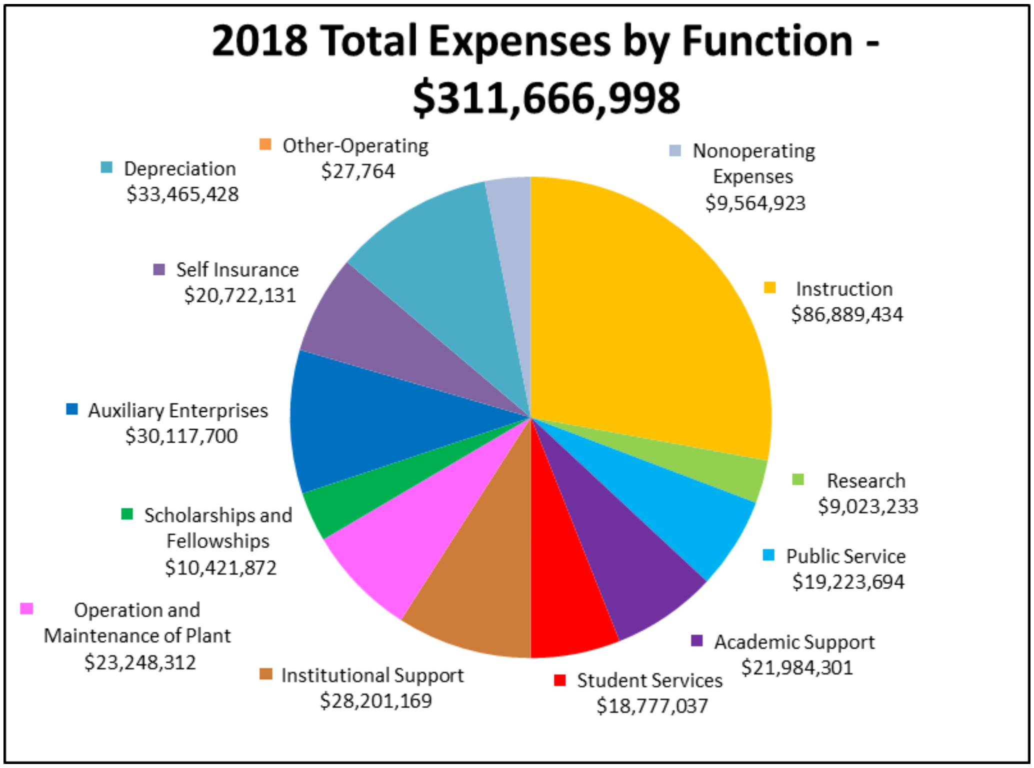
Investment Income
Investment income decreased by $314,000. The Mid-South campus experienced the only decrease of $421,000 due to the recording of unrealized gains and losses during 2018. Jonesboro and Beebe had increases of $63,000 and $20,000, respectively, due to higher interest rates, better returns and unrealized gains. Mountain Home and Newport had a combined increase of $24,000. 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 $13.4 million.

Statement Discussion (Continued)

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

Operating Expenses
Total operating expenses increased by $13.2 million.
Additional information on operating expenses can be found in the tables and charts that follow.



Personal Services
Personal services increased by approximately $493,000. The Jonesboro campus experience the largest increase, $2.3 million. Nearly $1.2 million of this increase is due to the optional voluntary retirement incentive plan (Note 17). Also, the campus recorded an additional $862,000 for other postemployment benefits; an increase of $519,000 from 2017. Other campuses with increases included Mountain Home in the amount of $125,000 and Newport in the amount of $115,000. The decrease of $1.1 million for Beebe was a result of salary savings and a restructuring of administration. The campus has gone from seven vice chancellors to three, as well as several division chairs to three deans. The $925,000 decrease for Mid-South was due to health claims that were paid in 2017 but were not paid in 2018. Prior to February 1, 2017, the campus was using a different health plan. In addition, there were salary savings from vacant positions and a decrease in pension and OPEB amounts for 2018. An amount of $1.2 million was recorded by the campuses for other postemployment benefits. More information on this may be found in Note 12. The campuses were able to provide modest salary increases for faculty and staff which affirms the significance of faculty and staff to the mission of the University.

Scholarships and Fellowships
Scholarships and fellowships increased by $2.5 million. As previously discussed, there was also an increase in scholarship allowances related to tuition and fees and a decrease in scholarship allowances related to auxiliaries. Gross scholarships and fellowships increased $2.4 million. While Mountain Home experienced an increase in headcount enrollment from fall 2016 to fall 2017; the other campuses experienced a decrease in headcount enrollment. Although federal and state financial aid fluctuates throughout the years; the campuses continue to offer competitive institutional scholarships to students. The institutional scholarships continue to increase at each campus and displays the University's commitment to students.

Statement Discussion (Continued)

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

Operating Expenses (Continued)

Supplies and Services
Supplies and services increased by $3.4 million. With the exception of a $274,000 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 growth of $2.8 million of expenses on the Jonesboro campus. In 2018, there were several renovation projects that did not meet the capitalization threshold criteria and were appropriately expensed. There were many more of these types of projects compared to 2017. The Newport campus had an increase of $367,000 due to the expenses related to new grants received during the year. Beebe and Mid-South had a combined increase of $489,000. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

Self Insurance
Self insurance expenses increased by $2.5 million. Medical claims during 2018 greatly increased when compared to 2017. Additionally, there was an increase in the unpaid claims liability recorded at year end.

Depreciation
Depreciation expense increased by $4.3 million. The Jonesboro campus experienced the largest increase of $4.7 million. The increase at Jonesboro was a result of new additions or renovations at the campus that were added in 2017 and began depreciating in 2018. This amount totaled approximately $40 million and included several projects such as, $15 million in energy performance renovations, $2.1 million for football field renovations, and $1.4 million renovations to the Dyess Theatre. Beebe also showed an increase of $156,000 during fiscal year 2018. The other campuses had a combined decrease of $556,000 due to assets that were fully depreciated in 2017. Additionally, as new projects were completed in 2018, 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 decreased by $54,000. These expenses are related to the Federal Perkins Loan program on the Jonesboro campus.

Statement Discussion (Continued)

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

Operating Expenses (Continued)

Operating Expenses by Function

	2018	2017	Increase/ (Decrease)	Percent Change
Instruction	$ 86,889,434	$ 83,762,780	$ 3,126,654	3.73%
Research	9,023,233	8,301,097	722,136	8.70%
Public Service	19,223,694	19,956,863	(733,169)	(3.67%)
Academic Support	21,984,301	22,047,178	(62,877)	(0.29%)
Student Services	18,777,037	17,748,329	1,028,708	5.80%
Institutional Support	28,201,169	28,024,688	176,481	0.63%
Scholarships and Fellowships	10,421,872	8,390,200	2,031,672	24.21%
Operation and Maintenance of Plant	23,248,312	21,048,991	2,199,321	10.45%
Auxiliary Enterprises	30,117,700	32,222,903	(2,105,203)	(6.53%)
Self Insurance	20,722,131	18,176,043	2,546,088	14.01%
Depreciation	33,465,428	29,125,582	4,339,846	14.90%
Other	27,764	81,508	(53,744)	(65.94%)
Total Operating Expenses	$ 302,102,075	$ 288,886,162	$13,215,913	4.57%

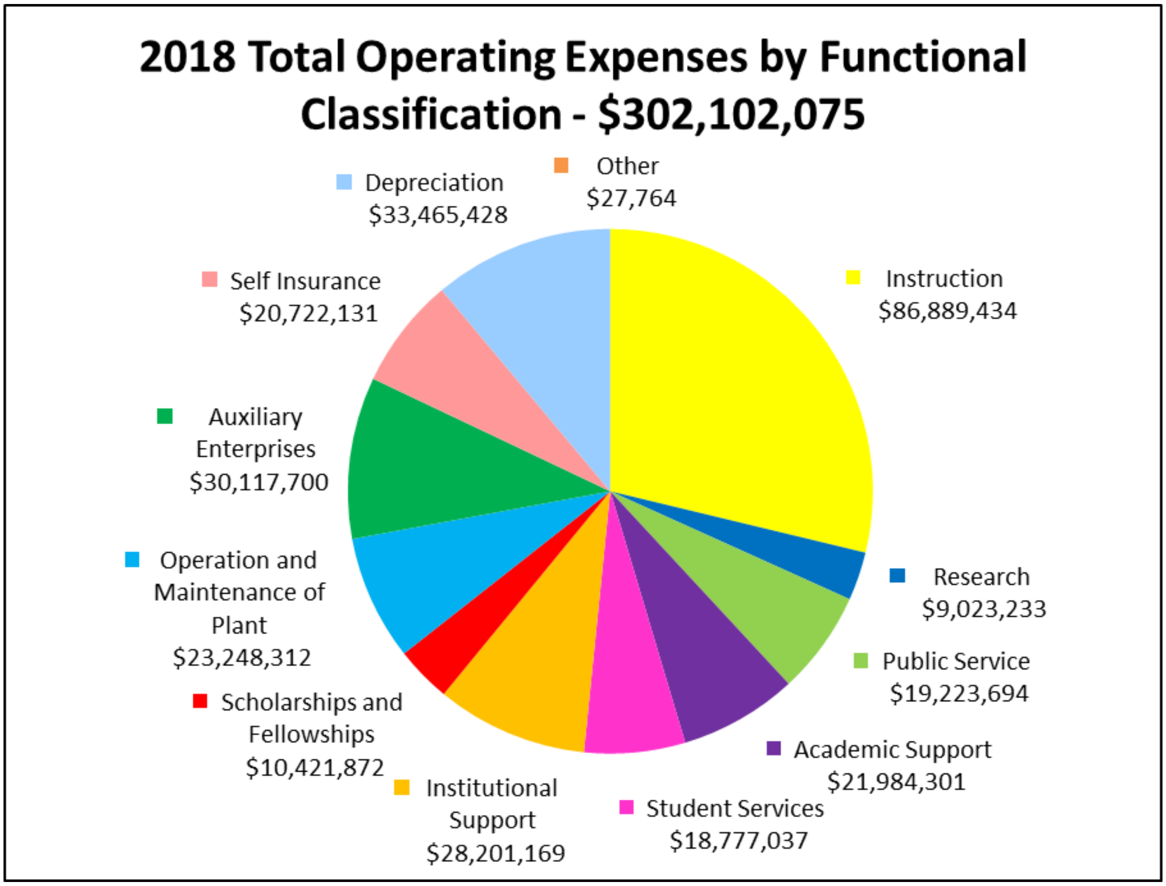
Operating Expenses by Natural Classifications

	2018	2017	Increase/ (Decrease)	Percent Change
Personal Services	$ 158,803,195	$ 158,310,684	$ 492,511	0.31%
Scholarships and Fellowships	19,504,606	17,021,407	2,483,199	14.59%
Supplies and Services	69,578,951	66,170,938	3,408,013	5.15%
Self Insurance	20,722,131	18,176,043	2,546,088	14.01%
Depreciation	33,465,428	29,125,582	4,339,846	14.90%
Other	27,764	81,508	(53,744)	(65.94%)
Total Operating Expenses	$ 302,102,075	$ 288,886,162	$ 13,215,913	4.57%

Statement Discussion (Continued)

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

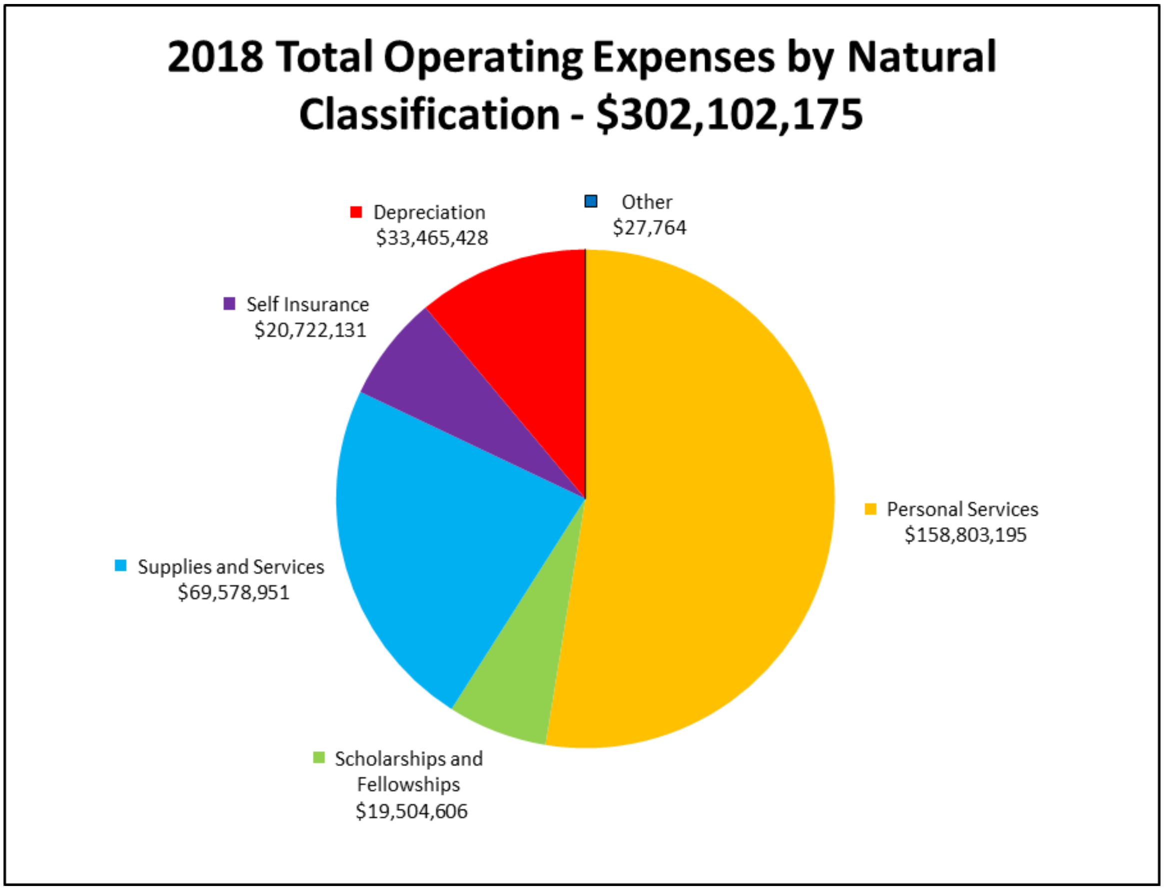
Operating Expenses (Continued)



Statement Discussion (Continued)

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

Operating Expenses (Continued)



Nonoperating Expenses
Total nonoperating expenses increased by $207,000.

Interest
Interest expense increased by $371,000. Jonesboro experienced the largest increase of $325,000. Although the campus had lower interest expense due to the refunding of bonds; the campus had higher interest expense on notes due to 2018 being the first full year of payments related to the energy performance renovations. Beebe and Newport also had increases in the amounts of $13,000 and $69,000, respectively for new debt. Mid-South and Mountain Home had a combined decrease of $36,000. Additional information on the bond issue may be found in Note 5.

