Arkansas State University System

Little Rock, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2019

LEGISLATIVE JOINT AUDITING COMMITTEE

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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
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, 2019, 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 University 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 the 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, 2019, 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.

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 6-24, 92-93, and 94-99 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 18, 2019 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 Norman

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

Little Rock, Arkansas
November 18, 2019
EDHE12519

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 18, 2019. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc. and the 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 the 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 certain matters that we reported to management of the University in a separate letter dated November 18, 2019.

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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

Patrick Nutt

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 18, 2019

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

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

Arkansas State University - Jonesboro

The University had uninsured and uncollateralized bank deposits totaling $328,406 at June 30, 2019 in noncompliance with Ark. Code Ann. §§ 19-8-201 – 19-8-203.

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, 2019, 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 2018	Fall Term 2018	Spring Term 2019	Summer I Term 2019
Student Headcount	7,274	22,193	21,205	9,109
Student Semester Credit Hours	28,931	220,199	203,461	42,592

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

Patrick Nutt

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 18, 2019

Financial Statements 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, 2019. 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, 2018 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, 2019 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, 2019 and 2018 where appropriate.

Statements 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, 2019, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed on the following page.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2019:

- 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

	2019	2018	Increase/ (Decrease)	Percent Change
Assets and Deferred Outflows:				
Current Assets	$ 92,382,986	$ 88,261,630	$ 4,121,356	4.67%
Capital Assets, net	459,671,206	473,391,757	(13,720,551)	(2.90%)
Other Noncurrent Assets	110,627,077	100,209,485	10,417,592	10.40%
Total Assets	662,681,269	661,862,872	818,397	0.12%
Deferred Outflows	12,256,651	11,782,976	473,675	4.02%
Total Assets and Deferred Outflows	$ 674,937,920	$ 673,645,848	$ 1,292,072	0.19%
Liabilities and Deferred Inflows:				
Current Liabilities	$ 44,121,973	$ 45,519,863	$ (1,397,890)	(3.07%)
Noncurrent Liabilities	256,050,856	267,386,870	(11,336,014)	(4.24%)
Total Liabilities	300,172,829	312,906,733	(12,733,904)	(4.07%)
Deferred Inflows	8,447,098	6,660,694	1,786,404	26.82%
Total Liabilities and Deferred Inflows	308,619,927	319,567,427	(10,947,500)	(3.43%)
Net Position:				
Net Investment in Capital Assets	245,438,206	249,687,618	(4,249,412)	(1.70%)
Restricted, Nonexpendable	16,873,717	16,716,836	156,881	0.94%
Restricted, Expendable	6,025,454	11,315,926	(5,290,472)	(46.75%)
Unrestricted	97,980,616	76,358,041	21,622,575	28.32%
Total Net Position	366,317,993	354,078,421	12,239,572	3.46%
Total Liabilities and Net Position	$ 674,937,920	$ 673,645,848	$ 1,292,072	0.19%

Assets and Deferred Outflows

Total assets and deferred outflows increased by $1.3 million.

Current Assets

Current assets increased by $4.1 million.

Cash and Cash Equivalents
Cash and cash equivalents increased by $4.3 million. The Jonesboro campus had a substantial increase of $5.1 million. This was due to a combination of higher operating revenue and lower operating expenses; as well as, retaining more cash rather than purchasing investments. Beebe had a $1.7 million increase due to receiving one-time state funding and an increase in interest rates. The $382,000 increase at Newport was due to an increase in the collection of receivables during the year. Both Mid-South and Mountain Home had decreases. The $2.1 decrease at Mountain Home was due to purchasing investments during the year and the $768,000 decrease at Mid-South was due to spending cash for a construction project that was recorded as an accounts payable at the end of fiscal year 2018.

Short-term Investments
Short-term investments increased by $3.3 million. This increase was due to the purchase of certificate of deposits at the Mountain Home campus of $3 million. Beebe had a small decrease while Newport had a small increase. Jonesboro showed a $400,000 increase for certificates of deposits purchased and held by the ASU Foundation for license plate scholarships. Mid-South had no changes during the year.

Accounts Receivable
Accounts receivable decreased by approximately $3 million. All campuses, other than Jonesboro, had decreases. Gross receivables decreased by $2.6 million. The Mid-South campus's decrease of $1.7 million was due to receiving funds for a grant that was recorded at the end of fiscal year 2018 and ended at the end of September 2018. The decrease of $1 million at Newport was due to the timely receipt of operating and nonoperating grant funds which eliminated the need to record receivables. Mountain Home's decrease of approximately $300,000 was due to the revision of their bad debt policy. The remaining amounts were attributed to a $175,000 decrease at Beebe and a $150,000 increase at Jonesboro. 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. Mountain Home was the only campus to have a decrease for allowance for doubtful accounts due to their change in bad debt policy. Of the remaining campuses, Beebe had the largest increase of $323,000 due to a change in policy for dropping for non-payments. The other campuses had slight increases.

Inventories
Inventories increased by $112,000. Of the campuses with inventories, two had decreases and two had increases during the year. The highest change was the increase at Newport of $170,000. This was a result of bookstore inventory growth due to a new book rental program. The slight increase of $3,400 at Mid-South was due to central store and promotional items increases. Jonesboro campus had a decrease due to year-end adjustments of $50,000. Beebe's experienced a small decline of $12,000.

Deposits with Trustees
Deposits with trustees increased slightly by $15,300. This was due to higher interest and dividend earnings during the year.

Prepaid Expenses
Prepaid expenses decreased by $535,000. Of this amount, the Jonesboro campus experienced the only decrease in the amount of $616,000. This was caused by the implementation of an optional voluntary retirement incentive plan with a July 1, 2018 payment. The July 1, 2018 payment was paid prior to this date and a prepaid expense was recorded to account for this. The July 1, 2019 payment was not paid early and was not recorded as a prepaid expense. Additional information about this is included in Note 17. Newport had the largest increase of $55,000 due to the recoding of prepaid memberships, travel expenses, and maintenance agreements. Mid-South had an increase of $12,000. Beebe and Mountain Home had a combined increase of $13,000 from higher prepaid postage and student liability insurance.

Capital Assets, net

Capital assets, net decreased by $13.7 million. Accumulated depreciation increased from $414,831,110 in 2018 to $437,999,496 in 2019. This increase, of approximately $23 million, is due to the recording of one additional year of depreciation for assets that have already been depreciating. Additionally, there was new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2018 and began depreciating in 2019. The increase in accumulated depreciation was offset by the addition of $11.4 million in capital assets and the retirement of $2 million in capital assets with accumulated depreciation of $950,000. Of the $11.4 million added to capital assets, $4.4 million was construction in progress and $3.7 million was equipment. 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 $10.4 million.

Noncurrent Cash
Noncurrent cash increased by $8.3 million while restricted cash increased by $2.7 million. The Jonesboro campus is the only campus to have a noncurrent cash balance. The increase in noncurrent cash was a result of additional cash transfers to unexpended plant funds. This is a strategic effort to increase the University's reserves. The increase in restricted cash was mostly due to the Mid-South campus. Mid-South had an increase of $2.2 million for the receipt of restricted cash from their excess millage during fiscal year 2019. The remaining increases in restricted cash were due to the Perkins loan fund at the Jonesboro campus and unspent endowment earnings at the Mountain Home campus.

Endowment Investments
Endowment investments increased slightly by $222,000. 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 increased slightly by $238,000. Newport and Mid-South both had increases of $256,000 and $243,000, respectively. The campuses benefited from higher interest rates. Jonesboro had a decrease of $261,000 due to a strategic change from investments to cash.

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 $24,000 during fiscal year 2019 as the trustee re-appraised the value of the asset.

Deposits with Trustees
Deposits with trustees decreased slightly by $334,000. The Mid-South campus's decrease of $336,000 was due to the excess millage transfer the campus received in 2019. Although this increased restricted cash as mentioned above, the offset was a decrease to deposits with trustees. Jonesboro had a small increase of $2,000 due to increased interest rates during the year.

Deferred Outflows

Deferred outflows increased by approximately $474,000. Roughly $3.1 million of this increase was due to an increased amount of deferred outflows related to other postemployment benefits (OPEB). All of the campuses recorded increases for these 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. The two remaining categories of deferred outflows both had decreases. Deferred outflows related to pensions decreased by $2.4 million. All of the campuses had decreases due to the adjustment of deferred outflows related to pensions for the 2019 fiscal year. Additional information about the deferred outflows related to pensions may be found in Note 8 and the Required Supplementary Information. Deferred outflows related to the excess of bond reacquisition costs over carrying value decreased by $244,000. All the campuses had decreases due to the amortization of these amounts. Additional information about the bond issue may be found in the 'Debt Administration' section of this Management's Discussion and Analysis and Note 5.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows decreased by $10.9 million.

Current Liabilities

Current liabilities decreased by $1.4 million.

Accounts Payable and Accrued Liabilities
Accounts payable and accrued liabilities decreased slightly by $606,000. Mid-South had the largest decrease of $1.1 million. This was a result of recording payables at the end of fiscal year 2018 related to a construction project and a grant. Both of these ended in fiscal year 2019. Beebe and Newport had decreases as well in the amounts of $268,000 and $98,000, respectively. This was also due to recording payables at the end of fiscal year 2018 in preparation for the new bookstore opening and the energy performance contract. Jonesboro and Mountain Home both had increases for 2019 when compared to 2018. The $824,000 increase at Jonesboro is minimal for the campus and one of the largest increases was due to online education payments. The $1,000 increase at Mountain Home was minimal. Additionally, the Jonesboro and Newport campuses recorded a liability for the optional voluntary retirement incentive plan (Note 17).