Gain or Loss on Disposal of Capital Assets
During the fiscal year, the University had a loss of $592,000 on capital assets compared to a loss of $632,000 in fiscal year 2017. Beebe, Mid-South, and Newport were the only campuses to show a gains in the combined amount of $26,000. This was due to receiving more funds from the sale of capital assets. The Jonesboro campus's statements reflect a loss of $619,000. This loss is attributable to the deletion of equipment, library holdings, a building, and also improvement projects that were no longer on campus.

Statement Discussion (Continued)

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

Other Changes
Other revenues, expenses, gains and losses totaled $1.9 million. This amount increased by $213,000.

Capital Appropriations
Capital appropriations increased by $540,000. The Jonesboro campus was the only campus with a capital appropriation in 2017 as well as 2018. The campus received a $79,000 appropriation for the purchase of property. Additionally, Jonesboro received $233,000 more funding than in 2017 for the Marion Berry Phase III-Loop Road. The remainder of the increase was due to funds received for the V. C. Kays House renovations.

Capital Grants and Gifts
Capital grants and gifts decreased by $276,000. The Beebe and Newport campuses had declines of $28,000 and $224,000 compared to fiscal year 2017. This was attributable to funds that were received in 2017 for the projects. The campuses did not receive any funds during 2018. Mid-South had an increase of $14,000 due to a capital gift received during the year. Jonesboro and Mountain Home and had small decreases of $34,000 and $4,000, respectively.

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, 2018 and June 30, 2017 were as follows:

Capital Assets (net of accumulated depreciation)

	2018	2017	Increase/ (Decrease)	Percent Change
Land and land improvements	$ 18,625,656	$ 18,595,656	$ 30,000	0.16%
Construction in progress	14,501,242	5,071,351	9,429,891	185.94%
Livestock	187,586	177,271	10,315	5.82%
Intangibles-Software in development	1,213,769	2,592,317	(1,378,548)	(53.18%)
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	3,490,182	1,942,870	1,547,312	79.64%
Buildings	280,073,191	297,723,704	(17,650,513)	(5.93%)
Improvements and infrastructure	137,171,430	140,511,535	(3,340,105)	(2.38%)
Equipment	13,997,448	16,279,974	(2,282,526)	(14.02%)
Library/audiovisual holdings	1,456,253	1,603,734	(147,481)	(9.20%)
Total	$ 473,391,757	$ 487,173,412	$ (13,781,655)	(2.83%)

Land

The University had one addition of land and land improvements in the amount of $30,000 at the Jonesboro campus during fiscal year 2018.

Construction in progress

Construction in progress increased by 185.94%. This increase is mainly attributable to the energy performance improvements at the Beebe, Mid-South, and Newport campuses. The combined total for these three campuses of construction in progress during the year was $9.7 million. Jonesboro had a slight decrease of $312,000.

Livestock

The change of 5.82% is attributable to an increase of the Jonesboro campus livestock herds of $11,030 and a slight decline of the Beebe campus's herds in the amount of $715.

Intangibles-Software in development

The Beebe, Mountain Home and Newport campuses have been implementing a new ERP (Enterprise Resource Planning) System. The new software was still in development as of June 30, 2018 for the Newport campus. The University's threshold for capitalizing software is $1 million and the Beebe and Newport campuses have capitalized $1,935,886 and $1,213,769, respectively. The ERP System is complete at Beebe and the amount was transferred to intangibles-software during 2018.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2018.

Intangibles-Software

The University's increase of $1,547,312 was mostly due to the transfer of the asset from being in development to being completed for the Beebe campus. This amount was $1,935,886. In addition, the Jonesboro campus had depreciation in the amount of $388,574 during the fiscal year.

Capital Assets (Continued)

Buildings

The University experienced a decrease in the total value of buildings. This is a result of a much lower amount of additions to buildings. In fiscal year 2018, the campuses added $49,000 compared to $2,058,201 in fiscal year 2017. The Jonesboro campus was the only campus with a building addition during the year. This was a property purchase of land and a building in Dyess. Also, accumulated depreciation increased from $264,652,796 in 2017 to $281,968,869 in 2018 as a result of additional buildings that were added in 2017 and began depreciating in fiscal year 2018.

Improvements and infrastructure

The 2.38%, or $3,340,105, decrease in improvements and infrastructure is attributable to the completion of projects at the Jonesboro campus during fiscal year 2017 and began depreciating in fiscal year 2018. These projects included: energy savings performance contract, renovations to the parking deck, student apartment upgrades, track improvements, Student Union enhancements, and football field renovations. The Jonesboro campus added $7.3 million in improvements and infrastructure projects during 2018. These projects will begin depreciating in 2019 and include: Aggie Road improvements, improvements to the First National Bank Arena, Library renovations, Student Union upgrades, and improvements to the Collegiate Park apartments.

Equipment

Equipment decreased by 14.02%, or $2,282,526, during the year. Equipment additions decreased from $4,606,580 in 2017 to $2,876,930 in 2018. Of the additions for fiscal year 2018, $104,529 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. Equipment purchases decreased greatly from 2017 to 2018. Depreciation expense decreased from $5,203,550 in 2017 to $4,791,910 in 2018. The campuses disposed of equipment during the year with a net value of $367,546.

Library/Audiovisual Holdings

The University's decrease of $147,481, or 9.20%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases in 2018 were $136,257 compared to $312,837 in 2017. Depreciation expense decreased from $283,738 in 2018 to $318,947 in 2017.

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 $193,965,322 in bonds payable, $10,951,122 in notes payable and $23,653,485 in capital leases payable at June 30, 2018.

The Jonesboro campus issued refunding bonds during 2018. The bonds that were refunded included:

$7,920,000	2009 Housing Bonds
$4,360,000	2010 Housing Refunding Bonds

Additional information about the refunding is included in Note 5.

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.

Debt Administration (Continued)

The $10,951,122 in notes payable consisted of three notes for the Jonesboro campus. These include an $8,000,000 note to renovate Wilson Hall for the DO School, a $1,204,000 note for energy improvement projects through the state's sustainable revolving loan fund, and a $1,000,000 note for pedestrian improvements . At June 30, 2018, the outstanding amounts for these notes were $5,708,611, $903,000 and $602,874, respectively. Additionally, the Mountain Home campus has a note payable with a remaining balance of $78,076 for a land purchase and the Newport campus has $1,020,903 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location. The Beebe, Mid-South, and Newport campuses added notes payable in the amounts of $100,000, $1,537,658 and $1,000,000, respectively, during the fiscal year. All of these notes payable were for energy performance improvements at the campuses. The Mid-South note has a 3.30% interest rate and a 20 year term. The Beebe and Newport notes have a 1.31% interest rate and 15 year term. The savings from utility billings will be used to pay the debt.

The Jonesboro campus issued a capital lease during 2016 in the amount of $15,226,080 for energy savings projects on the campus. The savings from utility billings will be used to pay the debt. There have been no principal payments paid yet and the current balance of the debt is $15,226,080. The campus also issued a capital lease during 2017 for IT equipment valued at $545,160. The remaining balance is $181,668. The Newport campus issued a capital lease during 2017 for IT equipment. The amount of the lease is $606,934 and a balance of $364,160 remains at June 30, 2018. The Beebe and Newport campuses added leases payable in the amounts of $4,930,498 and $2,951,079, respectively, during the fiscal year. Both of these leases payable were for energy performance improvements at the campuses with a 3.04% interest rate and a 20 year term. The savings from utility billings will be used to pay the debt.

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.

U.S. economic growth will probably accelerate this year before slowing in 2019. The Congressional Budget Office (CBO) projected that inflation adjusted or real gross domestic product (GDP) would grow 3.1 percent this year, exceeding 2.2 percent growth in 2017 due to lower income taxes, increased government spending and private investments. The government slashed corporate and personal income taxes in January in a $1.5 trillion package and Congress passed a $1.3 trillion spending bill in March.

The Federal Reserve has indicated that they will be raising rates at the Federal level in 2018 and 2019. Currently, rates have held steady, which has limited the University's ability to generate favorable returns on its financial assets; however, the lower rates positively affect the ability to strategically manage long-term debt and borrowing costs. The University's strong credit rating of A1 continues to provide favorable financing terms and options.

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

The University continues to proactively manage its enrollment and scholarship administration to strike an appropriate balance between academic standards, demographic and economic changes, and net tuition revenue. The University continues to review all of its existing and potential revenue sources and is working to explore and develop new and innovative funding opportunities.

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	$ 49,367,020
Short-term investments	10,540,067
Accounts receivable (less allowances of $2,711,123)	22,640,546
Notes and deposits receivable (less allowances of $320,327)	636,811
Accrued interest and late charges	197,260
Inventories	2,572,386
Deposits with trustees	874,670
Unamortized bond insurance	330,787
Prepaid expenses	1,102,083
Total Current Assets	88,261,630
Noncurrent Assets:	
Cash and cash equivalents	48,367,261
Restricted cash and cash equivalents	6,886,633
Endowment investments	15,474,910
Other long-term investments	18,309,245
Irrevocable split-interest agreement	2,059,790
Accrued interest and late charges	723,135
Deposits with trustees	3,321,985
Accounts receivable	2,064,180
Notes and deposits receivable (less allowances of $1,529,991)	3,002,346
Capital assets (net of accumulated depreciation of $414,831,110)	473,391,757
Total Noncurrent Assets	573,601,242
TOTAL ASSETS	**661,862,872**
DEFERRED OUTFLOWS OF RESOURCES	
Excess of bond reacquisition costs over carrying value	4,228,531
Pensions	7,278,403
Other postemployment benefits (OPEB)	276,042
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**673,645,848**
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	12,801,793
Bonds, notes and leases payable	10,989,783
Compensated absences	6,269,636
Unearned revenue	10,912,117
Funds held in trust for others	754,099
Deposits	702,141
Interest payable	2,142,202
Total other postemployment benefits (OPEB) liability	948,092
Total Current Liabilities	45,519,863
Noncurrent Liabilities:	
Accounts payable and accrued liabilities	606,555
Bonds, notes and leases payable	217,580,146
Compensated absences	4,398,805
Total other postemployment benefits (OPEB) liability	19,205,108
Net pension liability	20,778,112
Refundable federal advances	4,818,144
Total Noncurrent Liabilities	267,386,870
TOTAL LIABILITIES	312,906,733
DEFERRED INFLOWS OF RESOURCES	
Pensions	4,600,904
Irrevocable split-interest agreement	2,059,790
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**319,567,427**

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A

NET POSITION	
Net investment in capital assets	$ 249,687,618
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	5,994,605
Renewal and replacement	967,261
Loans	284,217
Other-College and Department Purposes	9,470,753
Expendable:	
Scholarships and fellowships	951,178
Research	36,568
Loans	10,000
Capital projects	4,848,029
Debt service	1,678,689
Renewal and replacement	460,633
Other	3,330,829
Unrestricted	76,358,041
TOTAL NET POSITION	$ 354,078,421

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

Exhibit A-1

ASSETS		
Cash and cash equivalents	$	227,902
Repurchase agreements		6,043,582
Certificates of deposit		3,990,887
Prepaid expenses		29,022
Contributions receivable, net		5,609,796
Investments, at fair value		79,174,080
Property and equipment, net		1,782,497
Other assets		8,572
Total Assets	$	96,866,338
LIABILITIES		
Accounts payable	$	155,066
Annuity obligations		16,000
Due to Alumni Association		923
Amounts held on behalf of Arkansas State University related entities		13,256,306
Note payable		25,717
Total Liabilities		13,454,012
NET ASSETS		
Unrestricted		6,476,608
Temporarily restricted		9,215,219
Permanently restricted		67,720,499
Total Net Assets		83,412,326
Total Liabilities and Net Assets	$	96,866,338

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

Exhibit A-2

ASSETS		
Current Assets		
Cash	$	8,852,400
Investment securities		1,011,784
Receivables, current portion		3,004,760
Related party prepaid lease, current portion		1,700,000
Total Current Assets		14,568,944
Property and Equipment		
Property and equipment		17,793
Less accumulated depreciation		(12,241)
Total Property and Equipment		5,552
Other Assets		
Receivables, net of current portion and amortization		22,793,225
Related party prepaid lease, net of current portion		9,491,667
Real estate		206,100
Construction in process		6,517,504
Total Other Assets		39,008,496
Endowment Investments, at fair value		1,799,734
Total Assets	$	55,382,726
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	306,305
Accrued interest payable		2,431
Current portion long-term debt		1,679,236
Current portion deferred revenue		4,223,843
Total Current Liabilities		6,211,815
Long-Term Debt, net of current portion		12,491,536
Deferred Revenue, net of current portion		27,988,032
NET ASSETS		
Unrestricted		743,997
Temporarily restricted		6,147,612
Permanently restricted		1,799,734
Total Net Assets		8,691,343
Total Liabilities and Net Assets	$	55,382,726

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $51,831,246)	$ 65,415,289
Grants and contracts	34,547,837
Sales and services	2,022,718
Auxiliary enterprises (net of scholarship allowances of $7,476,117)	28,748,193
Self-insurance	4,481,976
Other operating revenues	2,709,791
TOTAL OPERATING REVENUES	137,925,804
OPERATING EXPENSES	
Personal services	158,803,195
Scholarships and fellowships	19,504,606
Supplies and services	69,578,951
Self-insurance	20,722,131
Depreciation	33,465,428
Other	27,764
TOTAL OPERATING EXPENSES	302,102,075
OPERATING INCOME (LOSS)	(164,176,271)
NON-OPERATING REVENUES (EXPENSES)	
Federal appropriations	273,222
State appropriations	103,393,175
Grants and contracts	52,218,395
Sales and use taxes	2,865,169
Property taxes	4,327,844
Gifts	3,547,432
Investment income	2,557,793
Interest on capital asset - related debt	(8,643,398)
Gain or loss on disposal on capital assets	(592,348)
Refunds to grantors	(93,270)
Other nonoperating revenues (expenses)	(235,907)
NET NON-OPERATING REVENUES (EXPENSES)	159,618,107
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(4,558,164)
Capital appropriations	594,629
Capital grants and gifts	1,231,593
Additions to endowments	150
Adjustments to capital assets	90,035
Capitalization of library holdings at rate per volume	23,126
Livestock additions	11,030
INCREASE (DECREASE) IN NET POSITION	(2,607,601)
NET POSITION - BEGINNING OF YEAR	361,303,177
RESTATEMENT FOR GASB 75 (NOTE 20)	(4,617,155)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	356,686,022
NET POSITION - END OF YEAR	$ 354,078,421

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-1

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Contributions	$ 388,874	$ 2,221,839	$ 11,884,581	$ 14,495,294
Investment return, net	440,735	977,954	3,537,746	4,956,435
Other income	152,560	223,988	15,173	391,721
Net assets released from restrictions	3,285,531	(3,285,531)		-
Total Support	4,267,700	138,250	15,437,500	19,843,450
Expenses and Losses				
Program services				
Academic activities	651,921			651,921
Administrative	257,951			257,951
Student activities	24,464			24,464
Transfers to Arkansas State University	2,700,461			2,700,461
Supporting services				
Management and general	525,877			525,877
Change in split-interest agreements			16,000	16,000
	4,160,674	-	16,000	4,176,674
Increase in net assets	107,026	138,250	15,421,500	15,666,776
Net assets at beginning of year	6,369,582	9,076,969	52,298,999	67,745,550
Net assets at end of year	$ 6,476,608	$ 9,215,219	$ 67,720,499	$ 83,412,326