Bonds, Notes, and Leases Payable
Bonds, notes, and leases payable increased slightly by $371,000. All of the campuses, other than Mountain Home had increases. The decrease at Mountain Home is due to the final payment in 2019 of a note payable. The other campuses had increases due to the increase of principal payments due in 2019 compared to 2018. The only campus to issue new debt during the year was Jonesboro.

Unearned Revenues
Unearned revenues decreased by $819,000. This was due to amounts received for tuition and fee for the second summer term and/or fall term that were recorded as unearned revenue at the end of 2019. Nearly all of this amount was attributable to the decrease of unearned revenue for the second summer term at the Jonesboro campus. Beebe was the only campus to record an increase of unearned revenues and this increase was related to their fall term.

Deposits
Deposits decreased by $90,000. The majority of this decrease was due to a reallocation of deposits at the Jonesboro campus. Deposits for international students are allocated between current and noncurrent based on historical data. Beebe and Newport both had increases during the year.

Total Other Postemployment Benefits (OPEB) Liability
The current portion of this liability, $857,000, 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 2020. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

Noncurrent Liabilities

Noncurrent liabilities decreased by $11.3 million.

Bonds, Notes, and Leases Payable
Bonds, notes and leases payable decreased by $10.5 million. All campuses had decreases when compared to 2018. In 2018, several campuses issued new debt during the year. Jonesboro was the only campus to issue new debt in 2019. The amount recorded for the additional debt was offset by the principal payments incurred during the year on bonds, notes, and leases.

Total Other Postemployment Benefits (OPEB) Liability
The noncurrent portion of this liability increased by about $5.3 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.

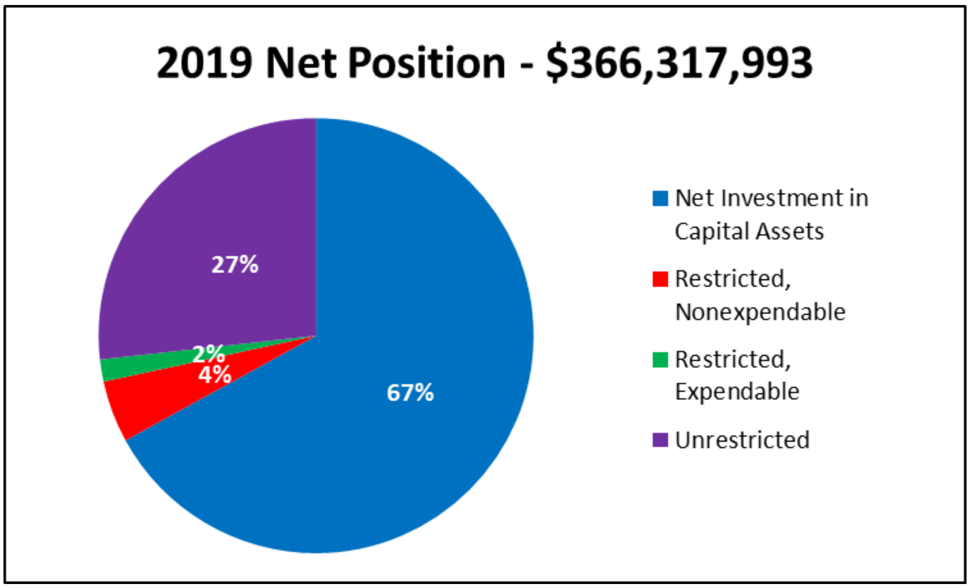
Net Pension Liability
The University's portion of the net pension liability decreased by $5.3 million. These amounts were recorded in accordance with GASB no. 68. Additional information about the net pension liability may be found in Note 8 as well as the Required Supplementary Information.

Deferred Inflows

Deferred inflows increased by $1.8 million. Nearly all of this increase was the amount related to pensions and was recognized in fiscal year 2019 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 minimal increase of $24,000 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 increased by $12.2 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 $4.2 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. For 2019, there was $11.4 million in capital assets additions compared to $24 million of depreciation expense.

Restricted, Nonexpendable
Restricted, nonexpendable net position increased by $157,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by $53,000. This was due to the Jonesboro campus's increase and the Beebe campus's decrease in the market value of endowment investments held by the ASU Foundation for scholarship purposes.

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

- *Loans*—The restricted, nonexpendable net position for loans decreased in the amount of $3,100. 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 $107,000. This was due to an increase in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable
Restricted, expendable net position decreased by $5.3 million.

• *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships increased by $45,000. This increase was mostly attributable to an increase of scholarships awarded at the Jonesboro campus.

• *Research*—Restricted, expendable net position for research decreased by $37,000. 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 2019. Mid-South is the only campus to have a restricted, expendable net position amount for loans.

• *Capital Projects*—The restricted, expendable net position for capital projects decreased by $4.8 million. This was related to the energy performance project at the Mid-South campus that was in progress at the end of the 2018 fiscal year. Additionally, Beebe reclassified their capital projects amount to unrestricted based on a review of the balances.

• *Debt Service*—The restricted, expendable net position for other purposes than those listed above increased slightly by $96,000. 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 $69,000 due to the bond requirements of these funds.

• *Other*—The restricted, expendable net position for other purposes than those listed above decreased by $616,000. All campuses, other than Beebe, experienced declines. The decreases were related to non-research grant activity at the campuses. The increase for Beebe was related to an energy rebate for the campus.

Unrestricted
Unrestricted net position increased by $21.6 million. The majority of this increase was a $12 million increase at the Jonesboro campus due to an increased effort to grow the University's reserves balance. In addition, Beebe's unrestricted net position also increased by approximately $5.6 million due to a reclassification of balances that had previously been recorded in capital projects. Mid-South had an increase of $3.3 million due to the transfer of excess millage and the transfer of a note payable to net investment in capital assets. Mountain Home's increase of $884,000 was due to increase of revenue compared to expenses in 2019. The Newport campus was the only campus to experience a decrease in the amount of $210,000. This was due to receiving one-time funds during 2018.

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, 2019.

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 2019 compared to fiscal year 2018 is shown on the next page.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2019	2018	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	$ 65,397,629	$ 65,415,289	$ (17,660)	(0.03%)
Grants and Contracts	31,844,781	34,547,837	(2,703,056)	(7.82%)
Auxiliary Enterprises, Net	28,382,096	28,748,193	(366,097)	(1.27%)
Other	10,094,723	9,214,485	880,238	9.55%
Total Operating Revenues	135,719,229	137,925,804	(2,206,575)	(1.60%)
Operating Expenses	287,437,568	302,102,075	(14,664,507)	(4.85%)
Nonoperating Revenues (Expenses)				
State Appropriations	105,602,258	103,393,175	2,209,083	2.14%
Grants and Contracts	51,356,793	52,218,395	(861,602)	(1.65%)
Interest	(8,469,513)	(8,643,398)	173,885	(2.01%)
Other	14,681,403	12,649,935	2,031,468	16.06%
Total Nonoperating Revenues (Expenses)	163,170,941	159,618,107	3,552,834	2.23%
Income Before Other Revenues, Expenses, Gains or Losses	11,452,602	(4,558,164)	16,010,766	(351.25%)
Capital Appropriations	79,211	594,629	(515,418)	(86.68%)
Capital Grants and Gifts	1,005,774	1,231,593	(225,819)	(18.34%)
Other	(298,015)	124,341	(422,356)	(339.68%)
Total	786,970	1,950,563	(1,163,593)	
Increase (Decrease) in Net Position	$ 12,239,572	$ (2,607,601)	$ 14,847,173	(569.38%)
Net Position, Beginning of Year	$ 354,078,421	$ 361,303,177		
Restatement of Prior Year Balance		$ (4,617,155)		
Net Position, Beginning of Year, Restated	$ 354,078,421	$ 356,686,022	$ (2,607,601)	(0.73%)
Net Position, End of Year	$ 366,317,993	$ 354,078,421	$ 12,239,572	3.46%

Revenues

Total revenues increased marginally by approximately $786,000.

Operating Revenues

Total operating revenues decreased by $2 million.