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND SUPPORT				
Contributions	$ 1,222,251	$ 104,448		$ 1,326,699
In-kind contributions	397,036		$ 5,000	402,036
Special events/fundraiser	225,000	435,863		660,863
Other income	145,712	5,078,228		5,223,940
Investment return	102,794	(74,654)	149,129	177,269
Net assets released from restrictions				
Satisfaction of purpose restrictions	5,437,630	(5,419,265)	(18,365)	-
Total revenues, gains, and other support	7,530,423	124,620	135,764	7,790,807
EXPENSES				
Athletic program services	4,184,767			4,184,767
Management and general	1,016,790			1,016,790
Special events/fundraising	164,659			164,659
Total expenses	5,366,216			5,366,216
Changes in net assets before transfers	2,164,207	124,620	135,764	2,424,591
Transfers				
Transfers to ASU athletic programs		1,045,095	54,450	1,099,545
Other transfers to ASU	2,285,550	17,000		2,302,550
Total transfers	2,285,550	1,062,095	54,450	3,402,095
Change in Net Assets	(121,343)	(937,475)	81,314	(977,504)
Net Assets, beginning of year	865,340	8,139,596	1,718,420	10,723,356
Prior period adjustment		(1,054,509)		(1,054,509)
Net Assets, restated	865,340	7,085,087	1,718,420	9,668,847
Net Assets, end of year	$ 743,997	$ 6,147,612	$ 1,799,734	$ 8,691,343

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

CASH FLOW FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 64,527,817
Grants and contracts	33,246,150
Auxiliary enterprises revenues	28,199,700
Sales and services	2,018,748
Self-insurance program receipts	4,661,303
Collection of principal and interest related to student loans	917,267
Other receipts	1,958,411
Payments to employees	(134,018,861)
Payments for employee benefits	(24,167,216)
Payments to suppliers	(65,571,877)
Scholarships and fellowships	(19,495,529)
Self-insurance program payments	(20,463,279)
Loans issued to students	(34,680)
Other payments	(1,118,663)
Net cash provided (used) by operating activities	(129,340,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	272,098
State appropriations	101,893,175
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,500,000
Grants and contracts	51,649,699
Private gifts and grants	3,683,715
Sales and use taxes	2,715,763
Property taxes	4,353,655
Direct lending, PLUS and FFEL loan receipts	101,780,877
Direct lending, PLUS and FFEL loan payments	(101,356,033)
Agency activity (net)	(28,302)
Refunds to grantors	(58,478)
Net cash provided (used) by noncapital financing activities	166,406,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	5,588,737
Distributions from trustee of bond proceeds and interest earnings	114
Distributions from debt holders of debt proceeds other than from bonds	4,930,498
Capital appropriations	594,629
Capital gift and grants	1,016,809
Proceeds from sale of capital assets	119,240
Purchases of capital assets	(20,252,870)
Payments to trustees for bond principal	(8,615,000)
Payments to trustees for bond interest and fees	(6,811,853)
Payments to debt holders for principal (other than bonds)	(1,618,917)
Payments to debt holders for interest and fees (other than bonds)	(1,139,944)
Property taxes remitted to bond trustees	(2,922,662)
Distribution of excess property taxes from bond trustees	1,283,002
Net cash provided (used) by capital and related financing activities	(27,828,217)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	$ 18,635,944
Interest on investments (net of fees)	1,602,942
Purchases of investments	(18,782,033)
Net cash provided (used) by investing activities	1,456,853
Net increase (decrease) in cash and cash equivalents	10,694,096
Cash and cash equivalents - beginning of year	93,926,818
Cash and cash equivalents - end of year	$ 104,620,914
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (164,176,271)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	33,465,428
Change in assets and liabilities:	
Receivables, net	806,430
Inventories	221,008
Prepaid expenses	(650,229)
Accounts and salaries payable	3,508,394
Other postemployment benefits (OPEB)	1,204,949
Pension obligations	(1,086,221)
Unearned revenue	(235,974)
Deposits	(967,203)
Refundable federal advances	(1,009,904)
Compensated absences	(421,116)
Net cash provided (used) by operating activities	$ (129,340,709)
Reconciliation of Cash and Cash Equivalents	
Current Assets:	
Cash and Cash Equivalents	$ 49,367,020
Noncurrent Assets:	
Cash and Cash Equivalents	48,367,261
Restricted Cash and Cash Equivalents	6,886,633
	$ 104,620,914

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of $11,740,000, at a premium of $579,949. The proceeds of this issue were utilized as follows: $12,141,591 was remitted to an escrow agent and $178,358 was used to pay the bond issuance costs.

Equipment-capital gift of $90,131

Building improvements-capital gift of $140,340

Horse-capital gift of $5,000

Value of equipment traded for equipment-$40,665

Value of equipment received from vendor discounts-$34,200

Interest earned on reserve accounts held by trustee-$20,671

Interest paid from accounts held by trustee-$17,258

Amount earned on investments-$415,992

BEEBE

Interest earned on reserve accounts held by trustee-$3,325

Interest paid from accounts held by trustee-$1,692

Amount of interest earned on CD's reinvested with CD's-$50,195

Capital lease payable-enery savings contract-$4,930,498

MID-SOUTH

Interest earned on reserve accounts held by trustee-$18,979

Trustee payments for retirement of bond principal-$525,000

Trustee payment for bond interest-$780,362

Trustee payment for bond fees-$3,650

Unrealized gain on investments-$923,237

Library holdings donations-$1,227

Equipment donations-$14,398

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-$344

Interest paid from accounts held by trustee-$296

NEWPORT

Interest earned on reserve accounts held by trustee-$45

Amount of interest earned on CD's reinvested with CD's-$1,688

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

Mid-South

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

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

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

Component Units

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

During the year ended June 30, 2018, the ASU Foundation transferred property, equipment and funds of $2,700,461 to the University for academic support. Complete financial statements for the ASU Foundation may be obtained from the ASU Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

Arkansas State University Red Wolves Foundation, Inc.
The Arkansas State University Red Wolves Foundation, Inc. (the RW Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The RW Foundation is dedicated to aid, assist, and promote the development of intercollegiate athletics at the Jonesboro campus and to work with the University's administration in serving the institution. The RW Foundation's support comes primarily through donor contributions. The RW Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement no. 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the RW Foundation are discretely presented in the University's financial statements in accordance with the provisions of GASB Statement no. 39.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Component Units (Continued)

Arkansas State University Red Wolves Foundation, Inc. (Continued)

During the year ended June 30, 2018, the RW Foundation transferred property, equipment and funds of $3,402,095 to the University for support. Complete financial statements for the RW Foundation may be obtained from the RW Foundation at P.O. Box 2219, State University, AR 72467-1990.

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

Financial Statement Presentation

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

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

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

In June 2012, the GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

In March 2016, the GASB issued Statement no. 81, *Irrevocable Split-Interest Agreements*. Although the effective date of the Standard is for fiscal year 2018, the University early implemented the requirements of the Standard in accounting for an irrevocable split-interest agreement at the Jonesboro campus in fiscal year 2017.

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

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, $14,834 of interest costs was capitalized for the Mid-South campus.

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Operating and Nonoperating Revenues

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

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

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

Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of assets the University is legally entitled to, but for which payment has not been received as of the close of the fiscal year at June 30, 2018. 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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, 2018 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

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

Deposits with Trustees

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

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs and other liabilities that will not be paid within the next fiscal year; (3) the amount of the optional voluntary retirement incentive program (Note 17); (4) other postemployment benefits (Note 12); (5) net pension liability (Note 8); and (6) the refundable federal portion of the Perkins Loan Program.

Pensions

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Mid-South and Mountain Home campuses receive property tax revenues. These property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Sales and Use Taxes

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

Funds Held in Trust for Others

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

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 4,081,326	$ 4,033,181
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	116,115,989	117,756,507
Total Deposits	$ 120,197,315	$ 121,789,688

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 $36,539 and $66,694 at June 30, 2018, respectively. Also, the above amount does not include $491,565 in cash and cash equivalents held by the Foundation for license plate scholarships and $219,436 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of $16,390,635 reported as investments and classified as nonnegotiable certificates of deposit. Additionally, the deposits do not include money market checking accounts of $2,061 reported as deposits with trustees.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's policy states that investments made by the University, excluding those funds donated for endowment purposes, should be secure with no risk of loss. All investments must be fully collateralized with such collateral being evidenced by a bonded, third-party custody receipt provided to the campus making the investment. Collateral may be of three types including: (a) United State government securities, (b) securities of agencies of the United States, or (c) general obligation bonds of cities, counties, or school districts of the state of Arkansas. The University's bank balance of $121,789,688 was fully collateralized at June 30, 2018.

Deposits with Trustees

At June 30, 2018, the University's deposits with trustees totaled $4,196,655. Other than the money market checking accounts of $2,061, the details of the deposits with trustee by campus are below.

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro

At June 30, 2018, the University's deposits with trustee of $1,478,278 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 27 days.

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

Fair 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, 2018 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
$ 1,478,278	$ -	$ -	$ 1,478,278

Mid-South

At June 30, 2018, the University's deposits with trustee of $2,716,216 were invested by US Bank. The fund invests solely in First American Government Obligations, a money market treasury fund. The objective of the fund, rated AAAm and Aaa-mf by Standard and Poor's and Moody's Investors Service, respectively, is to maximize current income consistent with preserving capital and maintaining daily liquidity. The effective average maturity was approximately 17 days.

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

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

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

The fair market value of the deposits with trustee at June 30, 2018 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
$ 2,716,216	$ -	$ -	$ 2,716,216

Mountain Home

At June 30, 2018, the University's deposits with trustee of $100 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 45 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, 2018 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
$ 100	$ -	$ -	$ 100

University Investments (Excluding Endowment Funds)

At June 30, 2018, the University's investments, excluding endowment funds, consisted of corporate bonds of $2,547,430, U.S. agencies of $4,236,118, negotiable certificates of deposit of $1,698,703, and U.S. Treasury notes of $3,976,426. Details of the investments by campus are below.

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro

At June 30, 2018, the University's investments, excluding endowment funds, consisted of corporate bonds of $1,091,802, U.S. agencies of $3,842,700 and negotiable certificates of deposit of $1,698,703.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ -	$ 120,946	$ 561,434	$ 409,422	$ 1,091,802

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ -	$ 602,652	$ 449,143	$ 2,790,905	$ 3,842,700

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
$ 245,379	$ 1,453,324	$ -	$ -	$ 1,698,703

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
$ -	$ 451,498	$ 640,304	$ -	$ -	$ 1,091,802

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 3,249,439	$ 304,301	$ 221,212	$ -	$ 67,748	$ 3,842,700

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro (Continued)

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 8.837 years at June 30, 2018. The U.S. agencies had an estimated weighted average maturity of 10.872 years at June 30, 2018. The negotiable certificates of deposit had an estimated weighted average maturity of 2.613 years at June 30, 2018. The University's investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments. At June 30, 2018, negotiable certificates of deposits of $1,698,703 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, 2018 are 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
$ 1,091,802	$ -	$ -	$ 1,091,802

The fair market value of the U.S. agencies at June 30, 2018 are 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
$ 3,842,700	$ -	$ -	$ 3,842,700

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro (Continued)

The fair market value of the negotiable certificates of deposit at June 30, 2018 are 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
$ 1,698,703	$ -	$ -	$ 1,698,703

Mid-South

At June 30, 2018, the University's investments consisted of corporate bonds of $1,455,628, U.S. agencies of $393,418, and U.S. Treasury notes of $3,976,426. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 298,795	$ 699,854	$ 456,979	$ -	$ 1,455,628

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
$ 99,981	$ 293,437	$ -	$ -	$ 393,418

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
$ 745,760	$ 2,032,628	$ 1,198,038	$ -	$ 3,976,426

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

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
$ 71,585	$ 301,897	$ 1,082,146		$ -	$ 1,455,628

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 393,418	$ -	$ -	$ -	$ -	$ 393,418

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
$ 3,976,426	$ -	$ -	$ -	$ -	$ 3,976,426

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.022 years at June 30, 2018. The U.S. agencies had an estimated weighted average maturity of 2.178 years at June 30, 2018. The U.S. Treasury notes had an estimated weighted average maturity of 3.513 years at June 30, 2018. The University's investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

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

The fair market value of the corporate bonds at June 30, 2018 is shown below:

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

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
$ 1,455,628	$ -	$ -	$ 1,455,628

The fair market value of the U.S. agencies at June 30, 2018 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
$ 393,418	$ -	$ -	$ 393,418

The fair market value of the U.S. Treasury notes at June 30, 2018 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
$ 3,976,426	$ -	$ -	$ 3,976,426

NOTE 2: Public Fund Deposits and Investments (Continued)

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 $5,162,761 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 12.23% or $9,552,758 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 4,037,694
Bonds/Fixed Income Securities	1,733,815
Alternative Assets	687,210
Cash Equivalents	19,206
Bonds/Fixed Income Mutual Funds	1,715,616
International Equity Mutual Funds	1,359,217
Total	$ 9,552,758

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, 2018 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
$ 8,865,548		$ 687,210	$ 9,552,758

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.97% or $759,391 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 321,009
Bonds/Fixed Income Securities	137,843
Alternative Assets	54,635
Cash Equivalents	1,446
Bonds/Fixed Income Mutual Funds	136,396
International Equity Mutual Funds	108,062
Total	$ 759,391

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, 2018 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
$ 704,756	$ -	$ 54,635	$ 759,391

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of $3,494,368 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 2,662,635
Corporate Bonds	422,438
Cash Equivalents	126,499
U.S. Agencies	282,796
Total	$ 3,494,368

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

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

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

	Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
Corporate Bonds	$ 23,084	$ 228,726	$ 120,382	$ 50,246	$ 422,438
U.S. Agencies	-	28,377	59,511	194,908	282,796
Total	$ 23,084	$ 257,103	$ 179,893	$ 245,154	$ 705,234

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

	Aaa	Aa	A	Baa	Not Rated	Total
Corporate Bonds	$ 13,810	$ 77,137	$ 176,953	$ 146,687	$ 7,851	$ 422,438
U.S. Agencies	149,350				133,446	282,796
Total	$ 163,160	$ 77,137	$ 176,953	$ 146,687	$ 141,297	$ 705,234

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.464 and 17.613 years, respectively, at June 30, 2018.

The fair market value of the investments at June 30, 2018 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
$ 3,494,368	$ -	$ -	$ 3,494,368

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

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

The V.C. and Bertie H. Kays Educational Trust of $1,668,393 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 1,073,294
Corporate Bonds	317,018
Cash Equivalents	67,050
U.S. Agencies	211,031
Total	$ 1,668,393

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	$ 17,056	$ 171,246	$ 90,277	$ 38,439	$ 317,018
U.S. Agencies	-	22,043	34,782	154,206	211,031
Total	$ 17,056	$ 193,289	$125,059	$ 192,645	$ 528,049

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

	Aaa	Aa	A	Baa	Not Rated	Total
Corporate Bonds	$ 10,846	$ 57,351	$ 133,637	$ 109,294	$ 5,890	$ 317,018
U.S. Agencies	112,000				99,031	211,031
Total	$ 122,846	$ 57,351	$ 133,637	$ 109,294	$ 104,921	$ 528,049

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

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

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.521 and 17.774 years, respectively, at June 30, 2018.

The fair market value of the investments at June 30, 2018 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
$ 1,668,393	$ -	$ -	$ 1,668,393

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, 2018:

Arkansas State University-Jonesboro

	Balance July 1, 2017	Additions		Transfers	Retirements	Balance June 30, 2018
Nondepreciable capital assets:						
Land and improvements	$ 7,003,089	$ 30,000				$ 7,033,089
Livestock for educational purposes	107,606	11,030				118,636
Construction-in-progress	5,071,351	4,477,280	*	$ (4,789,733)		4,758,898
Intangibles-Easements	2,675,000					2,675,000
Total nondepreciable capital assets	$ 14,857,046	$ 4,518,310		$ (4,789,733)	$ -	$ 14,585,623
Other capital assets:						
Improvements and infrastructure	$ 158,977,226	$ 2,519,153		$ 4,789,733	$ (20,000)	$ 166,266,112
Buildings	367,100,857	49,000			(261,854)	366,888,003
Equipment	46,657,067	1,639,683	*		(2,644,628)	45,652,122
Library/audiovisual holdings	12,410,615				(60,375)	12,350,240
Intangibles-Software	5,828,610					5,828,610
Total other capital assets	590,974,375	4,207,836		4,789,733	(2,986,857)	596,985,087
Less accumulated depreciation/amortization for:						
Improvements and infrastructure	30,786,476	9,071,798			(2,667)	39,855,607
Buildings	173,621,564	10,945,201			(17,457)	184,549,308
Equipment	35,274,863	3,522,537	*		(2,279,241)	36,518,159
Library/audiovisual holdings	11,678,078	117,979			(60,375)	11,735,682
Intangibles-Software	3,885,740	388,574				4,274,314
Total accumulated depreciation	255,246,721	24,046,089		-	(2,359,740)	276,933,070
Other capital assets, net	$ 335,727,654	$ (19,838,253)		$ 4,789,733	$ (627,117)	$ 320,052,017
Capital Asset Summary:						
Nondepreciable capital assets	$ 14,857,046	$ 4,518,310		$ (4,789,733)	$ -	$ 14,585,623
Other capital assets, at cost	590,974,375	4,207,836		4,789,733	(2,986,857)	596,985,087
Total cost of capital assets	605,831,421	8,726,146		-	(2,986,857)	611,570,710
Less accumulated depreciation	255,246,721	24,046,089		-	(2,359,740)	276,933,070
Capital Assets, net	$ 350,584,700	$ (15,319,943)		$ -	$ (627,117)	$ 334,637,640

*Includes $9,900 for prior year additions for construction-in-progress, $93,652 for prior year additions for equipment, and $13,517 for prior year depreciation expense for equipment

NOTE 4: Capital Assets (Continued)

Arkansas State University-Beebe

	Balance July 1, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Nondepreciable capital assets:					
Land and improvements	$ 3,350,508				$ 3,350,508
Livestock for educational purposes	69,665			$ (715)	68,950
Construction-in-progress		$ 5,031,044			5,031,044
Intangibles-Software under development	1,546,565	389,321	$ (1,935,886)		-
Total nondepreciable capital assets	$ 4,966,738	$ 5,420,365	$ (1,935,886)	$ (715)	$ 8,450,502
Other capital assets:					
Improvements and infrastructure	$ 16,688,830				$ 16,688,830
Buildings	66,997,346			$ (121,586)	66,875,760
Equipment	5,598,839	$ 402,947		(46,505)	5,955,281
Library/audiovisual holdings	2,623,607	90,010		(39,155)	2,674,462
Intangibles-Software			$ 1,935,886		1,935,886
Total other capital assets	91,908,622	492,957	1,935,886	(207,246)	94,130,219
Less accumulated depreciation for:					
Improvements and infrastructure	7,954,161	1,097,724			9,051,885
Buildings	28,900,634	1,783,980		(49,535)	30,635,079
Equipment	4,592,568	310,724		(44,346)	4,858,946
Library/audiovisual holdings	2,052,714	104,377		(39,155)	2,117,936
Total accumulated depreciation	43,500,077	3,296,805	-	(133,036)	46,663,846
Other capital assets, net	$ 48,408,545	$ (2,803,848)	$ 1,935,886	$ (74,210)	$ 47,466,373
Capital Asset Summary:					
Nondepreciable capital assets	$ 4,966,738	$ 5,420,365	$ (1,935,886)	$ (715)	$ 8,450,502
Other capital assets, at cost	91,908,622	492,957	1,935,886	(207,246)	94,130,219
Total cost of capital assets	96,875,360	5,913,322		(207,961)	102,580,721
Less accumulated depreciation	43,500,077	3,296,805		(133,036)	46,663,846
Capital Assets, net	$ 53,375,283	$ 2,616,517	$ -	$ (74,925)	$ 55,916,875

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mid-South

	Balance July 1, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Nondepreciable capital assets:					
Land and improvements	$ 3,898,076				$ 3,898,076
Construction-in-progress		$ 760,221			760,221
Total nondepreciable capital assets	$ 3,898,076	$ 760,221	$ -	$ -	$ 4,658,297
Other capital assets:					
Improvements and infrastructure	$ 5,968,625				$ 5,968,625
Buildings	58,672,548				58,672,548
Equipment	10,235,703	$ 326,888		$ (30,627)	10,531,964
Library/audiovisual holdings	897,065	4,606		(345)	901,326
Total other capital assets	75,773,941	331,494	-	(30,972)	76,074,463
Less accumulated depreciation for:					
Improvements and infrastructure	4,233,932	242,111			4,476,043
Buildings	21,833,464	1,932,277			23,765,741
Equipment	8,763,403	465,210		(30,627)	9,197,986
Library/audiovisual holdings	813,017	25,012		(345)	837,684
Total accumulated depreciation	35,643,816	2,664,610	-	(30,972)	38,277,454
Other capital assets, net	$ 40,130,125	$ (2,333,116)	$ -	$ -	$ 37,797,009
Capital Asset Summary:					
Nondepreciable capital assets	$ 3,898,076	$ 760,221	$ -	$ -	$ 4,658,297
Other capital assets, at cost	75,773,941	331,494	-	(30,972)	76,074,463
Total cost of capital assets	79,672,017	1,091,715		(30,972)	80,732,760
Less accumulated depreciation	35,643,816	2,664,610		(30,972)	38,277,454
Capital Assets, net	$ 44,028,201	$ (1,572,895)	$ -	$ -	$ 42,455,306

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Nondepreciable capital assets:					
Land and improvements	$ 2,934,808	$ -	$ -	$ -	$ 2,934,808
Other capital assets:					
Improvements and infrastructure	$ 2,313,346				$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	2,058,458	$ 77,234		$ (14,835)	2,120,857
Library/audiovisual holdings	986,277	23,126			1,009,403
Total other capital assets	43,643,304	100,360	-	(14,835)	43,728,829
Less accumulated depreciation for:					
Improvements and infrastructure	2,110,823	40,771			2,151,594
Buildings	24,238,037	1,641,819			25,879,856
Equipment	1,735,087	105,316		(14,835)	1,825,568
Library/audiovisual holdings	854,281	20,320			874,601
Total accumulated depreciation	28,938,228	1,808,226	-	(14,835)	30,731,619
Other capital assets, net	$ 14,705,076	$ (1,707,866)	$ -	$ -	$ 12,997,210
Capital Asset Summary:					
Nondepreciable capital assets	$ 2,934,808	$ -	$ -	$ -	$ 2,934,808
Other capital assets, at cost	43,643,304	100,360	-	(14,835)	43,728,829
Total cost of capital assets	46,578,112	100,360		(14,835)	46,663,637
Less accumulated depreciation	28,938,228	1,808,226		(14,835)	30,731,619
Capital Assets, net	$ 17,639,884	$ (1,707,866)	$ -	$ -	$ 15,932,018

NOTE 4: Capital Assets (Continued)

Arkansas State University-Newport

	Balance July 1, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Nondepreciable capital assets:					
Land and improvements	$ 1,409,175				$ 1,409,175
Construction-in-progress		$ 3,951,079			3,951,079
Intangibles-Software in development	1,045,752	168,017			1,213,769
Total nondepreciable capital assets	$ 2,454,927	$ 4,119,096	$ -	$ -	$ 6,574,023
Other capital assets:					
Improvements and infrastructure	$ 2,852,106				$ 2,852,106
Buildings	31,320,526				31,320,526
Equipment	5,021,735	$ 430,178			5,451,913
Library/audiovisual holdings	458,331	18,515		$ (375)	476,471
Total other capital assets	39,652,698	448,693	-	(375)	40,101,016
Less accumulated depreciation for:					
Improvements and infrastructure	1,203,206	179,254			1,382,460
Buildings	16,059,097	1,079,788			17,138,885
Equipment	2,925,907	388,123			3,314,030
Library/audiovisual holdings	374,071	16,050		(375)	389,746
Total accumulated depreciation	20,562,281	1,663,215	-	(375)	22,225,121
Other capital assets, net	$ 19,090,417	$ (1,214,522)	$ -	$ -	$ 17,875,895
Capital Asset Summary:					
Nondepreciable capital assets	$ 2,454,927	$ 4,119,096	$ -	$ -	$ 6,574,023
Other capital assets, at cost	39,652,698	448,693	-	(375)	40,101,016
Total cost of capital assets	42,107,625	4,567,789	-	(375)	46,675,039
Less accumulated depreciation	20,562,281	1,663,215	-	(375)	22,225,121
Capital Assets, net	$ 21,545,344	$ 2,904,574	$ -	$ -	$ 24,449,918

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, 2018	Maturities To June 30, 2018
9/15/2005	4/1/2025	3 - 5%	$ 19,230,000	$ 8,465,000	$ 10,765,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	1,725,000	875,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	645,000	2,790,000
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	4,135,000	1,205,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	1,990,000	785,000
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	5,820,000	690,000
3/1/2012	3/1/2042	2 - 4%	6,875,000	6,060,000	815,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	2,855,000	570,000
12/1/2012	3/1/2042	0.866 - 4.7%	4,470,000	4,010,000	460,000
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,110,000	145,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,260,000	240,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	23,685,000	5,210,000
8/1/2013	8/1/2023	0.24%	1,000,000	602,874	397,126
12/1/2013	12/1/2038	0.864 - 5.779%	11,130,000	9,995,000	1,135,000
12/1/2013	12/1/2043	2 - 5%	14,685,000	13,550,000	1,135,000
11/1/2015	11/1/2025	0.00%	600,000	450,000	150,000
11/1/2015	11/1/2025	0.00%	604,000	453,000	151,000
11/5/2015	11/5/2023	2.97%	8,000,000	5,708,611	2,291,389
12/17/2015	12/1/2035	3.21%	15,226,080	15,226,080	-
7/29/2016	10/1/2018	2.98%	358,082	181,668	176,414
11/17/2016	3/1/2037	3 - 4%	13,870,000	12,940,000	930,000
11/17/2016	3/1/2037	2 - 4%	23,150,000	20,905,000	2,245,000
12/20/2017	3/1/2039	3 - 4%	11,740,000	11,190,000	550,000
Unamortized discount			(52,188)	(40,460)	(11,728)
Unamortized premium			4,771,721	4,159,384	612,337
Totals			$ 191,392,695	$ 157,081,157	$ 34,311,538

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, 2018	Maturities To June 30, 2018
12/1/2012	12/1/2032	1 - 3%	$ 1,890,000	$ 1,490,000	$ 400,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	1,305,000	590,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	7,255,000	750,000
5/1/2015	12/1/2035	2 - 4%	12,930,000	11,580,000	1,350,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	8,135,000	1,050,000
8/8/2017	7/1/2032	1.31%	100,000	100,000	-
10/18/2017	10/1/2037	3.04%	4,930,498	4,930,498	-
Unamortized discount			(91,432)	(75,927)	(15,505)
Unamortized premium			404,190	338,445	65,745
Totals			$ 39,248,256	$ 35,058,016	$ 4,190,240

Arkansas State University-Mid-South

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities To June 30, 2018
8/26/2010	2/1/2040	2 - 4.7%	$ 5,180,000	$ 4,310,000	$ 870,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	15,720,000	2,790,000
3/15/2018	3/15/2038	3.30%	1,537,658	1,537,658	
Unamortized discount			(47,842)	(35,084)	(12,758)
Unamortized premium			112,689	90,151	22,538
Totals			$ 25,292,505	$ 21,622,725	$ 3,669,780

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mountain Home

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities To June 30, 2018
8/1/1999	4/10/2019	4.80%	$ 1,032,704	$ 78,076	$ 954,628
12/1/2012	12/1/2032	0.666 - 4.25%	6,995,000	5,440,000	1,555,000
Totals			$ 8,027,704	$ 5,518,076	$ 2,509,628

Arkansas State University-Newport

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities To June 30, 2018
7/23/2012	7/23/2027	3.75%	$ 1,500,000	$ 1,020,903	$ 479,097
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	2,485,000	1,255,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,485,000	390,000
10/27/2016	3/1/2021	0.00%	606,934	364,160	242,774
8/8/2017	7/1/2032	1.31%	1,000,000	1,000,000	-
10/18/2017	10/1/2037	3.04%	2,951,079	2,951,079	-
Unamortized discount			(22,328)	(16,187)	(6,141)
Totals			$ 11,650,685	$ 9,289,955	$ 2,360,730

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro

	Balance July 1, 2017	Additions	Reductions		Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	$ 140,769,139	$ 12,319,948	$ 18,630,163	*	$ 134,458,924	$ 6,314,017
Notes payable	8,367,105		1,152,620		7,214,485	1,188,678
Capital leases payable	15,588,008		180,260		15,407,748	407,504
Compensated absences	7,956,228	4,733,705	5,248,582		7,441,351	4,527,663
Totals	$ 172,680,480	$ 17,053,653	$ 25,211,625		$ 164,522,508	$ 12,437,862

*Includes advance refunding of $7,920,000 with an unamortized discount of $61,675 and refunding of $4,360,000 with an unamortized discount of $16,641

Arkansas State University-Beebe

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	$ 31,379,418		$ 1,351,900	$ 30,027,518	$ 1,366,900
Notes payable		$ 100,000		100,000	6,077
Capital leases payable		4,930,498		4,930,498	78,491
Compensated absences	1,361,839	1,008,050	1,051,008	1,318,881	920,000
Totals	$ 32,741,257	$ 6,038,548	$ 2,402,908	$ 36,376,897	$ 2,371,468

Arkansas State University-Mid-South

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	$ 20,612,229		$ 527,162	$ 20,085,067	$ 542,162
Notes payable		$ 1,537,658		1,537,658	55,631
Compensated absences	592,403	464,007	493,581	562,829	57,910
Totals	$ 21,204,632	$ 2,001,665	$ 1,020,743	$ 22,185,554	$ 655,703

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	$ 6,207,071		$ 767,071	$ 5,440,000	$ 325,000
Notes payable	152,537		74,461	78,076	78,076
Compensated absences	450,566	$ 263,869	218,803	495,632	24,782
Totals	$ 6,810,174	$ 263,869	$ 1,060,335	$ 6,013,708	$ 427,858

Arkansas State University-Newport

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	$ 4,247,696		$ 293,883	$ 3,953,813	$ 305,000
Notes payable	1,112,366	$ 1,000,000	91,463	2,020,903	153,880
Capital leases payable	485,548	2,951,079	121,388	3,315,239	168,367
Compensated absences	728,521	887,123	765,896	849,748	739,281
Totals	$ 6,574,131	$ 4,838,202	$ 1,272,630	$ 10,139,703	$ 1,366,528

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
2019	$ 7,910,199	*	$ 6,019,499	**	$ 13,929,698
2020	8,172,127		5,680,443		13,852,570
2021	8,504,036		5,389,423		13,893,459
2022	8,855,782		5,076,487		13,932,269
2023	9,207,623		4,749,559		13,957,182
2024 - 2028	36,520,320		19,219,824		55,740,144
2029 - 2033	38,745,269		12,361,521		51,106,790
2034 - 2038	29,074,384		5,112,889		34,187,273
2039 - 2043	9,214,145		1,213,041		10,427,186
2044	877,272		21,328		898,600
Totals	$ 157,081,157	***	$ 64,844,014		$ 221,925,171

*Includes discount amortization of $2,099 and premium amortization of $226,115.
**Includes interest payable of $1,457,515 recorded as a current liability at June 30, 2018.
***Total principal of $157,081,157 Includes discount amortization of $40,460 and premium amortization of $4,159,384.