Tuition and Fees, net

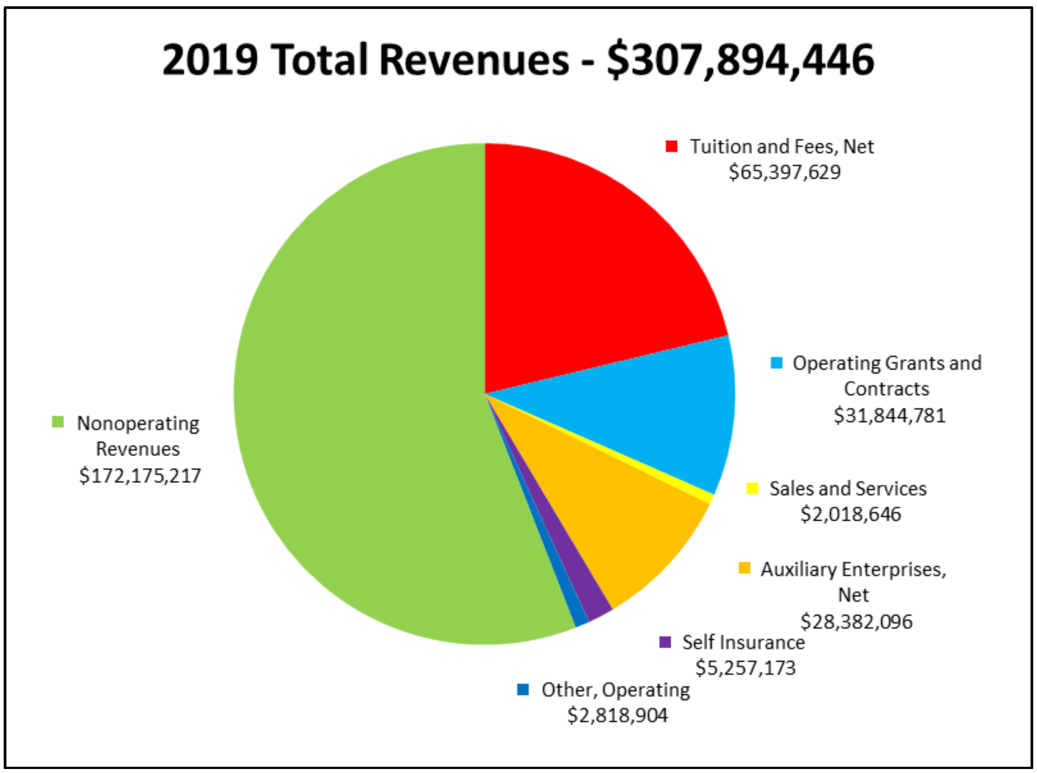
Net tuition and fees decreased a bit by $18,000. Gross tuition and fee revenue increased slightly by $494,000. All campuses held their in-state tuition rates for 2019 the same as the 2018 rates. Beebe and Mountain Home were the only campuses to have a decrease of net tuition and fee revenue. The largest decrease was $609,000 at Beebe and was directly a result of enrollment decline. All campuses experienced lower enrollment when comparing 2018 to 2019. Although enrollment declined, both Jonesboro and Newport managed to have slight increases in net tuition and fee revenue due to small increases of fees in the amounts of $247,000 and $397,000, respectively. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by $512,000. This increase in scholarship allowances caused a decrease in scholarship expense as noted in the scholarship expense section.

Grants and Contracts

Operating grants and contracts decreased by $2.7 million. Mid-South, Mountain Home, and Newport all experienced declines in operating grants and contracts revenues due to a reduction of grant funding when compared to 2018. The largest decrease was $2.7 million at the Mid-South campus related to the ending of the TACT4 federal grant. The remaining campuses had close to a net effect of $0. In addition to Mid-South, Mountain Home had a $641,000 decrease due to grants received in 2018 that were not received in 2019. Newport's decrease of $324,000 was due to the loss of the Regional Workforce grant. The overall decrease of $2.7 million was offset by a slight increase of $561,000 at Jonesboro and $370,000 at Beebe. Beebe's gain was a result of increased revenue in the TRIO programs. 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 $4,100. The decrease of $11,300 at the Beebe campus was due to lower revenues from livestock sales. Jonesboro and Mountain Home both had small increases of $3,300 and $3,900, respectively.



Auxiliary Enterprises, net

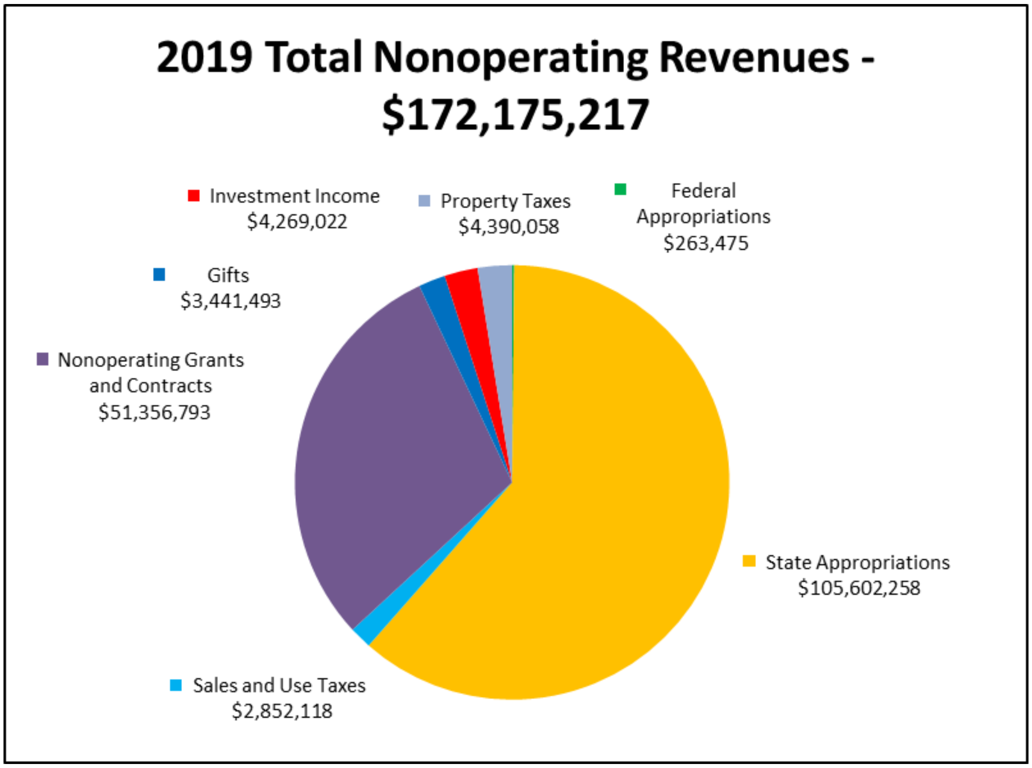
Auxiliary enterprises, net decreased by approximately $366,100. The Jonesboro campus experienced a decrease of $500,000. All campuses, other than Newport, experienced declines from 2018 to 2019. Newport's increase of $303,000 was due to the new bookstore that began in 2019. The other campuses compared declines totaled $169,000. The decreases in auxiliary revenues at the campuses were expected due to the declines in enrollment. In addition to the reduced revenues, scholarship allowances related to auxiliaries increased by $437,000.

Self Insurance
Self insurance revenues increased by $775,000. During fiscal year 2019, there was a minimal increase in premiums beginning in January 2019 for the employee withholding amount.

Other
Other operating revenues increased slightly by $109,000. The largest increase was $184,000 at the Newport campus for energy rebates. Mountain Home also had a $144,000 increase for a one-time receipt of a phone company refund and two payments received from the academic excellence trust. The other three campuses had a combined decrease of $219,000.

Nonoperating Revenues

Total nonoperating revenues increased by $3 million.



Federal Appropriations
Federal appropriations decreased slightly by $10,000. In prior fiscal years, the Jonesboro campus received several federal awards related to grants and contracts. These amounts continue to decrease as available grant resources continue to decline.

State Appropriations
State appropriations increased by approximately $2.2 million. All campuses had increases during the year due to general appropriation funding adjustments ranging from 0.35% to 9.56%. The Mid-South campus had the lowest increase of $35,000 and Beebe had the highest at $1.1 million. These ranges are an effect of the productivity-based funding model used. Act 148 of 2017 repealed the needs-based and outcome-centered funding and directed the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in the state.

Grants and Contracts
Nonoperating grants and contracts decreased by $862,000. There was a decrease of $937,000 on the Jonesboro campus. Both federal and state financial aid declined during the year in the amounts of $460,000 and $520,000, respectively. Also, Mid-South had a decrease of $328,000. Their decrease was related to Pell. The other campuses had small increases during the year.

Sales and Use Taxes
Sales and use taxes decreased marginally by $13,000. Beebe saw an increase of $25,000 and Newport experienced a decrease of $38,000.

Property Taxes
Property tax revenues increased by $13,000 on the Mid-South campus and by $49,000 on the Mountain Home campus.

Gifts
Revenues from gifts decreased by $106,000. Newport was the only campus to have an increase in the amount of $7,100 due to increased donor activity. The other campuses experienced declines to due small fluctuations compared to 2018.

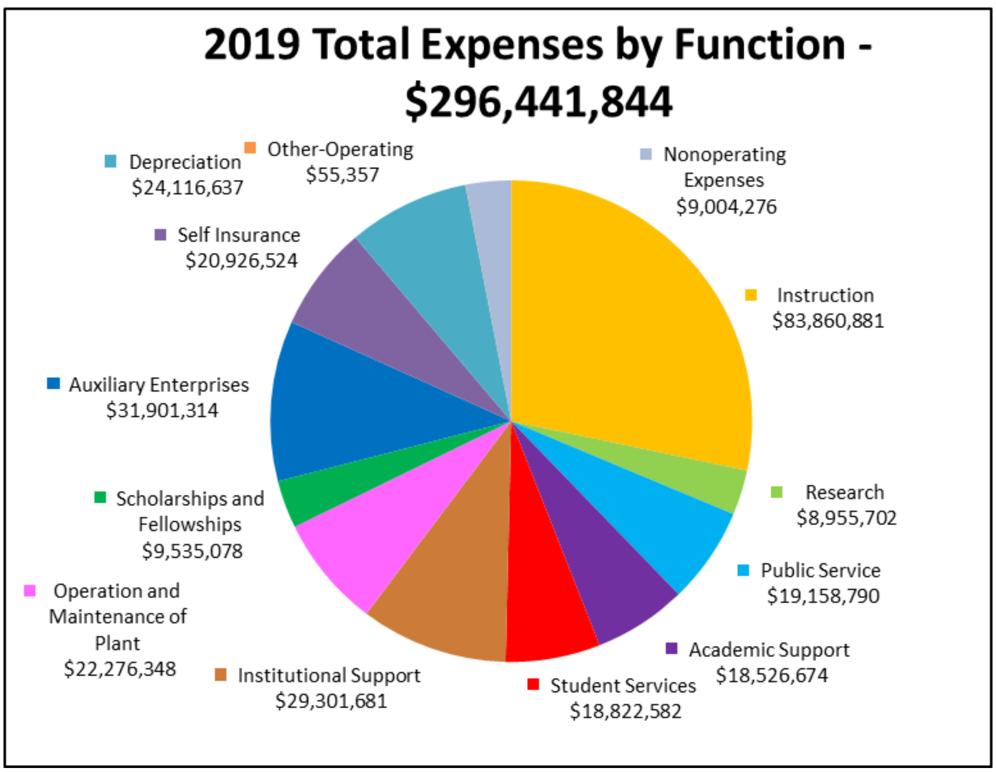
Investment Income
Investment income increased by $1.7 million. All campuses had higher investment income when compared to 2018. Jonesboro had the highest increase of $1.3 million. All of the campuses benefitted from higher interest rates throughout the year.

Expenses

Total expenses decreased by $15.2 million.

Operating Expenses

Total operating expenses decreased by $14.7 million.
Additional information on operating expenses can be found in the tables and charts that follow.



Personal Services

Personal services decreased by approximately $1.4 million. The Jonesboro campus experienced the largest decrease, $2.7 million. The campus implemented an optional voluntary retirement incentive plan at the beginning of fiscal year 2019 and is benefitting from lower personal services costs. (Note 17). Also, the campus receipted additional amounts related to self insurance benefits of approximately $2.4 million. While the employer benefits related to self insurance increased in January; the campuses also assessed additional amounts throughout the year to ensure the self insurance fund remained positive and had a suitable balance at the end of the year. Jonesboro had salary increases for faculty only between 2018 and 2019. The Mid-South campus also had a decrease in the amount of $934,000. This campus also did minimal salary increases from 2018 to 2019. The remaining campuses had a combined increase of $2.2 million and were able to provide salary increases for faculty and staff. An amount of $2.1 million was recorded by the campuses for other postemployment benefits. More information on this may be found in Note 12.

Scholarships and Fellowships

Scholarships and fellowships decreased by $564,000. As previously discussed, there was an increase in scholarship allowances related to tuition and fees and an increase in scholarship allowances related to auxiliaries. Gross scholarships and fellowships increased $385,000. All of the campuses had declines in enrollment when compared to 2018. Although federal and state financial aid fluctuates throughout the years; the campuses continue to offer competitive institutional scholarships to students. The institutional scholarships continue to increase at each campus and displays the University's commitment to students.

Supplies and Services

Supplies and services decreased by $3.6 million. With the exception of a $726,000 increase at the Beebe campus related to IT expenses and a slight increase of $85,000 at Newport, all other campuses experienced a decrease of expenses for supplies and services. The majority of this increase was due to a reduction of $2.4 million of expenses on the Jonesboro campus. Additionally, the Mid-South campus had a decline of $1.7 million due to the ending of the TACT4 grant. The ending of this grant was also related to the decrease in operating grants and contracts as previously discussed. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

Self Insurance

Self insurance expenses increased by $204,000. Medical claims during 2019 increased minimally when compared to 2018. Additionally, there was a very slight increase ($19,000) in the unpaid claims liability recorded at year end.

Depreciation

Depreciation expense decreased by $9.3 million. The Jonesboro campus experienced the largest decrease of $8.7 million. The decrease at Jonesboro was a result of a re-valuation of the useful lives of certain assets at the campus. This included adjusting library holdings from 10 to 15 years, buildings from 30 to 50 years, improvements and infrastructure from 15 to 20 years, and certain residence halls from 15 to 30 years (all residence halls are now depreciated over 30 years). Mid-South also adjusted their useful lives and realized a decrease of approximately $863,000. The other campuses had a combined net effect of $166,000. There were new additions or renovations at the campus that were added in 2018 and began depreciating in 2019. This amount totaled approximately $20.4 million and included projects such as, energy performance renovations at the campuses. Additionally, as new projects were completed in 2019, depreciation expense will increase next year as a result of these. Although the amount of completed projects was only $11.4 million when compared to 2018; depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

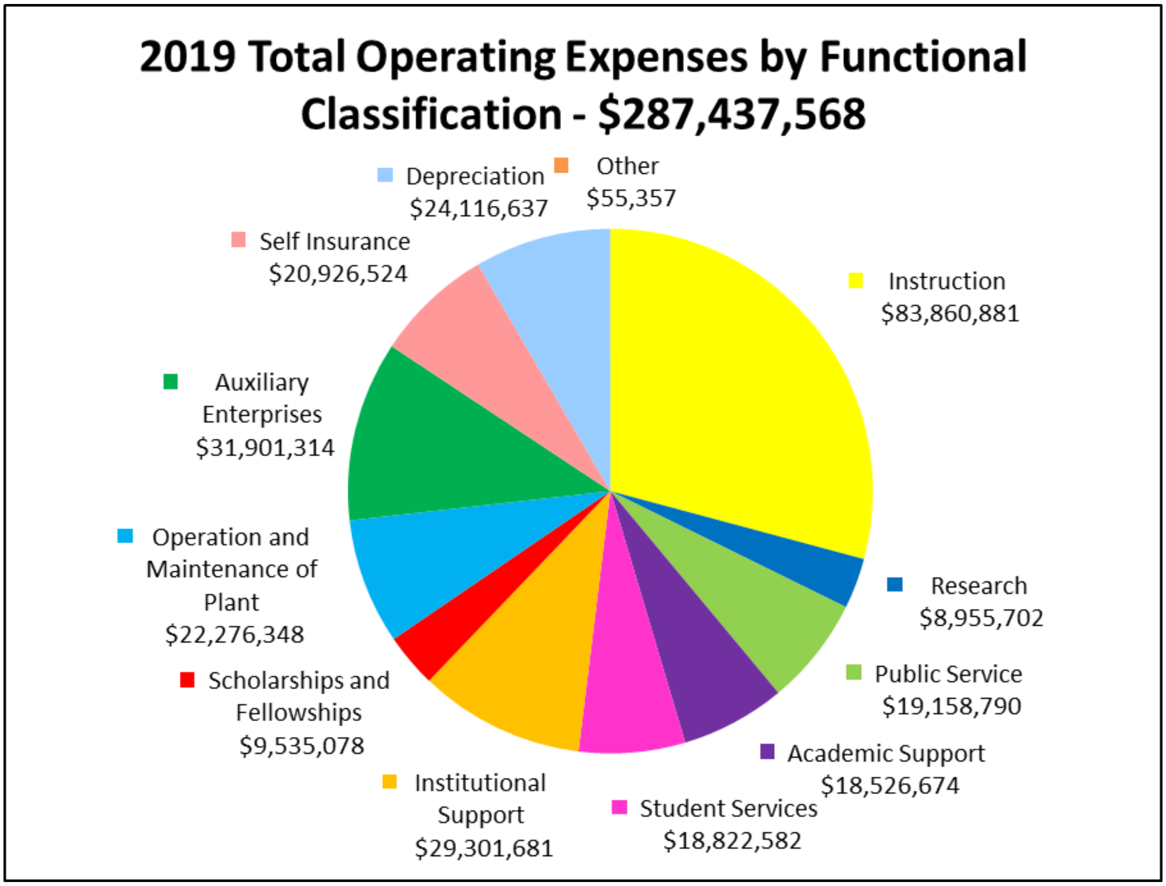
Other operating expenses increased by $28,000. These expenses are related to the Federal Perkins Loan program on the Jonesboro campus.