Arkansas State University-Beebe

Year ended June 30,	Principal		Interest		Total
2019	$ 1,451,468	*	$ 1,135,225	**	$ 2,586,693
2020	1,498,470		1,109,888		2,608,358
2021	1,557,703		1,071,075		2,628,778
2022	1,596,071		1,025,430		2,621,501
2023	1,666,962		972,905		2,639,867
2024 - 2028	8,361,817		4,026,144		12,387,961
2029 - 2033	9,944,154		2,507,929		12,452,083
2034 - 2038	8,543,529		757,572		9,301,101
2039	437,842		15,950		453,792
Totals	$ 35,058,016	***	$ 12,622,118		$ 47,680,134

*Includes discount amortization of $3,996 and premium amortization of $20,896.
**Includes interest payable of $231,475 recorded as a current liability at June 30, 2018.
***Total principal of $35,058,016 includes discount amortization of $75,927 and premium amortization of $338,445.

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mid-South

Year ended June 30,	Principal		Interest		Total
2019	$ 597,793	*	$ 815,266	**	$ 1,413,059
2020	614,488		796,958		1,411,446
2021	636,380		778,004		1,414,384
2022	658,334		755,781		1,414,115
2023	680,353		734,537		1,414,890
2024 - 2028	3,764,453		3,312,646		7,077,099
2029 - 2033	4,500,904		2,573,974		7,074,878
2034 - 2038	5,428,186		1,644,272		7,072,458
2039 - 2042	4,741,834		496,485		5,238,319
Totals	$ 21,622,725	***	$ 11,907,923		$ 33,530,648

*Includes discount amortization of $1,595 and premium amortization of $3,757.
**Includes interest payable of $331,682 recorded as a current liability at June 30, 2018.
***Total principal of $21,622,725 includes discount amortization of $35,084 and premium amortization of $90,151.

Arkansas State University-Mountain Home

Year ended June 30,	Principal	Interest		Total
2019	$ 403,076	$ 193,474	*	$ 596,550
2020	330,000	183,546		513,546
2021	340,000	175,039		515,039
2022	350,000	165,109		515,109
2023	360,000	154,270		514,270
2024 - 2028	1,990,000	567,268		2,557,268
2029 - 2033	1,745,000	165,644		1,910,644
Totals	$ 5,518,076	$ 1,604,350		$ 7,122,426

*Includes interest payable of $19,201 recorded as a current liability at June 30, 2018.

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Newport

Year ended June 30,		Principal			Interest			Total
2019	$	627,247	*	$	259,143	**	$	886,390
2020		645,683			250,761			896,444
2021		673,764			236,274			910,038
2022		560,009			220,840			780,849
2023		594,307			204,526			798,833
2024 - 2028		3,162,447			715,763			3,878,210
2029 - 2033		1,734,356			332,907			2,067,263
2034 - 2038		1,292,142			118,508			1,410,650
Totals	$	9,289,955	***	$	2,338,722		$	11,628,677

*Includes discount amortization of $1,117.
**Includes interest payable of $102,329 recorded as a current liability at June 30, 2018.
***Total principal of $9,289,955 includes discount amortization of $16,187.

Refunding of Debt

Arkansas State University-Jonesboro
On December 20, 2017, the University issued $11,740,000 in tax exempt refunding bonds for the Jonesboro campus with interest rates of 3 to 4 percent to refund $4,360,000 of outstanding bonds, with an unamortized discount of $16,641, dated December 7, 2010 with interest rates of 2 to 4.125 percent and to advance refund $7,920,000 of outstanding bonds, with an unamortized discount of $61,675, dated March 19, 2009 with interest rates of 3 to 5.1 percent. Net proceeds of $12,141,591, after payment of $178,358 for bond issuance costs and a premium of $579,949 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $593,870 was transferred from the debt service reserve of the 2009 issue. U.S. Treasury obligations of $12,735,461, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2009 Series bonds and the 2010 Refunding Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2010 bonds were called on January 22, 2018 and the 2009 bonds will be called on March 1, 2019. The University refunded the bonds to reduce its total debt service payments by $2,503,501 over the next twenty (20) years and to obtain an economic gain of $1,316,345. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $685,331. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2039 using the straight-line method. Additionally, the 2010 Refunding Series had an unamortized difference between the reacquisition price and the net carrying amount of $91,652. This will continue to be amortized through the year 2031 using the straight-line method.

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled $22,856,807 at June 30, 2018. The present value of the net minimum lease payments is as follows:

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
IT Equipment	$ 1,152,094	$ 303,107	$ 848,987
Energy Performance Contract	23,016,837	1,009,017	22,007,820
Total	$ 24,168,931	$ 1,312,124	$ 22,856,807

Fiscal Year Ending June 30,	Amount
2019	$ 1,450,433
2020	1,384,195
2021	1,445,017
2022	1,384,436
2023	1,450,779
2024 - 2028	8,069,289
2029 - 2033	9,293,852
2034 - 2036	7,791,167
Total Minimum Lease Payments	32,269,168
Less: Amount Representing Interest	8,615,683
Total Present Value of Net Minimum Lease Payments	$ 23,653,485

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2018:

A. Construction Contracts

Project Title	Estimated Completion Date	Contract Balance
Jonesboro		
Northpark Quads and Collegiate Park Repairs	July 2018	$ 111,964
Student Union Food Services Renovations	August 2018	359,824
Football Stadium Waterproofing	August 2018	173,309
Arkansas Biosciences Boiler	August 2018	116,116
Radio-TV Flooring	August 2018	50,770
HPESS Building Renovations	October 2018	199,215
Collegiate Park Renovations	November 2018	151,855
HPESS Building Boiler	December 2018	370,897
Marion Berry Phase III-Loop Road	June 2019	232,798
Mid-South		
Energy Performance Contract	September 2018	758,685
Newport		
Walton Hall Flood Damage Renovations	September 2018	64,669

NOTE 7: Commitments (Continued)

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

Various leases for land, office space, classroom/lab space, laundry services, farm equipment, printers/copiers, computers, and other office equipment with terms ranging from 2 to 50 years

(a) Future minimum rental payments (aggregate) at June 30, 2018: $4,359,377

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

Year Ended June 30,	Amount
2019	$ 1,183,871
2020	976,464
2021	666,897
2022	214,016
2023	128,962
2024 - 2028	216,995
2029 - 2033	116,605
2034 - 2038	118,603
2039 - 2043	120,661
2044 - 2048	122,781
2049 - 2053	124,964
2054 - 2058	127,213
2059 - 2063	129,529
2064 - 2068	111,816

Rental payments for the above operating leases, for the year ended June 30, 2018, were approximately $1,427,397.

NOTE 8: Retirement Plans

Defined Contribution Plans

Teachers Insurance and Annuity Association (TIAA)

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

Funding Policy
The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Mid-South campus contributes 14% of earnings for employees hired prior to July 1, 2016. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2018, $386,335 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2018 were $8,650,828 and $7,752,746 respectively.

NOTE 8: Retirement Plans (Continued)

Defined Contribution Plans (Continued)

Variable Annuity Life Insurance Company (VALIC)

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2018, $46,193 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2018 were $1,281,706 and $1,083,670, respectively.

VOYA

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The campus contributes 14% of earnings for employees hired prior to July 1, 2016. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2018, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2018 were $588,155 and $350,302, 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.

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

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

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

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

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

The University no longer offers new employees the option of electing Arkansas Teacher Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan. This became effective on July 1, 2011 for the Jonesboro, Beebe, Mountain Home and Newport campuses and June 8, 2015 for the Mid-South campus.

The University reported payables to ATRS in the amount of $54,450 as of June 30, 2018. This amount has been reported on the Statement of Net Position as a current liability.

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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, 2018. Contributory members are required to contribute 6% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

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

The collective net pension liability of $4,203,863,874 was measured as of June 30, 2017, 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, 2018, the University reported a liability of $12,297,190 for its proportionate share of the net pension liability. At June 30, 2017, the University's proportion was .29% of the collective net pension liability.

For the year ended June 30, 2018, the University recognized pension expense of ($263,487). At June 30, 2018, 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	$ 170,421	$ 301,443
Changes of assumptions	3,285,887	
Net difference between projected and actual earnings on pension plan investments		868,591
Changes in proportion and differences between employer contributions and proportionate share of contributions	72,340	2,225,643
Contributions subsequent to the measurement date	1,085,490	
Totals	$ 4,614,138	$ 3,395,677

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Teacher Retirement System (Continued)

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

$1,085,490 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		Amount
2019	$	(427,545)
2020		414,862
2021		187,906
2022		(282,388)
2023		240,136

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2017. 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
Remaining amortization period	29 years
Asset valuation method	4-year closed period; 20% corridor
Wage inflation	2.75%
Projected salary increases	2.75 – 7.75%
Investment rate of return	7.50% compounded annually
Mortality table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.

	Scaling Factor	
Table	Males	Females
Healthy Annuitant	101%	91%
Disabled Annuitant	99%	107%
Employee Mortality	94%	84%

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

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension 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, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	50%	5.0%
Fixed income	20%	1.2%
Alternatives	5%	4.8%
Real assets	15%	3.7%
Private equity	10%	6.5%
Cash equivalents	0%	0.3%
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 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 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 (6.5%) or 1 percentage point higher (8.5%) 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	$ 19,697,113	$ 12,297,190	$ 6,162,631

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension 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 $21,818 as of June 30, 2018. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

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

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

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

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

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension 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 14.75% of compensation for the fiscal year ended June 30, 2018.

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

The collective net pension liability of $2,584,140,475 was measured as of June 30, 2017, 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, 2018, the University reported a liability of $8,480,922 for its proportionate share of the net pension liability. At June 30, 2017, the University's proportion was .33% of the collective net pension liability.

For the year ended June 30, 2018, the University recognized pension expense of $1,034,710. At June 30, 2018, 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	$ 164,407	$ 166,800
Changes of assumptions	1,364,567	
Net difference between projected and actual earnings on pension plan investments	355,376	
Changes in proportion and differences between employer contributions and share of contributions	7,961	1,038,427
Contributions subsequent to the measurement date	771,954	
Totals	$ 2,664,265	$ 1,205,227

$771,954 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2019	$ 18,034
2020	446,944
2021	338,676
2022	(116,570)

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension 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, 2017. 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	7.15%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return*	7.15%
Mortality rate table	RP-2000 Combined Healthy, projected to 2020 using projection scale BB, set-forward two years for males and one year for females

*Net of investment and administrative expenses

All other actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2012, and were applied to all prior periods included in the measurement.

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 2017 - 2026 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	5.97%
International equity	24%	6.54%
Real assets	16%	4.59%
Absolute return	5%	3.15%
Domestic fixed	18%	0.83%
Total	100%	

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

Sensitivity of the 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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
University's proportionate share of the net pension liability	$ 12,915,352	$ 8,480,922	$ 4,798,813

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2018 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self-insurance	Depreciation	Other	Total
Instruction	$ 73,580,744	$ 2,663,001	$ 10,645,689				$ 86,889,434
Research	5,870,205	388,637	2,764,391				9,023,233
Public service	13,003,985	73,028	6,146,681				19,223,694
Academic support	11,877,713	24,859	10,081,729				21,984,301
Student services	14,487,538	126,396	4,163,103				18,777,037
Institutional support	20,292,961	11,876	7,896,332				28,201,169
Scholarships and fellowships		10,421,872					10,421,872
Operations and maintenance of plant	10,422,872		12,825,440				23,248,312
Auxiliary enterprises	9,267,177	5,794,937	15,055,586				30,117,700
Self-insurance				$ 20,722,131			20,722,131
Depreciation					$ 33,465,428		33,465,428
Other						$ 27,764	27,764
Totals	$ 158,803,195	$ 19,504,606	$ 69,578,951	$ 20,722,131	$ 33,465,428	$ 27,764	$ 302,102,075

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2018 as reported in the Statement of Net Position, were as follows:

	Current	Noncurrent	Total
Student receivables, net	$ 10,333,436		$ 10,333,436
Grants and contracts	7,203,994		7,203,994
Sales and use tax	621,733		621,733
Construction projects	163,060	$ 665,274	828,334
Travel advances	4,535		4,535
Property tax accrual	871,244	1,321,362	2,192,606
Auxiliary enterprises	810,681	16,870	827,551
Sales tax rebates	31,151		31,151
Miscellaneous	2,600,712	60,674	2,661,386
Totals	$ 22,640,546	$ 2,064,180	$ 24,704,726

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was $2,711,123 at June 30, 2018. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year for vending, bookstore and other types of auxiliaries.