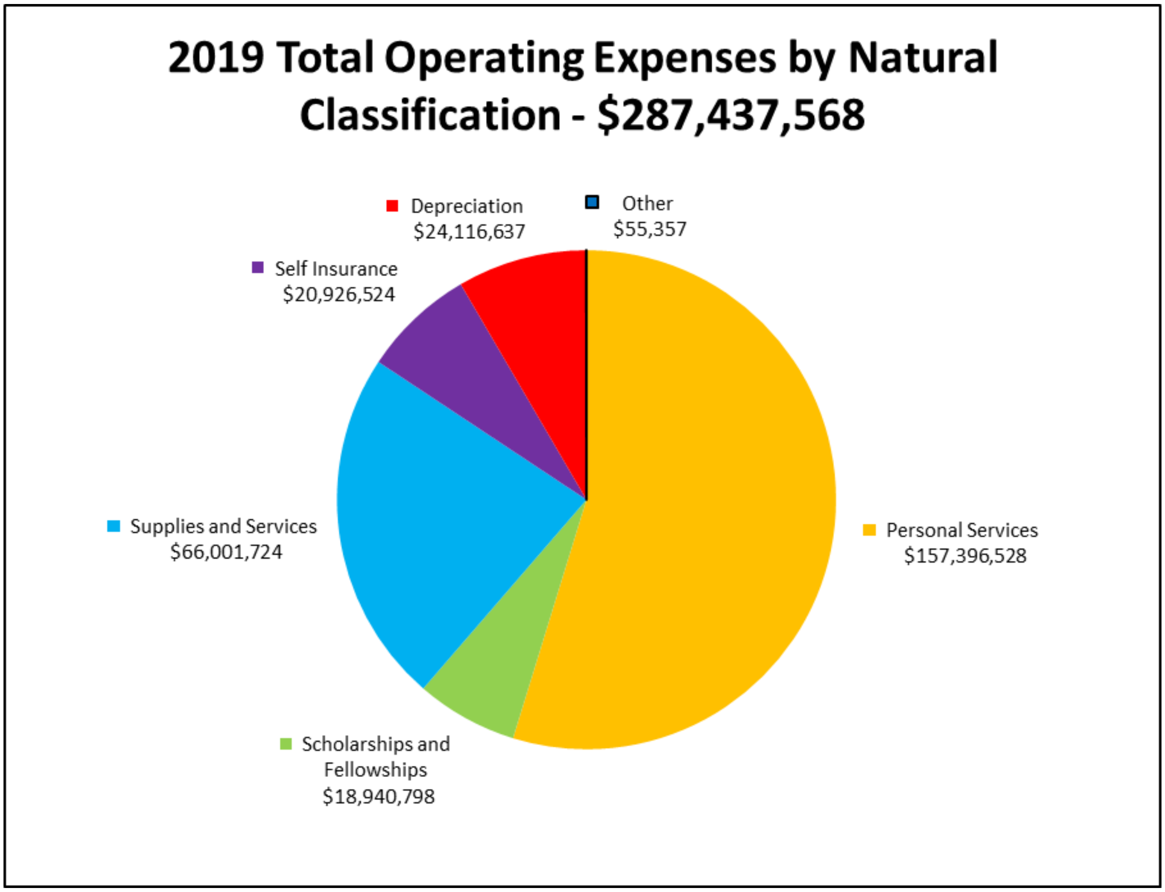
Operating Expenses by Function

	2019	2018	Increase/ (Decrease)	Percent Change
Instruction	$ 83,860,881	$ 86,889,434	$ (3,028,553)	(3.49%)
Research	8,955,702	9,023,233	(67,531)	(0.75%)
Public Service	19,158,790	19,223,694	(64,904)	(0.34%)
Academic Support	18,526,674	21,984,301	(3,457,627)	(15.73%)
Student Services	18,822,582	18,777,037	45,545	0.24%
Institutional Support	29,301,681	28,201,169	1,100,512	3.90%
Scholarships and Fellowships	9,535,078	10,421,872	(886,794)	(8.51%)
Operation and Maintenance of Plant	22,276,348	23,248,312	(971,964)	(4.18%)
Auxiliary Enterprises	31,901,314	30,117,700	1,783,614	5.92%
Self Insurance	20,926,524	20,722,131	204,393	0.99%
Depreciation	24,116,637	33,465,428	(9,348,791)	(27.94%)
Other	55,357	27,764	27,593	99.38%
Total Operating Expenses	$ 287,437,568	$ 302,102,075	$ (14,664,507)	(4.85%)

Operating Expenses by Natural Classifications

	2019	2018	Increase/ (Decrease)	Percent Change
Personal Services	$ 157,396,528	$ 158,803,195	$ (1,406,667)	(0.89%)
Scholarships and Fellowships	18,940,798	19,504,606	(563,808)	(2.89%)
Supplies and Services	66,001,724	69,578,951	(3,577,227)	(5.14%)
Self Insurance	20,926,524	20,722,131	204,393	0.99%
Depreciation	24,116,637	33,465,428	(9,348,791)	(27.94%)
Other	55,357	27,764	27,593	99.38%
Total Operating Expenses	$ 287,437,568	$ 302,102,075	$ (14,664,507)	(4.85%)


2019 Total Operating Expenses by Functional Classification - $287,437,568
Depreciation $24,116,637
Other $55,357
Self Insurance $20,926,524
Instruction $83,860,881
Auxiliary Enterprises $31,901,314
Operation and Maintenance of Plant $22,276,348
Research $8,955,702
Public Service $19,158,790
Scholarships and Fellowships $9,535,078
Academic Support $18,526,674
Institutional Support $29,301,681
Student Services $18,822,582



Nonoperating Expenses

Total nonoperating expenses decreased by $561,000.

Interest
Interest expense decreased by $174,000. Jonesboro experienced the largest decrease of $361,000. The campus added one additional note payable but this note had 0% interest and did not increase the annual amount of interest paid. The reduction is due to having higher principal payments and lower interest per the debt service schedules. Beebe, Mid-South and Newport had a combined increase of $202,000. This was due to the additional debt that was added in 2018 for the energy performance savings. Mountain Home had a slight decrease in the amount of $15,000. Additional information on debt administration may be found in the Debt Administration section that follows.

Gain or Loss on Disposal of Capital Assets
During the fiscal year, the University had a loss of $237,000 on capital assets compared to a loss of $592,000 in fiscal year 2018. Mid-South was the only campuses to show a gain in the amount of 1,000. This was due to receiving more funds from the sale of capital assets. The Jonesboro campus's statements reflect a loss of $230,000 and Newport had a small loss in the amount of $7,500. This loss is attributable to the deletion of equipment, library holdings, and also a minor amount for improvement projects that were no longer on campus.

Other Changes

Other revenues, expenses, gains and losses totaled $787,000. This amount decreased by $1.2 million.

Capital Appropriations
Capital appropriations decreased by $515,000. The Jonesboro campus was the only campus with capital appropriations in 2018 as well as 2019. In 2018, the campus received funds in the amount of $174,000 for the V.C. Kays House renovation. This project was completed near the beginning of fiscal year 2019 and only $6,500 was recorded in 2019. The campus received a $7,600 for the Lakeport Plantation Dairy, a project that was begun during 2019. The remaining funds received in 2019 were related to Marion Berry Phase III-Loop Road. This project is nearing completion and the campus received $195,000 less than in 2018.

Capital Grants and Gifts
Capital grants and gifts decreased by $214,000. The Jonesboro campus had a decline of $303,000 compared to fiscal year 2018. Although the campus had an increase in capital gifts of $473,000; the campus's capital grants decreased by $776,000. The campus added a marquee in the amount of $690,000 in 2019 and in 2018, the campus recorded the capital grant for the University Loop extension in the amount of $907,000. Beebe, Mountain Home and Mid-South had combined increases of $89,000 due to additional capital gifts received during the year.

Statement of Cash Flows

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

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2019 and June 30, 2018 were as follows:

Capital Assets (net of accumulated depreciation)

	2019	2018	Increase/ (Decrease)	Percent Change
Land and land improvements	$ 18,670,782	$ 18,625,656	$ 45,126	0.24%
Construction in progress	4,018,016	14,501,242	(10,483,226)	(72.29%)
Livestock	218,351	187,586	30,765	16.40%
Intangibles-Software in development	1,628,858	1,213,769	415,089	34.20%
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	2,908,019	3,490,182	(582,163)	(16.68%)
Buildings	268,889,409	280,073,191	(11,183,782)	(3.99%)
Improvements and infrastructure	145,823,572	137,171,430	8,652,142	6.31%
Equipment	13,456,757	13,997,448	(540,691)	(3.86%)
Library/audiovisual holdings	1,382,442	1,456,253	(73,811)	(5.07%)
Total	$ 459,671,206	$ 473,391,757	$ (13,720,551)	(2.90%)

Land
The University had two additions of land and land improvements in the amounts of $25,000 at the Jonesboro campus and about $20,000 at the Beebe campus during fiscal year 2019.

Construction in progress
Construction in progress decreased by 72.29%. This decrease 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 completed during the year was $9.7 million. Jonesboro had a decrease of $1.87 million due to fewer projects occurring in 2019 when compared to 2018.

Livestock
The change of 16.40% is attributable to an increase of the Jonesboro campus livestock herds of $31,905 and a slight decline of the Beebe campus's herds in the amount of $1,140.

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, 2019 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 $1,628,858, respectively. The ERP System is complete at Beebe and the amount was transferred to intangibles-software during 2018 and began depreciating in 2019.

Intangibles-Easements
The University had no additions or disposals of easements during fiscal year 2019.

Intangibles-Software
The University's decrease of $582,163 was the amount of the additional depreciation recorded in 2019. No amounts were added to intangibles-software during 2019. This was also the first year that Beebe had depreciation on their software that was capitalized in 2018.

Buildings
The University experienced a decrease of $11.2 million in the total value of buildings. This is a result of additional depreciation recorded during the year. In fiscal year 2019, the campuses added $197,267 compared to $49,000 in fiscal year 2018. Although this amount was higher than in 2018; the amount of depreciation far exceeded the amount of building additions. The Beebe campus was the only campus with a building addition during the year. The Jonesboro campus added $224,212 in building additions but also showed this amount in retirements due to the purchase and demolition of two buildings in the year. Also, accumulated depreciation increased from $281,968,869 in 2018 to $293,349,918 in 2019 as a result of additional buildings that were added in 2018 and began depreciating in fiscal year 2019. Without the re-valuation of the useful lives at the Jonesboro and Mid-South campuses; this amount would have been much higher. The depreciation expense related to buildings was $11,381,049 in 2019 compared to $17,383,065 in 2018.

Improvements and infrastructure
The 6.31%, or $8,652,142, increase in improvements and infrastructure is attributable to the completion of projects at the Jonesboro, Beebe, Mid-South, and Newport campuses during fiscal year. The Jonesboro campus added $5.9 million in improvements and infrastructure projects during 2019. In addition to the capital gift of the new marquee, these projects included several small renovations such as: Fowler Center exterior renovations, V. C. Kays House restoration, classroom renovations, food court remodel, upgrades to the phone system, and refreshing the wireless connections in the residence halls. In addition to this, the Jonesboro campus re-valued their depreciation of improvements and infrastructure from 15 to 20 years. The other campuses had a total of $10.5 million related to their energy performance contract.

Equipment
Equipment decreased by 3.86%, or $540,691, during the year. Equipment additions increased from $2,876,930 in 2018 to $3,685,755 in 2019. Of the additions for fiscal year 2019, $91,767 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. Equipment purchases increased slightly from 2018 to 2019. Depreciation expense decreased from $4,791,910 in 2018 to $4,197,167 in 2019. The campuses disposed of equipment during the year with a net value of $29,279.

Library/Audiovisual Holdings
The University's decrease of $73,811, or 5.07%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases remained nearly the same in 2019 at $136,549 compared to $136,257 in 2018. Depreciation expense decreased from $283,738 in 2018 to $210,360 in 2019. Additionally, the Jonesboro campus re-valued their library holdings depreciation from 10 years to 15 years.

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 $185,113,359 in bonds payable, $10,371,602 in notes payable and $22,999,123 in capital leases payable at June 30, 2019.

The University did not issue any bonds during 2019.

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

The $10,371,602 in notes payable consisted of four 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 . The campus also issued new debt in the amount of $1,000,000 for renovations to the Armory. The note has 0% interest and a 10 year term. Payments began during fiscal year 2019. At June 30, 2019, the outstanding amounts for these notes were $4,743,650, $782,600, $502,995, and $900,000 respectively. Additionally, the Mountain Home campus paid the final payment on their note payable for a land purchase during 2019, The Newport campus has $927,172 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location. The Beebe, Mid-South, and Newport campuses have notes payable related to their energy performance improvements and are paid with savings from utility billings. These amounts at the end of 2019 are $93,923, $1,482,027, and $939,235, respectively.

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. Principal payments began in 2019 and the current balance of the debt is $15,000,244. The campus also issued a capital lease during 2017 for IT equipment valued at $545,160. The final payment on this capital lease was made in 2019. The Newport campus issued a capital lease during 2017 for IT equipment. The amount of the lease is $606,934 and a balance of $242,773 remains at June 30, 2019. The Beebe and Newport campuses added leases payable in the amounts of $4,930,498 and $2,951,079, respectively, during fiscal year 2018. Both of these leases payable were for energy performance improvements and will be paid with savings from utility billings. These balances are $4,852,007 and $2,904,099, respectively at June 30, 2019.

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.

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

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

The University continues to maintain a strong credit rating of A1by Moody's Investors Service. Achieving and maintaining this credit ratings provides the University with significant flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the University to provide the necessary resources to support a consistent level of excellence in service to students, the local communities, the state and the nation.

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

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

Exhibit A

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and cash equivalents	$	53,690,854
Short-term investments		13,804,436
Accounts receivable (less allowances of $3,130,841)		19,634,786
Notes and deposits receivable (less allowances of $356,531)		562,125
Accrued interest and late charges		238,905
Inventories		2,684,046
Deposits with trustees		889,988
Unamortized bond insurance		310,687
Prepaid expenses		567,159
Total Current Assets		92,382,986
Noncurrent Assets:		
Cash and cash equivalents		56,651,219
Restricted cash and cash equivalents		9,565,024
Endowment investments		15,697,289
Other long-term investments		18,546,847
Irrevocable split-interest agreement		2,083,920
Accrued interest and late charges		779,247
Deposits with trustees		2,987,631
Accounts receivable		1,998,323
Notes and deposits receivable (less allowances of $1,559,325)		2,317,577
Capital assets (net of accumulated depreciation of $437,999,496)		459,671,206
Total Noncurrent Assets		570,298,283
TOTAL ASSETS		**662,681,269**
DEFERRED OUTFLOWS OF RESOURCES		
Excess of bond reacquisition costs over carrying value		3,984,890
Pensions		4,857,701
Other postemployment benefits (OPEB)		3,414,060
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		**674,937,920**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities		12,195,825
Bonds, notes and leases payable		11,360,663
Compensated absences		6,123,631
Unearned revenue		10,092,737
Funds held in trust for others		709,015
Deposits		611,784
Interest payable		2,171,092
Total other postemployment benefits (OPEB) liability		857,226
Total Current Liabilities		44,121,973
Noncurrent Liabilities:		
Accounts payable and accrued liabilities		42,266
Bonds, notes and leases payable		207,123,421
Compensated absences		3,915,594
Total other postemployment benefits (OPEB) liability		24,541,060
Net pension liability		15,470,381
Deposits		149,275
Refundable federal advances		4,808,859
Total Noncurrent Liabilities		256,050,856
TOTAL LIABILITIES		**300,172,829**

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2019

DEFERRED INFLOWS OF RESOURCES	
Pensions	$ 6,363,178
Irrevocable split-interest agreement	2,083,920
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**308,619,927**
NET POSITION	
Net investment in capital assets	245,438,206
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	6,047,467
Renewal and replacement	967,261
Loans	281,122
Other-College and Department Purposes	9,577,867
Expendable:	
Scholarships and fellowships	996,478
Loans	10,000
Debt service	1,774,779
Renewal and replacement	529,145
Other	2,715,052
Unrestricted	97,980,616
TOTAL NET POSITION	**$ 366,317,993**

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

Exhibit A-1

ASSETS		
Cash and cash equivalents	$	6,766,748
Certificates of deposit		4,966,205
Prepaid expenses		57,681
Contributions receivable, net		11,081,231
Investments, at fair value		83,722,597
Property and equipment, net		1,749,005
Other assets		99,055
Total Assets	$	108,442,522
LIABILITIES		
Accounts payable	$	107,964
Annuity obligations		20,000
Due to Arkansas State University campuses		6,351,765
Due to Alumni Association		1,763
Amounts held on behalf of Arkansas State University related entities		13,488,700
Note payable		13,179
Total Liabilities		19,983,371
NET ASSETS		
Without donor restrictions		
Undesignated		2,080,258
Board designated		4,764,341
Total without donor restrictions		6,844,599
With donor restrictions		
Restricted as to purposes		9,051,265
Restricted in perpetuity		72,563,287
		81,614,552
Total Net Assets		88,459,151
Total Liabilities and Net Assets	$	108,442,522

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS		
Current Assets		
Cash	$	6,487,514
Investment securities		982,596
Receivables, current portion		3,764,037
Related party prepaid lease, current portion		1,700,000
Total Current Assets		12,934,147
Property and Equipment		
Property and equipment		17,793
Less accumulated depreciation		(16,773)
Total Property and Equipment		1,020
Other Assets		
Receivables, net of current portion and amortization		17,149,652
Related party prepaid lease, net of current portion and amortization		7,791,667
Real estate		206,100
Held in agency for ASU		10,500
Construction in progress		23,487,906
Total Other Assets		48,645,825
Endowment Investments, at fair value		1,824,320
Total Assets	$	63,405,312
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	65,601
Accrued interest payable		26,910
Current portion long-term debt		2,078,411
Current portion deferred revenue		4,835,606
Total Current Liabilities		7,006,528
Long-Term Debt, net of current portion		24,774,129
Deferred Revenue, net of current portion		21,844,463
NET ASSETS		
Without donor restrictions		551,083
With donor restrictions		9,229,109
Total Net Assets		9,780,192
Total Liabilities and Net Assets	$	63,405,312

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit B

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $52,343,138)	$ 65,397,629
Grants and contracts	31,844,781
Sales and services	2,018,646
Auxiliary enterprises (net of scholarship allowances of $7,912,624)	28,382,096
Self-insurance	5,257,173
Other operating revenues	2,818,904
TOTAL OPERATING REVENUES	135,719,229
OPERATING EXPENSES	
Personal services	157,396,528
Scholarships and fellowships	18,940,798
Supplies and services	66,001,724
Self-insurance	20,926,524
Depreciation	24,116,637
Other	55,357
TOTAL OPERATING EXPENSES	287,437,568
OPERATING INCOME (LOSS)	(151,718,339)
NON-OPERATING REVENUES (EXPENSES)	
Federal appropriations	263,475
State appropriations	105,602,258
Grants and contracts	51,356,793
Sales and use taxes	2,852,118
Property taxes	4,390,058
Gifts	3,441,493
Investment income	4,269,022
Interest on capital asset - related debt	(8,469,513)
Gain or loss on disposal on capital assets	(236,900)
Refunds to grantors	(153,364)
Other nonoperating revenues (expenses)	(144,499)
NET NON-OPERATING REVENUES (EXPENSES)	163,170,941
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	11,452,602
Capital appropriations	79,211
Capital grants and gifts	1,017,245
Additions to endowments	24,667
Adjustments to capital assets	(387,594)
Capitalization of library holdings at rate per volume	21,536
Livestock additions	31,905
INCREASE (DECREASE) IN NET POSITION	12,239,572
NET POSITION - BEGINNING OF YEAR	354,078,421
NET POSITION - END OF YEAR	$ 366,317,993

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, 2019

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	$ 640,881	$ 11,806,045	$ 12,446,926
Investment return, net	416,960	3,589,978	4,006,938
Other income	140,234	188,166	328,400
Net assets released from restrictions	10,889,355	(10,889,355)	
Total Revenue and Other Support	12,087,430	4,694,834	16,782,264
Expenses			
Program services	11,600,698		11,600,698
Management and general supporting services	118,741		118,741
Change in split-interest agreements		16,000	16,000
Total Expenses	11,719,439	16,000	11,735,439
Change in net assets	367,991	4,678,834	5,046,825
Net assets at beginning of year	6,476,608	76,935,718	83,412,326
Net assets at end of year	$ 6,844,599	$ 81,614,552	$ 88,459,151

Exhibit B-2

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT			
Contributions	$ 2,588,718	$ 1,304,871	$ 3,893,589
In-kind contributions	304,915		304,915
Special events/fundraising	6,122	407,183	413,305
Other income	12,447	4,643,189	4,655,636
Investment return	68,335	(15,480)	52,855
Net assets released from restrictions			
Satisfaction of purpose restrictions	4,891,208	(4,891,208)	
Total revenues, gains, and other support	7,871,745	1,448,555	9,320,300
EXPENSES			
General and administrative	732,818		732,818
Athletic program services	4,823,372		4,823,372
Special events/fundraising	448,890		448,890
Total expenses	6,005,080		6,005,080
Changes in net assets before transfers	1,866,665	1,448,555	3,315,220
Transfers			
Transfers to ASU athletic programs		149,792	149,792
Other transfers to ASU	2,059,579	17,000	2,076,579
Total transfers	2,059,579	166,792	2,226,371
Change in Net Assets	(192,914)	1,281,763	1,088,849
Net Assets, beginning of year	743,997	7,947,346	8,691,343
Net Assets, end of year	$ 551,083	$ 9,229,109	$ 9,780,192