Notes and Deposits Receivable at June 30, 2018 were as follows:

	Current	Noncurrent	Total
Notes receivable, net	$ 627,382	$ 2,996,587	$ 3,623,969
Deposits receivable	9,429	5,759	15,188
Totals	$ 636,811	$ 3,002,346	$ 3,639,157

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2018 was reduced by an allowance for doubtful accounts of $320,327 for the current portion and $1,529,991 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2018 are detailed below:

	Current	Noncurrent	Total
Vendors	$ 8,187,336		$ 8,187,336
Students	15,381		15,381
Sales tax and use tax	6,215		6,215
Health claims	1,654,795		1,654,795
Arkansas Delta Training and Education Consortium	115,145		115,145
Salaries and other payroll related items	2,155,150		2,155,150
Optional Voluntary Retirement Incentive Program	624,666	$ 606,555	1,231,221
Miscellaneous	43,105		43,105
Totals	$ 12,801,793	$ 606,555	$ 13,408,348

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: Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

Benefits Provided

Employees between the ages of fifty-five (55) and sixty (60) shall become eligible for early retirement benefits in the calendar year in which the sum of their age and the number of years of continuous benefits eligible service to the University totals seventy (70).

Employees sixty (60) years of age and older are eligible for early retirement benefits in the calendar year in which they have at least ten (10) years of continuous benefits eligible service to the University. Certain employees who retiree under a voluntary retirement window approved by the Board of Trustees of Arkansas State University are also eligible for benefits.

Employees electing retirement will receive the following benefits:

- Medical benefits – Pre-Medicare benefits are available to retirees and their eligible dependents (if covered at the time the employee retires) under the Cigna Open Access Plus plan.

- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives an amount equal to 1.5 times the retiree's final salary immediately prior to retirement, rounded to the next highest multiple of $1,000. The maximum benefit is $50,000. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65. Some current retirees from the Mid-South campus are eligible for a life insurance benefit of $20,000. This benefit continues beyond age 65 for the lifetime of the retiree.

Medical contributions are equal to one-half of the total combined employee and employer premium cost. When a retiree dies or becomes eligible for Medicare, spouses may continue coverage until they become eligible for Medicare by paying 100% of the employee plus employer premium cost. Retirees from the Mid-South campus who retired prior to July 1, 2017 pay a reduced rate per month for coverage.

No contributions are required for the life insurance benefit.

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	Medical benefits	Life insurance benefits	Total
Active employees			
Fully eligible	457	484	941
Not yet fully eligible	1,528	1,766	3,294
	1,985	2,250	4,235
Retired employees			
Retirees	68	92	160
Spouses	18	n/a	18
Surviving spouses	12	n/a	12
	98	92	190
Totals	2,083	2,342	4,425

Total OPEB Liability

The University's total OPEB liability of $20,153,200 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.42% for GASB implementation as of July 1, 2017 and fiscal 2018 OPEB expense development 3.49% for June 30, 2018 measurement date
Inflation rate	2.20%
Salary increases	1.00% per year through 2018, then 2.50% per year thereafter
Mortality rate table	RP-2014 Headcount-Weighted Total Dataset Mortality Table, adjusted to 2006, separately for males and females and separately for annuitant and non-annuitants Mortality includes a generational projection for future mortality improvements using Scale MP-2017
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

Year	Percentage
2017 - 2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022 - 2023	5.40%
2024 - 2025	5.30%
2026 - 2027	5.20%
2028 and beyond	5.00%

The discount rate is the average of the Bond Buyer 20-Bond GO Index, the S & P Municipal Bond 20 Year High Grade Rate Index, and the Fidelity GO AA – 20 Year Index as of the measurement date.

Mortality rates are based on recent research by the Society of Actuaries.

Healthcare cost trend rates are developed each year with the actuary’s near-term expectations and the SAO Getzen Long-Term Healthcare Cost Trend model.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from June 30, 2016, based on census data from 2013 – 2016.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2017	$ 18,672,209
Changes for the year:	
Service cost	1,433,006
Interest	671,522
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs*	324,555
Benefit payments	(948,092)
Net changes	1,480,991
Balance, June 30, 2018	$ 20,153,200

*The discount rate was updated from 3.72% as of July 1, 2017 to 3.49% as of June 30, 2018 to reflect changes in municipal bond indices.
Mortality projection scales were updated based on more recent research by the Society of Actuaries.
Inflation was updated from 2.50% to 2.20% to reflect anticipated future experience
Medical trend rates were updated to reflect anticipated future medical cost increases.

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

The following presents the total OPEB liability of the University using the discount rate of 3.49%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.49%) or 1 percentage point higher (4.49%) than the current rate:

	1% Decrease (2.49%)	Current Discount Rate (3.49%)	1% Increase (4.49%)
Total OPEB Liability	$ 21,851,638	$ 20,153,200	$ 18,611,615

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

The following presents the total OPEB liability of the University using the healthcare cost trend rate of 7.00% decreasing to 5.00%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00% decreasing to 4.00%) or 1 percentage point higher (8.00% decreasing to 6.00%) than the current rate:

	1% Decrease (6.00% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
Total OPEB Liability	$ 17,596,074	$ 20,153,200	$ 23,488,847

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

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

For the year ended June 30, 2018, the University recognized OPEB expense of $2,153,041. At June 30, 2018, the University reported deferred inflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions or other inputs	$ 276,042	
Net difference between projected and actual earnings on OPEB pland investments		
Contributions subsequent to the measurement date		
Totals	$ 276,042	$ -

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

Fiscal Year Ending June 30,	Amount
2019	$ 48,513
2020	48,513
2021	48,513
2022	48,513
2023	48,513
Thereafter	33,477

NOTE 13: Self-insurance Program

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

At June 30, 2018, approximately 4,284 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 84% of the total premium. The University pays 74% of the total premium for those participating in full family coverage, 70% for those participating in employee and spouse coverage, and 69% 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.

NOTE 13: Self-insurance Program (Continued)

The University estimates its unpaid health claims liability at June 30, 2018 to be $1,654,795 with Cigna. This liability is established for incurred but not reported medical and pharmacy claims and is based on the calculation prepared by Lockton. Details of this liability are shown below.

Unpaid Claims Liability

	FY 2018
Unpaid Claims, 7-1-17	$ 1,406,353
Incurred claims during current year	21,127,279
Current year claims paid	19,472,484
Prior year claims paid	1,406,353
Total payments	20,878,837
Unpaid Claims, 6-30-18	1,654,795

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

NOTE 14: Endowment Funds

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as cash or investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2018 was $13,820,690. Of this amount, $12,804,299 was nonexpendable and the remaining $1,016,391 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 assets at June 30, 2018 were $788,020. Of this amount, $759,391 was nonexpendable and the remaining $28,659 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, 2018 are as follows:

Arkansas State University-Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 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	$ 2,441,714	$ 14,342,625	$ 842,806	$ 357,820	$ 6,313,589	$ 1,199,880	49.17%
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Parking Garage	Parking Fees	1,371,621	4,887,375	287,194	121,930	2,151,411	408,870	29.83%
Series 2010A Refunding	12/7/2010	3/1/2031	Refinance Series 2001 Track Facility	Gross Tuition and Fees	see below	2,600,000	120,000	67,164	1,725,000	476,606	0.20%
Series 2010B Refunding*	12/7/2010	12/1/2027	Refinance Series 2002- Property Purchases	Gross Tuition and Fees	see below	1,866,624	92,143	23,154	645,000	127,112	0.13%
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	842,142	6,510,000	140,000	276,263	5,820,000	4,230,690	49.43%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	842,142	4,470,000	105,000	173,389	4,010,000	2,615,533	33.06%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees	484,055	6,875,000	170,000	215,823	6,060,000	3,188,312	79.71%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees	484,055	1,255,000	35,000	34,606	1,110,000	506,000	14.38%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,488,986	3,425,000	100,000	114,456	2,855,000	1,207,075	14.40%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,488,986	1,500,000	50,000	37,356	1,260,000	422,694	5.87%
Series 2012A Taxable Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and	see below	5,340,000	195,000	168,997	4,135,000	1,676,384	0.40%

* The total amount issued on the Series 2010B Refunding was $3,435,000. The portion pledged with housing fees was $1,568,376 and had a final maturity date of December 1, 2017

NOTE 15: Pledge Revenues (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
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	$ 64,881	$ 1,990,000	$ 591,813	0.17%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall	Housing Fees	$ 3,953,917	22,521,103	841,765	716,162	18,460,367	6,459,199	39.40%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Family Housing Phase II	Housing Fees	1,062,068	6,373,897	238,235	202,688	5,224,633	1,828,075	41.52%
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	11,130,000	290,000	519,674	9,995,000	6,821,260	0.88%
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	295,000	624,100	13,550,000	10,054,044	1.00%
Series 2016 Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Student Fee-Construction of Recreation Center	Recreation Center Fee	1,709,522	13,870,000	450,000	495,356	12,940,000	5,086,825	55.30%
Series 2016 Housing Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Housing-Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park	Housing Fees	2,895,721	23,150,000	1,110,000	853,113	20,905,000	7,788,063	67.79%
Series 2009 Housing	Refunded below		Construction of Living Learning Community	Housing Fees	348,001	9,290,000	-	187,482	-	-	53.87%
Series 2010 Refunding	Refunded below		Refinance Series 2001 Family Housing Phase I	Housing Fees	1,062,068	6,075,000	-	79,802	-	-	7.51%
Series 2017 Housing Refunding	12/20/2017	3/1/2039	Refinance Series 2009 and Series 2010 Refunding-Construction of Living Learning Community, Red Wolf Den Commons, housing deferred maintenance and refinancing Family Housing Phase I (Series 2001)	Housing Fees	1,410,069	11,740,000	550,000	83,775	11,190,000	4,205,794	44.95%

Note: Issues with Tuition and Fees pledged, 2018 Gross Revenue was $91,670,514

NOTE 15: Pledge Revenues (Continued)

Arkansas State University-Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 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	$ 85,000	$ 39,641	$ 1,490,000	$ 333,690	1.22%
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	37,000	1,305,000	116,425	2.26%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	745,802	8,005,000	255,000	238,822	7,255,000	3,015,779	66.21%
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	470,000	405,706	11,580,000	4,026,222	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	330,000	296,475	8,135,000	3,121,825	6.11%

Note: Issues with Tuition and Fees pledged, 2018 Gross Revenue was $10,249,389

NOTE 15: Pledge Revenues (Continued)

Arkansas State University-Mid-South

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 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	$ 2,922,410	$ 5,180,000	$ 105,000	$ 191,854	$ 4,310,000	$ 2,827,966	10.16%
Series 2012 Construction	8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	2,922,410	18,510,000	420,000	588,508	15,720,000	8,492,949	34.51%

Arkansas State University-Mountain Home

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Construction of Community Development Center	Gross Tuition and Fees	$ 4,148,966	$ 6,995,000	$ 320,000	$ 196,748	$ 5,440,000	$ 1,601,528	12.45%

NOTE 15: Pledge Revenues (Continued)

Arkansas State University-Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2018 Gross Revenue	Amount Issued	2018 Principal Paid	2018 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Refunding	12/1/2012	5/1/2028	Refinance Series 2008 Building-Construction of Student Community Building	Gross Tuition and Fees	see below	$ 3,740,000	$ 215,000	$ 88,616	$ 2,485,000	$ 509,572	4.02%
Series 2012B Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Building-Construction of Transportation Technology Center building	Gross Tuition and Fees	see below	1,875,000	80,000	38,908	1,485,000	333,319	1.57%

Note: Issues with Tuition and Fees pledged, 2018 Gross Revenue was $7,550,916

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 cyber-breach response policy that provides coverage for a variety of losses that may result from a data breach.

NOTE 17: Optional Voluntary Retirement Incentive Program

Jonesboro

During fiscal year 2018, the campus offered an optional voluntary retirement incentive program to certain employees. To be eligible, an employee must have been 60 years of age with 10 years of continuous full-time employment as of June 30, 2018. Employees will receive one-half of their annual salary for a period of two years. An annual payment will be paid to the employee's retirement fund on July 2, 2018 and again on July 1, 2019. The University has accrued the payable for the forty-eight (48) employees who elected to participate in this program. As of June 30, 2018, the liability totaling $1,213,110 has been recorded on the University's financial statements with $606,555 recorded as a current liability and the remaining $606,555 as a noncurrent liability.

Newport

During fiscal year 2018, the campus offered an optional voluntary retirement 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, 2017. Employees will receive one percent of their annual salary for each year of employment plus 25%, up to a maximum of 50% of their annual salary for a period of two years. An annual payment was paid to the employee on August 1, 2017 and will be paid again on August 1, 2018. The University has accrued the payable for the one (1) employee who elected to participate in this program. As of June 30, 2018, the liability totaling $18,111 has been recorded on the University's financial statements as a current liability.

NOTE 18: Lease Obligations with Red Wolves Foundation

Jonesboro

In January 2015, the University entered into an agreement with the Red Wolves Foundation. This lease agreement allowed the Red Wolves Foundation to obtain financing to complete the expansion of the football stadium and press box (Centennial Bank Stadium). The agreement allows the Red Wolves Foundation to utilize the space and complete construction of the facility which will ultimately belong to the University. The term of the lease is 10 years and the amount of the financing was $13 million. On August 27, 2015, the lease agreement with the Red Wolves Foundation was modified to secure additional financing for the Centennial Bank Stadium project. The amount was increased from $13 million to $17 million.

NOTE 19: Lease Agreements

Jonesboro

On July 21, 2016, the University entered into a public-private partnership with ZP NO. 315, LLC (Zimmer) to construct and operate undergraduate and graduate student housing facilities on approximately 13 acres of land owned by the University. Zimmer is responsible for all construction costs, maintenance costs and operational costs of the housing. The University began receiving rent annually for the use of the land beginning in fall 2017. The University receives $200,000 annually for the undergraduate housing and $105,000 for the graduate housing. The term of the lease is thirty-five years. The lease provides an option for the University, not an obligation, to acquire Zimmer's interest in the property from and after the tenth anniversary of the rent commencement date.

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

NOTE 19: Lease Agreements (Continued)

Jonesboro (Continued)

On September 15, 2017, The University entered into a long-term lease agreement with the City of Imboden to construct a facility for the Disaster Preparedness Training Program. The lease will have an initial term of fifty (50) years, and may be renewed, at the University's option, for five (5) additional terms of five (5) years each. The premises, comprising of approximately 183 acres of undeveloped land, will be rent-free for the first five (5) years of the lease, and shall have an annual rent of $10,000 for every year thereafter. The University has the right to construct buildings and other improvements on the property at its sole discretion. Any improvements constructed on the premises shall be and shall remain the property of the University until disposed of by the University.

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

NOTE 20: Financial Statement Restatement

The University has restated its fiscal year beginning net position in accordance with GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement no. 75 was issued in June 2015 and replaced GASB Statement no. 45. This Statement became effective for fiscal years beginning after June 15, 2017. GASB Statement no. 75 states if restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. The University has chosen to restate the FY 18 beginning net position and to display only the FY 18 financial statements rather than comparative statements.

This Statement establishes accounting and financial reporting standards for defined benefit other postemployment benefits (OPEB) and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements or that are not administered through trusts.