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 65,215,949
Grants and contracts	33,481,273
Auxiliary enterprises revenues	27,987,275
Sales and services	1,996,980
Self-insurance program receipts	5,257,093
Collection of principal and interest related to student loans	665,319
Other receipts	3,026,295
Payments to employees	(133,128,041)
Payments for employee benefits	(23,512,495)
Payments to suppliers	(66,331,418)
Scholarships and fellowships	(18,940,797)
Self-insurance program payments	(20,756,869)
Net cash provided (used) by operating activities	(125,039,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	257,400
State appropriations	104,103,825
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,500,000
Grants and contracts	51,735,172
Private gifts and grants	3,842,612
Sales and use taxes	2,969,224
Property taxes	4,320,928
Direct lending, PLUS and FFEL loan receipts	100,309,685
Direct lending, PLUS and FFEL loan payments	(99,582,549)
Agency activity (net)	(118,611)
Refunds to grantors	(178,993)
Net cash provided (used) by noncapital financing activities	169,158,693
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	788,494
Distributions from trustee of bond proceeds and interest earnings	3,684
Capital appropriations	79,211
Capital gift and grants	385,980
Proceeds from sale of capital assets	21,956
Purchases of capital assets	(11,222,918)
Payments to trustees for bond principal	(8,070,000)
Payments to trustees for bond interest and fees	(6,618,900)
Payments to debt holders for principal (other than bonds)	(2,233,882)
Payments to debt holders for interest and fees (other than bonds)	(1,063,007)
Property taxes remitted to bond trustees	(2,866,509)
Distribution of excess property taxes from bond trustees	1,932,353
Net cash provided (used) by capital and related financing activities	(28,863,538)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	13,254,981
Interest on investments (net of fees)	3,065,016
Purchases of investments	(16,289,533)
Net cash provided (used) by investing activities	30,464
Net increase (decrease) in cash and cash equivalents	15,286,183
Cash and cash equivalents - beginning of year	104,620,914
Cash and cash equivalents - end of year	$ 119,907,097

Exhibit C

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (151,718,339)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	24,116,637
Change in assets and liabilities:	
Receivables, net	2,682,849
Inventories	(111,660)
Prepaid expenses	534,924
Accounts and salaries payable	(94,081)
Other postemployment benefits (OPEB)	2,107,068
Pension obligations	(1,124,755)
Unearned revenue	(852,496)
Deposits	58,918
Refundable federal advances	(9,285)
Compensated absences	(629,216)
Net cash provided (used) by operating activities	$ (125,039,436)

Reconciliation of Cash and Cash Equivalents	
Current Assets:	
Cash and Cash Equivalents	$ 53,690,854
Noncurrent Assets:	
Cash and Cash Equivalents	56,651,219
Restricted Cash and Cash Equivalents	9,565,024
Total Cash and Cash Equivalents	$ 119,907,097

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

NONCASH TRANSACTIONS

JONESBORO
Equipment-capital gifts of $27,625

Marquee-capital gift of $690,334

Value of equipment traded for equipment-$71,566

Value of equipment received from vendor discounts-$7,072

Interest earned on reserve accounts held by trustee-$40,508

Interest paid from accounts held by trustee-$26,644

Amount earned on investments-$748,469

BEEBE
Equipment-capital gift of $11,471

Interest earned on reserve accounts held by trustee-$4,538

Interest paid from accounts held by trustee-$3,894

Amount of interest earned on CD's reinvested with CD's-$51,023

MID-SOUTH
Interest earned on reserve accounts held by trustee-$43,307

Trustee payments for retirement of bond principal-$540,000

Trustee payment for bond interest-$764,664

Trustee payment for bond fees-$2,875

Unrealized gain on investments-$347,897

Library holdings donations-$799

Equipment donations-$52,671

MOUNTAIN HOME
Interest earned on reserve accounts held by trustee-$474

Interest paid from accounts held by trustee-$434

NEWPORT
Interest earned on reserve accounts held by trustee-$247

Amount of interest earned on CD's reinvested with CD's-$84,014

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)

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, 2019, the ASU Foundation transferred property, equipment and funds of $10,203,715 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.

During the year ended June 30, 2019, the RW Foundation transferred property, equipment and funds of $2,226,371 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings and construction in progress are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated acquisition value. Library holdings are recorded at cost or a stated rate per volume. For the campuses that record library holdings at a stated rate per volume, the additions for the fiscal year are displayed as a separate line item on the Statement of Revenues, Expenses and Changes in Net Position. Library holdings that are capitalized do not include periodicals, microfilm, microfiche and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than $5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred. Interest costs incurred are no longer capitalized during the period of construction. The University early implemented GASB Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* during fiscal year 2019. This statement is effective for reporting periods beginning after December 15, 2019.

At the Jonesboro campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 50 years for buildings, 30 years for residence halls, 20 years for improvements and infrastructure, 15 years for library and audiovisual holdings, 10 years for leasehold improvements, and 3 to 7 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. No depreciation is taken the year of disposal.

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

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

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

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

Operating and Nonoperating Revenues

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of assets the University is legally entitled to, but for which payment has not been received as of the close of the fiscal year at June 30, 2019. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

Investments

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

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

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

Inventories

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

Noncurrent Cash and Investments

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

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2019 are treated as unearned revenues. They are considered liabilities of the University until earned.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

Employee vacation, 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.

Property Taxes

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

Sales and Use Taxes

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

Funds Held in Trust for Others

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 3,671,989	$ 3,588,674
Insured (SIPC)	250,000	250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's agent in the University's name	132,813,624	133,175,667
Unisured, Uncollateralized	497,521	328,406
Total Deposits	$ 137,233,134	$ 137,342,747

The above deposits do not include cash on deposit in the state treasury and cash on hand maintained by the University in the amounts of $1,502,632 and $72,596 at June 30, 2019, respectively. Also, the above amount does not include $87,812 in cash and cash equivalents, $400,000 in certificates of deposits held by the ASU Foundation for license plate scholarships classified as short-term investments, and $521,961 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of $19,510,815 reported as investments and classified as nonnegotiable certificates of deposit and money market checking accounts of $223 reported as deposits with trustees. Additionally, the deposits do not include money market checking accounts of $2,659 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. At June 30, 2019, $328,406 of the University's balance of $137,342,747 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$328,406

Deposits with Trustees

At June 30, 2019, the University's deposits with trustees totaled $3,877,619. Other than the money market checking accounts of $2,882, the details of the deposits with trustee by campus are below.

NOTE 2: Public Fund Deposits and Investments (Continued)

Deposits with Trustees (Continued)

Jonesboro

At June 30, 2019, the University's deposits with trustee of $1,488,459 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, 2019 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
$ 1,488,459	$ -	$ -	$ 1,488,459

Mid-South

At June 30, 2019, the University's deposits with trustee of $2,386,140 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 20 days.

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

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

The fair market value of the deposits with trustee at June 30, 2019 is shown below:

Level 1 Quoted prices for identical investments in active markets	Level 2 Quoted prices for similar investments in active markets	Level 3 Prices determined from the University's data	Total
$ 2,386,140	$ -	$ -	$ 2,386,140

NOTE 2: Public Fund Deposits and Investments (Continued)

Mountain Home

At June 30, 2019, the University's deposits with trustee of $138 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 31 days.

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

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

The fair market value of the deposits with trustee at June 30, 2019 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
$ 138	$ -	$ -	$ 138

University Investments (Excluding Endowment Funds)

At June 30, 2019, the University's investments, excluding endowment funds, consisted of corporate bonds of $2,449,991, U.S. agencies of $4,458,967, negotiable certificates of deposit of $1,491,295, and U.S. Treasury notes of $4,040,215. Details of the investments by campus are below.

Jonesboro

At June 30, 2019, the University's investments, excluding endowment funds, consisted of corporate bonds of $827,813, U.S. agencies of $4,053,211 and negotiable certificates of deposit of $1,491,295.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ -	$ 277,709	$ 451,368	$ 98,736	$ 827,813

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro (Continued)

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ -	$ 614,654	$ 969,551	$ 2,469,006	$ 4,053,211

The negotiable certificates of deposits will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ 99,905	$ 1,391,390	$ -	$ -	$ 1,491,295

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
$ -	$ 724,010	$ 103,803	$ -	$ -	$ 827,813

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 3,385,369	$ 345,702	$ 251,035	$ -	$ 71,105	$ 4,053,211

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 6.252 years at June 30, 2019. The U.S. agencies had an estimated weighted average maturity of 9.980 years at June 30, 2019. The negotiable certificates of deposit had an estimated weighted average maturity of 1.924 years at June 30, 2019. 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, 2019, negotiable certificates of deposits of $1,491,295 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.