The adoption of GASB Statement no. 75 had the following impact on the financial statements for the year ended June 30, 2018:

FY 17 Ending Net Position	$361,303,177
FY 18 Beginning Net Position	$356,686,022

NOTE 21: Subsequent Events

Jonesboro

On July 25, 2018, the University entered into a loan agreement with the Arkansas Department of Finance and Administration-Division of Building Authority for a roof replacement at the Armory building. The amount of the loan is $1,000,000 with an interest rate of 0%. The term of the loan is ten years with semi-annual payments commencing on November 1, 2018.

On August 1, 2018, the University entered into a lease agreement for Information and Technology (IT) equipment. The amount of the lease is $1,158,124 with an interest rate of 0%. The term of the lease is five years with annual payments commencing during fiscal year 2019.

On August 1, 2018, the University entered into a lease agreement with Jonesboro Hospitality Group, LLC to lease office space in the Ellis House. The University will receive $400 per month beginning in August and ending on May 31, 2019. The lease may be extended on a month to month basis until permanent office space is completed.

On September 12, 2018, a judge ordered the University and the University of Miami use a third-party mediator to resolve a dispute over a football game that was canceled during 2017 because of concerns about Hurricane Irma. Miami was scheduled to play at Jonesboro in September 2017 as part of a two-game contract that included the University traveling to Miami in 2014. The game in Jonesboro was canceled because of weather-related travel issues. The University sued the University of Miami in February seeking $650,000 in damages because the game wasn't rescheduled. The judge in Miami gave both sides until December 20, 2018 to settle the issue through mediation. The University of Miami has argued that the game contract should be voided because the hurricane was an unavoidable event. On November 14, 2018, both universities agreed to dismiss lawsuits related to the cancellation of the football game. In the settlement agreement, the University of Miami agreed to pay the University $400,000. The cancelled game will not be rescheduled according to the agreement.

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Postemployment Benefits Other Than Pensions (OPEB)

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

		2018
Total OPEB Liability*		
Service cost	$	1,433,006
Interest		671,522
Changes of benefit terms		
Differences between expected and actual experience		
Changes in assumptions or other inputs		324,555
Benefit payments		(948,092)
Net change in total OPEB liability		1,480,991
Total OPEB liability, beginning of year		18,672,209
Total OPEB liability, end of year	$	20,153,200
Covered-employee payroll	$	117,067,546
Total OPEB liability as a percentage of covered-employee payroll		17.22%

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

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

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

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

A. Changes in benefit terms
There were no significant benefit changes for the year ended June 30, 2018.

B. Changes in assumptions
- The discount rate was updated to reflect recent high-quality municipal bond rates.
- The mortality projection scales were updated based on recent research by the Society of Actuaries.
- The inflation rate was updated to reflect anticipated future experience.
- Medical trend rates were updated based on current expectations of future cost increases.

C. Method and assumptions used in calculations

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Discount rate	3.42% for GASB implementation as of July 1, 2017 and fiscal 2018 OPEB expense development 3.49% for June 30, 2018 measurement date
Inflation rate	2.20%
Salary increases	1.00% per year through 2018, then 2.50% per year thereafter
Mortality rate table	RP-2014 Headcount-Weighted Total Dataset Mortality Table, adjusted to 2006, separately for males and females and separately for annuitant and non-annuitants Mortality includes a generational projection for future mortality improvements using Scale MP-2017
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

Year	Percentage
2017 - 2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022 - 2023	5.40%
2024 - 2025	5.30%
2026 - 2027	5.20%
2028 and beyond	5.00%

Pension Plans

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

Arkansas Teacher Retirement System

	2018*	2017*	2016*		2015*
Proportion of the net pension liability (asset)	0.29%	0.32%	0.35%		0.36%
Proportionate share of the net pension liability (asset)	$ 12,297,190	$ 14,053,207	$ 11,434,400		$ 9,331,442
Covered payroll	$ 8,589,558	$ 9,199,761	$ 10,241,904	**	$ 10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.16%	152.76%	111.64%		92.26%
Plan fiduciary net position as a percentage of the total pension liability	79.48%	76.75%	82.20%		84.98%

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of University Contributions

Arkansas Teacher Retirement System

	2018	2017	2016	2015
Contractually required contribution	$ 1,085,490	$ 1,211,404	$ 1,305,613	$ 1,320,906
Contributions in relation to the contractually required contribution	$ (1,085,490)	$ (1,211,404)	$ (1,305,613)	$ (1,320,906)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 7,547,210	$ 8,589,558	$ 9,199,761	$ 9,404,438
Contributions as a percentage of covered payroll	14.38%	14.10%	14.19%	14.05%

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

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

- The noncontributory multiplier was decreased from 1.39% to 1.25% beginning in fiscal year 2020.
- For fiscal year 2018, the three-year final average salary was calculated for all members. The final average salary for benefit calculation purposes will be the greater of the five-year final average salary at retirement and the three-year final average salary for fiscal year 2018.
- The retiree benefit stipend was removed from the base for COLA calculations and was lowered from $75 to $50 per month.
- The T-DROP interest rate was lowered to a fixed 3% for future crediting.
- The T-DROP annuity factors were updated to use a static version of the updated mortality tables and interest rate changes of 7.50% for fiscal year 2018, 7% for fiscal year 2019, 6% for fiscal year 2020, 5% for fiscal year 2021, 4% for fiscal year 2022, and 3% for fiscal year 2023 and thereafter.
- The beneficiary annuity factors were updated to use a static version of the updated mortality tables and an assumed interest rate of 5%.
- The Cash Balance Account (CBA) interest rates were increased by year of participation. Interest rates are 2.50% for Year 1, 2.75% for Year 2, 3.00% for Year 3, 3.25% for Year 4, 3.50% for Year 5, and 4.00% for Year 6 and thereafter.
- The reduction for early retirement was increased from 5/12 to 10/12 of 1% per month.

B. Changes in assumptions

- The assumed rate of interest was lowered from 8.00% to 7.50%.
- The assumed rate of price inflation was decreased to 2.50%
- The assumed rate of payroll growth was decreased to 2.75%.
- The mortality tables changed to RP 2014 Healthy Annuitant, Disability Annuitant, and Employee Mortality Tables adjusted using projection scale MP 2017 based on the ATRS Experience Study.

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

Valuation date:	June 30, 2017

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
Remaining amortization period	29 years
Asset valuation method	4-year closed period; 20% corridor
Wage inflation	2.75%

Notes to Required Supplementary Information
Pension Plans
Arkansas Teacher Retirement System
(Continued)

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

Projected salary increases	2.75 – 7.75%
Investment rate of return	7.50% compounded annually
Mortality table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.

Table	Scaling Factor Males	Scaling Factor Females
Healthy Annuitant	101%	91%
Disabled Annuitant	99%	107%
Employee Mortality	94%	84%

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

Arkansas Public Employees Retirement System

	2018*	2017*	2016*	2015*
Proportion of the net pension liability (asset)	0.33%	0.36%	0.39%	0.44%
Proportionate share of the net pension liability (asset)	$ 8,480,922	$ 8,493,072	$ 7,228,228	$ 6,175,989
Covered payroll	$ 5,769,334	$ 6,303,819	$ 6,903,139	$ 7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	147.00%	134.73%	104.71%	81.54%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%	84.15%

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of University Contributions

Arkansas Public Employees Retirement System

	2018	2017	2016	2015
Contractually required contribution	$ 771,954	$ 858,174	$ 928,244	$ 1,027,156
Contributions in relation to the contractually required contribution	$ (771,954)	$ (858,174)	$ (928,244)	$ (1,027,156)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 5,102,828	$ 5,769,334	$ 6,303,819	$ 6,903,139
Contributions as a percentage of covered payroll	15.13%	14.87%	14.73%	14.88%

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

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 changes in benefit terms for the year ended June 30, 2017.

B. Changes in assumptions
Changes in assumptions used to calculate the total pension liability between FY 2017 and FY 2016 are as follows:

	Public Employees		State Police		Judicial	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Discount rate	7.15%	7.50%	7.15%	7.50%	5.75%	6.25%

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.

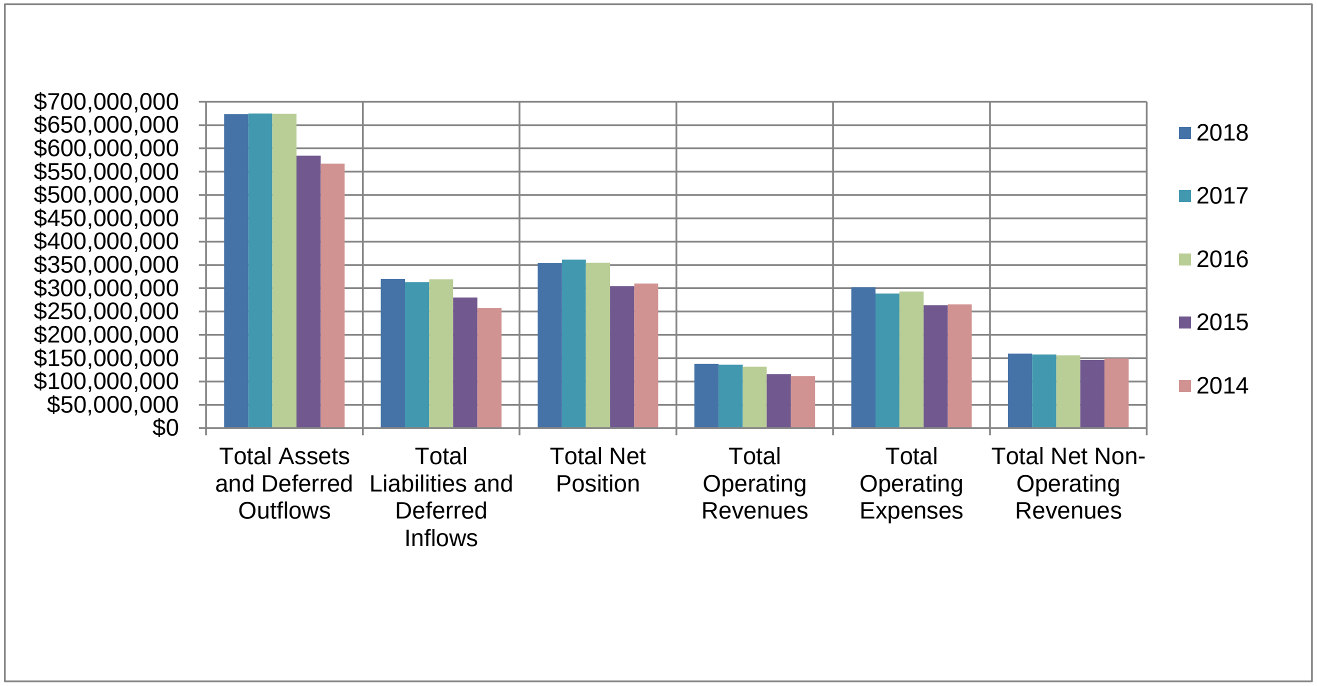
The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	25 year closed
Asset valuation method	4 year smoothed market with 25% corridor
Investment rate of return	7.15%
Projected salary increases	3.25 – 9.85%
Inflation rate	3.25%
Post retirement cost-of-living adjustments	3% annual compounded increase
Mortality table	RP-2000 Combined Healthy, projected to 2020 using projection scale BB, set-forward two years for males and one year for females

Schedule 1

ARKANSAS STATE UNIVERSITY SYSTEM
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets and Deferred Outflows	$ 673,645,848	$ 674,514,758	$ 674,208,460	$ 584,319,573	$ 567,433,881
Total Liabilities and Deferred Inflows	319,567,427	313,211,581	319,412,193	280,090,274	257,656,823
Total Net Position	354,078,421	361,303,177	354,796,267	304,229,299	309,777,058
Total Operating Revenues	137,925,804	135,950,467	131,717,149	115,442,238	111,351,089
Total Operating Expenses	302,102,075	288,886,162	293,092,645	263,700,741	265,248,995
Total Net Non-Operating Revenues	159,618,107	157,704,639	156,229,285	146,521,857	149,153,026
Total Other Revenues, Expenses, Gains or Losses	1,950,563	1,737,966	15,855,247	16,406,149	13,176,413



ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2018

Schedule 2

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2018	Beebe June 30, 2018	Mid-South June 30, 2018	Mountain Home June 30, 2018	Newport June 30, 2018	Total June 30, 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets:						
Cash and cash equivalents	$ 27,472,917	$ 7,828,589	$ 4,783,261	7,719,762	$ 1,562,491	49,367,020
Short-term investments		8,404,123	2,000,000		135,944	10,540,067
Accounts receivable (less allowances of and $2,711,123)	12,508,362	1,981,324	2,877,495	1,941,340	3,332,025	22,640,546
Notes and deposits receivable (less allowances of $320,327)	636,811					636,811
Accrued interest and late charges	177,969	15,461	1,397		2,433	197,260
Inventories	2,042,141	231,683	14,228		284,334	2,572,386
Deposits with trustee	13,499	2,016	859,010	100	45	874,670
Unamortized bond insurance	238,710	11,650		46,859	33,568	330,787
Prepaid expenses	908,316	7,850	173,205	10,569	2,143	1,102,083
Total Current Assets	43,998,725	18,482,696	10,708,596	9,718,630	5,352,983	88,261,630
Noncurrent Assets:						
Cash and cash equivalents	48,367,261					48,367,261
Restricted cash and cash equivalents	3,179,712		2,805,098	901,823		6,886,633
Endowment investments	14,715,519	759,391				15,474,910
Other long-term investments	6,883,248		7,872,209		3,553,788	18,309,245
Irrevocable split-interest agreement	2,059,790					2,059,790
Accrued interest and late charges	678,115		45,020			723,135
Deposits with trustee	1,464,779		1,857,206			3,321,985
Accounts receivable	742,818		1,321,362			2,064,180
Notes and deposits receivable (less allowances of $1,529,991)	3,002,346					3,002,346
Capital assets (net of accumulated depreciation of $414,831,110)	334,637,640	55,916,875	42,455,306	15,932,018	24,449,918	473,391,757
Total Noncurrent Assets	415,731,228	56,676,266	56,356,201	16,833,841	28,003,706	573,601,242
TOTAL ASSETS	**459,729,953**	**75,158,962**	**67,064,797**	**26,552,471**	**33,356,689**	**661,862,872**
DEFERRED OUTFLOWS OF RESOURCES						
Excess of bond reacquisition costs over carrying value	3,293,036	800,404	61,543	18,552	54,996	4,228,531
Pensions	4,640,891	1,428,226	251,215	98,682	859,389	7,278,403
Other postemployment benefits (OPEB)	191,539	36,303	16,353	13,238	18,609	276,042
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	467,855,419	77,423,895	67,393,908	26,682,943	34,289,683	673,645,848
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	9,157,261	581,789	2,370,158	206,953	485,632	12,801,793
Bonds, notes and leases payable	7,910,199	1,451,468	597,793	403,076	627,247	10,989,783
Compensated absences	4,527,663	920,000	57,910	24,782	739,281	6,269,636
Unearned revenue	10,544,285	30,383	114,957	113,034	109,458	10,912,117
Funds held in trust for others	522,418	89,508	35,824	8,591	97,758	754,099
Deposits	691,903	1,910			8,328	702,141
Interest payable	1,457,515	231,475	331,682	19,201	102,329	2,142,202
Total other postemployment benefits (OPEB) liability	657,860	124,685	56,167	45,468	63,912	948,092
Total Current Liabilities	35,469,104	3,431,218	3,564,491	821,105	2,233,945	45,519,863

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2018

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2018	Beebe June 30, 2018	Mid-South June 30, 2018	Mountain Home June 30, 2018	Newport June 30, 2018	Total June 30, 2018
Noncurrent Liabilities:						
Accounts payable and accrued liabilities	606,555					606,555
Bonds, notes and leases payable	149,170,958	33,606,548	21,024,932	5,115,000	8,662,708	217,580,146
Compensated absences	2,913,688	398,881	504,919	470,850	110,467	4,398,805
Total other postemployment benefits (OPEB) liability	13,325,999	2,525,690	1,137,746	921,021	1,294,652	19,205,108
Net pension liability	13,406,336	4,173,853	681,439	294,128	2,222,356	20,778,112
Refundable federal advances	4,818,144					4,818,144
Total Noncurrent Liabilities	184,241,680	40,704,972	23,349,036	6,800,999	12,290,183	267,386,870
TOTAL LIABILITIES	219,710,784	44,136,190	26,913,527	7,622,104	14,524,128	312,906,733
DEFERRED INFLOWS OF RESOURCES						
Pensions	2,637,663	1,181,332	370,722	165,342	245,845	4,600,904
Irrevocable split-interest agreement	2,059,790					2,059,790
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	224,408,237	45,317,522	27,284,249	7,787,446	14,769,973	319,567,427
NET POSITION						
Net investment in capital assets	180,248,685	21,553,665	22,370,238	10,479,352	15,035,678	249,687,618
Restricted for:						
Nonexpendable:						
Scholarships and fellowships	5,235,214	759,391				5,994,605
Renewal and replacement			967,261			967,261
Loans	264,217	20,000				284,217
Other-College and Department Purposes	9,470,753					9,470,753
Expendable:						
Scholarships and fellowships	672,773	28,629	220,436	29,340		951,178
Research	36,568					36,568
Loans			10,000			10,000
Capital projects		4,055,758	792,271			4,848,029
Debt service			1,678,689			1,678,689
Renewal and replacement			460,633			460,633
Other	800,125	19,267	550,340	1,624,173	336,924	3,330,829
Unrestricted	46,718,847	5,669,663	13,059,791	6,762,632	4,147,108	76,358,041
TOTAL NET POSITION	$ 243,447,182	$ 32,106,373	$ 40,109,659	$ 18,895,497	$ 19,519,710	$ 354,078,421

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 3

	Jonesboro 2018	Beebe 2018	Mid-South 2018	Mountain Home 2018	Newport 2018	Total 2018
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of $51,831,246)	$ 51,784,446	$ 5,976,936	$ 1,685,019	$ 1,541,685	$ 4,427,203	$ 65,415,289
Grants and contracts	20,377,508	3,246,526	6,331,564	2,025,696	2,566,543	34,547,837
Sales and services	1,858,141	102,172		62,405		2,022,718
Auxillary enterprises (net of scholarship allowances of $7,476,117)	26,517,352	1,568,784	142,900	254,109	265,048	28,748,193
Self-insurance	4,481,976					4,481,976
Other operating revenues	1,843,645	439,829	284,231	90,783	51,303	2,709,791
TOTAL OPERATING REVENUES	106,863,068	11,334,247	8,443,714	3,974,678	7,310,097	137,925,804
OPERATING EXPENSES						
Personal services	110,709,688	18,192,541	10,357,766	7,285,367	12,257,833	158,803,195
Scholarships and fellowships	10,516,476	3,708,626	1,698,306	1,220,182	2,361,016	19,504,606
Supplies and services	46,996,060	7,169,543	7,050,560	3,660,446	4,702,342	69,578,951
Self-insurance	20,722,131					20,722,131
Depreciation	24,032,572	3,296,805	2,664,610	1,808,226	1,663,215	33,465,428
Other	27,764					27,764
TOTAL OPERATING EXPENSES	213,004,691	32,367,515	21,771,242	13,974,221	20,984,406	302,102,075
OPERATING INCOME (LOSS)	(106,141,623)	(21,033,268)	(13,327,528)	(9,999,543)	(13,674,309)	(164,176,271)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	273,222					273,222
State appropriations	69,325,959	14,208,961	7,597,656	4,711,682	7,548,917	103,393,175
Grants and contracts	33,993,530	7,071,553	2,875,967	3,476,954	4,800,391	52,218,395
Sales and use taxes		1,766,891			1,098,278	2,865,169
Property taxes			2,922,410	1,405,434		4,327,844
Gifts	2,787,753		389,145	348,209	22,325	3,547,432
Investment income	2,047,953	192,832	257,796	8,126	51,086	2,557,793
Interest on capital asset - related debt	(6,323,054)	(1,080,090)	(774,625)	(210,877)	(254,752)	(8,643,398)
Gain or loss on disposal of capital assets	(618,565)	23,138	550		2,529	(592,348)
Refund to grantors	(23,314)	(34,809)	(35,147)			(93,270)
Other nonoperating revenues (expenses)	(221,257)	(8,500)	(3,650)	(1,500)	(1,000)	(235,907)
NET NON-OPERATING REVENUES (EXPENSES)	101,242,227	22,139,976	13,230,102	9,738,028	13,267,774	159,618,107
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(4,899,396)	1,106,708	(97,426)	(261,515)	(406,535)	(4,558,164)
Capital appropriations	594,629					594,629
Capital grants and gifts	1,152,672		15,625	63,296		1,231,593
Additions to endowments		150				150
Adjustments to capital assets	90,035					90,035
Capitalization of library holdings at rate per volume				23,126		23,126
Livestock additions	11,030					11,030
INCREASE (DECREASE) IN NET POSITION	(3,051,030)	1,106,858	(81,801)	(175,093)	(406,535)	(2,607,601)
NET POSITION - BEGINNING OF YEAR	249,701,954	31,606,723	40,464,989	19,292,015	20,237,496	361,303,177
RESTATEMENT FOR GASB 75 (NOTE 20)	(3,203,742)	(607,208)	(273,529)	(221,425)	(311,251)	(4,617,155)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	246,498,212	30,999,515	40,191,460	19,070,590	19,926,245	356,686,022
NET POSITION - END OF YEAR	$ 243,447,182	$ 32,106,373	$ 40,109,659	$ 18,895,497	$ 19,519,710	$ 354,078,421

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

	Jonesboro 2018	Beebe 2018	Mid-South 2018	Mountain Home 2018	Newport 2018	Consolidation Entries	Total 2018
CASH FLOW FROM OPERATING ACTIVITIES							
Student tuition and fees	$ 51,878,747	$ 5,031,498	$ 1,743,112	$ 1,587,893	$ 4,286,567		$ 64,527,817
Grants and contracts	20,007,301	3,291,111	5,797,480	1,842,696	2,307,562		33,246,150
Auxiliary enterprises revenues	25,550,099	1,974,719	166,925	276,860	231,097		28,199,700
Sales and services	1,854,171	102,172		62,405			2,018,748
Self-insurance program receipts	4,661,303						4,661,303
Collection of principal and interest related to student loans	917,267						917,267
Other receipts	1,136,910	439,829	239,586	90,783	51,303		1,958,411
Payments to employees	(96,545,858)	(14,335,152)	(8,071,237)	(5,561,867)	(9,504,747)		(134,018,861)
Payments for employee benefits	(13,547,406)	(4,075,253)	(2,308,340)	(1,698,431)	(2,537,786)		(24,167,216)
Payments to suppliers	(43,497,246)	(7,162,683)	(6,486,798)	(3,561,790)	(4,863,360)		(65,571,877)
Scholarships and fellowships	(10,516,476)	(3,708,626)	(1,689,229)	(1,220,182)	(2,361,016)		(19,495,529)
Self-insurance program payments	(20,463,279)						(20,463,279)
Loans issued to students	(34,680)						(34,680)
Other payments	(1,118,663)						(1,118,663)
Net cash provided (used) by operating activities	(79,717,810)	(18,442,385)	(10,608,501)	(8,181,633)	(12,390,380)		(129,340,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Federal appropriations	272,098						272,098
State appropriations	69,325,959	14,208,961	6,097,656	4,711,682	7,548,917		101,893,175
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners			1,500,000				1,500,000
Grants and contracts	33,916,621	7,058,694	2,734,138	3,434,188	4,506,058		51,649,699
Private gifts and grants	2,924,037		389,145	348,208	22,325		3,683,715
Payments to other campus for financial aid distribution	(42,767)					$ 42,767	-
Payment from ASUJ for financial aid distribution				42,767		(42,767)	-
Sales and use taxes		1,723,891			991,872		2,715,763
Property taxes			2,922,662	1,430,993			4,353,655
Direct lending, PLUS and FFEL loan receipts	94,224,421	2,999,221		2,024,299	2,532,936		101,780,877
Direct lending, PLUS and FFEL loan payments	(93,698,027)	(2,976,179)		(2,024,299)	(2,657,528)		(101,356,033)
Agency activity (net)	26,589	(64,006)	10,687	(20,971)	19,399		(28,302)
Refunds to grantors	(23,314)	(17)	(35,147)				(58,478)
Net cash provided (used) by noncapital financing activities	106,925,617	22,950,565	13,619,141	9,946,867	12,963,979	-	166,406,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt		100,000	1,537,658		3,951,079		5,588,737
Distributions from trustee of bond proceeds and interest earnings	114						114
Distributions from debt holders of debt proceeds other than from bonds		4,930,498					4,930,498
Capital appropriations	594,629						594,629
Capital gifts and grants	953,513			63,296			1,016,809
Proceeds from sale of capital assets	8,553	97,348	550		12,789		119,240
Purchases of capital assets	(8,721,955)	(5,903,206)	(1,061,256)	(77,234)	(4,489,219)		(20,252,870)
Payments to trustees for bond principal	(6,220,000)	(1,335,000)		(765,000)	(295,000)		(8,615,000)
Payments to trustees for bond interest and fees	(5,455,475)	(1,024,452)		(203,402)	(128,524)		(6,811,853)
Payments to debt holders for principal (other than bonds)	(1,331,605)			(74,461)	(212,851)		(1,618,917)
Payments to debt holders for interest and fees (other than bonds)	(1,093,905)			(6,439)	(39,600)		(1,139,944)
Property taxes remitted to bond trustees			(2,922,662)				(2,922,662)
Distribution of excess property taxes from bond trustees			1,283,002				1,283,002
Net cash provided (used) by capital and related financing activities	(21,266,131)	(3,134,812)	(1,162,708)	(1,063,240)	(1,201,326)		(27,828,217)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

	Jonesboro 2018	Beebe 2018	Mid-South 2018	Mountain Home 2018	Newport 2018	Consolidation Entries	Total 2018
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	$ 766,565	$ 8,385,843	$ 6,395,192		$ 3,088,344		$ 18,635,944
Interest on investments (net of fees)	1,323,494	122,347	99,028	$ 7,784	50,289		1,602,942
Purchases of investments	(625,037)	(8,350,000)	(6,256,996)		(3,550,000)		(18,782,033)
Net cash provided (used) by investing activities	1,465,022	158,190	237,224	7,784	(411,367)		1,456,853
Net increase (decrease) in cash and cash equivalents	7,406,698	1,531,558	2,085,156	709,778	(1,039,094)		10,694,096
Cash and cash equivalents - beginning of year	71,613,192	6,297,031	5,503,203	7,911,807	2,601,585		93,926,818
Cash and cash equivalents - end of year	$ 79,019,890	$ 7,828,589	$ 7,588,359	$ 8,621,585	$ 1,562,491	$ -	$ 104,620,914
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:							
Operating income (loss)	$ (106,141,623)	$ (21,033,268)	$ (13,327,528)	$ (9,999,543)	$ (13,674,309)		$ (164,176,271)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	24,032,572	3,296,805	2,664,610	1,808,226	1,663,215		33,465,428
Change in assets and liabilities:							
Receivables, net	2,397,830	(408,628)	(540,728)	(94,234)	(547,810)		806,430
Inventories	456,642	34,316	2,395		(272,345)		221,008
Prepaid expenses	(555,867)	5,158	(129,269)	29,276	473		(650,229)
Accounts and salaries payable	2,496,769	(54,570)	761,316	70,879	234,000		3,508,394
Other postemployment benefits payable	862,481	123,487	88,838	29,073	101,070		1,204,949
Pension obligations	(582,868)	(276,437)	(121,075)	(53,224)	(52,617)		(1,086,221)
Unearned revenue	(228,132)	(49,920)	22,514	(17,152)	36,716		(235,974)
Deposits	(930,833)	(36,370)					(967,203)
Refundable federal advances	(1,009,904)						(1,009,904)
Compensated absences	(514,877)	(42,958)	(29,574)	45,066	121,227		(421,116)
Net cash provided (used) by operating activities	$ (79,717,810)	$ (18,442,385)	$ (10,608,501)	$ (8,181,633)	$ (12,390,380)		$ (129,340,709)
Reconciliation of Cash and Cash Equivalents							
Current Assets:							
Cash and Cash Equivalents	$ 27,472,917	$ 7,828,589	$ 4,783,261	$ 7,719,762	$ 1,562,491		$ 49,367,020
Noncurrent Assets:							
Cash and Cash Equivalents	48,367,261						48,367,261
Restricted Cash and Cash Equivalents	3,179,712		2,805,098	901,823			6,886,633
Total Cash and Cash Equivalents	$ 79,019,890	$ 7,828,589	$ 7,588,359	$ 8,621,585	$ 1,562,491		$ 104,620,914

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2018

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of $11,740,000, at a premium of $579,949. The proceeds of this issue were utilized as follows: $12,141,591 was remitted to an escrow agent and $178,358 was used to pay the bond issuance costs.

Equipment-capital gift of $90,131

Building improvements-capital gift of $140,340

Horse-capital gift of $5,000

Value of equipment traded for equipment-$40,665

Value of equipment received from vendor discounts-$34,200

Interest earned on reserve accounts held by trustee-$20,671

Interest paid from accounts held by trustee-$17,258

Amount earned on investments-$415,992

BEEBE

Interest earned on reserve accounts held by trustee-$3,325

Interest paid from accounts held by trustee-$1,692

Amount of interest earned on CD's reinvested with CD's-$50,195

Capital lease payable-enery savings contract-$4,930,498

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2018

NONCASH TRANSACTIONS

MID-SOUTH

Interest earned on reserve accounts held by trustee-$18,979

Trustee payments for retirement of bond principal-$525,000

Trustee payment for bond interest -$780,362

Trustee payment for bond fees-$3,650

Unrealized gain on investments-$923,237

Library holdings donations-$1,227

Equipment donations-$14,398

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-$344

Interest paid from accounts held by trustee-$296

NEWPORT

Interest earned on reserve accounts held by trustee-$45

Amount of interest earned on CD's reinvested with CD's-$1,688