NOTE 2: Public Fund Deposits and Investments (Continued)

Custodial Credit Risk - Investments (Continued)

The fair market value of the corporate bonds at June 30, 2019 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
$ 827,813	$ -	$ -	$ 827,813

The fair market value of the U.S. agencies at June 30, 2019 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
$ 4,053,211	$ -	$ -	$ 4,053,211

The fair market value of the negotiable certificates of deposit at June 30, 2019 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
$ 1,491,295	$ -	$ -	$ 1,491,295

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South

At June 30, 2019, the University's investments consisted of corporate bonds of $1,622,178, U.S. agencies of $405,756, and U.S. Treasury notes of $4,040,215. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ 199,814	$ 1,036,457	$ 385,907	$ -	$ 1,622,178

The U.S. agencies will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ -	$ 405,756	$ -	$ -	$ 405,756

The U.S Treasury notes will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
$ 997,900	$ 2,016,455	$ 1,025,860	$ -	$ 4,040,215

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
$ 77,118	$ 518,814	$ 1,026,246	$ -	$ -	$ 1,622,178

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

Aaa	Aa	A	Baa	Not Rated	Total
$ 405,756	$ -	$ -	$ -	$ -	$ 405,756

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

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
$ 4,040,215	$ -	$ -	$ -	$ -	$ 4,040,215

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.054 years at June 30, 2019. The U.S. agencies had an estimated weighted average maturity of 1.369 years at June 30, 2019. The U.S. Treasury notes had an estimated weighted average maturity of 3.297 years at June 30, 2019. 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, 2019 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
$ 1,622,178	$ -	$ -	$ 1,622,178

The fair market value of the U.S. agencies at June 30, 2019 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
$ 405,756	$ -	$ -	$ 405,756

NOTE 2: Public Fund Deposits and Investments (Continued)

Mid-South (Continued)

The fair market value of the U.S. Treasury notes at June 30, 2019 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
$ 4,040,215	$ -	$ -	$ 4,040,215

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 $5,202,477 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 11.48% or $9,729,193 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 4,297,865
Bonds/Fixed Income Securities	1,866,118
Alternative Assets	617,586
Cash Equivalents	124,686
Bonds/Fixed Income Mutual Funds	1,856,171
International Equity Mutual Funds	966,767
Total	$ 9,729,193

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

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

The fair market value of the investments at June 30, 2019 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
$ 9,111,607	$ -	$ 617,586	$ 9,729,193

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.91% or $765,619 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	$ 338,944
Bonds/Fixed Income Securities	147,167
Alternative Assets	48,705
Cash Equivalents	8,179
Bonds/Fixed Income Mutual Funds	146,383
International Equity Mutual Funds	76,241
Total	$ 765,619

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

The fair market value of the investments at June 30, 2019 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
$ 716,914	$ -	$ 48,705	$ 765,619

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of $3,499,188 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 320,481
Corporate Bonds	437,758
Cash Equivalents	183,831
U.S. Agencies	329,217
Equities	2,227,901
Total	$ 3,499,188

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

	Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
Corporate Bonds	$ -	$ 244,198	$ 119,095	$ 74,465	$ 437,758
U.S. Agencies	-	19,998	46,720	262,499	329,217
Total	$ -	$ 264,196	$ 165,815	$ 336,964	$ 766,975

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	$ 7,978	$ 70,233	$ 200,204	$ 151,149	$ 8,194	$ 437,758
U.S. Agencies	135,408	-	-	-	193,809	329,217
Total	$ 143,386	$ 70,233	$ 200,204	$ 151,149	$ 202,003	$ 766,975

NOTE 2: Public Fund Deposits and Investments (Continued)

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

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.424 and 19.975 years, respectively, at June 30, 2019.

The fair market value of the investments at June 30, 2019 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
$ 3,499,188	$ -	$ -	$ 3,499,188

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

The V.C. and Bertie H. Kays Educational Trust of $1,703,289 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Mutual Funds	$ 157,437
Corporate Bonds	226,199
Cash Equivalents	62,394
U.S. Agencies	181,130
Equities	1,076,129
Total	$ 1,703,289

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

	Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
Corporate Bonds	$ 16,007	$ 109,723	$ 62,738	$ 37,731	$ 226,199
U.S. Agencies	-	11,077	20,100	149,953	181,130
Total	$ 16,007	$ 120,800	$82,838	$ 187,684	$ 407,329

NOTE 2: Public Fund Deposits and Investments (Continued)

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

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

	Aaa	Aa	A	Baa	Not Rated	Total
Corporate Bonds	$ 3,989	$ 37,258	$ 103,251	$ 77,604	$ 4,097	$ 226,199
U.S. Agencies	73,953	-	-	-	107,177	181,130
Total	$ 77,942	$ 37,258	$ 103,251	$ 77,604	$ 111,274	$ 407,329

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.402 and 20.017 years, respectively, at June 30, 2019.

The fair market value of the investments at June 30, 2019 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
$ 1,703,289	$ -	$ -	$ 1,703,289

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, 2019:

Arkansas State University-Jonesboro

	Balance July 1, 2018	Additions		Transfers	Retirements	Balance June 30, 2019
Nondepreciable capital assets:						
Land and improvements	$ 7,033,089	$ 25,000				$ 7,058,089
Livestock for educational purposes	118,636	31,905				150,541
Construction-in-progress	4,758,898	3,298,600	*	$ (4,407,023)	$ (764,176)	2,886,299
Intangibles-Easements	2,675,000					2,675,000
Total nondepreciable capital assets	$ 14,585,623	$ 3,355,505		$ (4,407,023)	$ (764,176)	$ 12,769,929
Other capital assets:						
Improvements and infrastructure	$ 166,266,112	$ 1,489,812	*	$ 4,407,023	$ (55,736)	$ 172,107,211
Buildings	366,888,003	224,212			(224,212)	366,888,003
Equipment	45,652,122	2,341,543			(419,665)	47,574,000
Library/audiovisual holdings	12,350,240				(128,042)	12,222,198
Intangibles-Software	5,828,610					5,828,610
Total other capital assets	596,985,087	4,055,567		4,407,023	(827,655)	604,620,022
Less accumulated depreciation/amortization for:						
Improvements and infrastructure	39,855,607	6,377,546			(50,162)	46,182,991
Buildings	184,549,308	5,641,604				190,190,912
Equipment	36,518,159	2,933,730			(401,853)	39,050,036
Library/audiovisual holdings	11,735,682	38,796			(128,042)	11,646,436
Intangibles-Software	4,274,314	388,574				4,662,888
Total accumulated depreciation	276,933,070	15,380,250	**	-	(580,057)	291,733,263
Other capital assets, net	$ 320,052,017	$ (11,324,683)		$ 4,407,023	$ (247,598)	$ 312,886,759
Capital Asset Summary:						
Nondepreciable capital assets	$ 14,585,623	$ 3,355,505		$ (4,407,023)	$ (764,176)	$ 12,769,929
Other capital assets, at cost	596,985,087	4,055,567		4,407,023	(827,655)	604,620,022
Total cost of capital assets	611,570,710	7,411,072		-	(1,591,831)	617,389,951
Less accumulated depreciation	276,933,070	15,380,250		-	(580,057)	291,733,263
Capital Assets, net	$ 334,637,640	$ (7,969,178)		$ -	$ (1,011,774)	$ 325,656,688

*Includes $43,857 for prior year additions for construction-in-progress and $6,300 for prior year additions for improvements and infrastructure

**In fiscal year 2019, the University had a change of estimate for depreciation. These changes are: Buildings from 30 years to 50 years, Residence Halls from 15 or 30 years to 30 years, Library Holdings from 10 years to 15 years, and Improvements (Other than Leasehold) from 10 years to 15 years.

NOTE 4: Capital Assets (Continued)

Arkansas State University-Beebe

	Balance July 1, 2018	Additions		Transfers	Retirements	Balance June 30, 2019
Nondepreciable capital assets:						
Land and improvements	$ 3,350,508	$ 19,580		$ 546		$ 3,370,634
Livestock for educational purposes	68,950				$ (1,140)	67,810
Construction-in-progress	5,031,044	81,458		(5,031,044)		81,458
Total nondepreciable capital assets	$ 8,450,502	$ 101,038		$ (5,030,498)	$ (1,140)	$ 3,519,902
Other capital assets:						
Improvements and infrastructure	$ 16,688,830	$ 152,266	*	$ 4,833,231		$ 21,674,327
Buildings	66,875,760			197,267		67,073,027
Equipment	5,955,281	332,881			$ (100,386)	6,187,776
Library/audiovisual holdings	2,674,462	88,742			(52,276)	2,710,928
Intangibles-Software	1,935,886					1,935,886
Total other capital assets	94,130,219	573,889		5,030,498	(152,662)	99,581,944
Less accumulated depreciation for:						
Improvements and infrastructure	9,051,885	992,975				10,044,860
Buildings	30,635,079	1,792,519				32,427,598
Equipment	4,858,946	305,834			(100,386)	5,064,394
Library/audiovisual holdings	2,117,936	121,536			(52,276)	2,187,196
Intangibles-Software		193,589				193,589
Total accumulated depreciation	46,663,846	3,406,453	-	-	(152,662)	49,917,637
Other capital assets, net	$ 47,466,373	$ (2,832,564)		$ 5,030,498	$ -	$ 49,664,307
Capital Asset Summary:						
Nondepreciable capital assets	$ 8,450,502	$ 101,038		$ (5,030,498)	$ (1,140)	$ 3,519,902
Other capital assets, at cost	94,130,219	573,889		5,030,498	(152,662)	99,581,944
Total cost of capital assets	102,580,721	674,927			(153,802)	103,101,846
Less accumulated depreciation	46,663,846	3,406,453			(152,662)	49,917,637
Capital Assets, net	$ 55,916,875	$ (2,731,526)		$ -	$ (1,140)	$ 53,184,209

*Includes $152,266 for prior year additions for improvements and infrastructure

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mid-South

	Balance July 1, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Nondepreciable capital assets:					
Land and improvements	$ 3,898,076				$ 3,898,076
Construction-in-progress	760,221		$ (760,221)		-
Total nondepreciable capital assets	$ 4,658,297	$ -	$ (760,221)	$ -	$ 3,898,076
Other capital assets:					
Improvements and infrastructure	$ 5,968,625	$ 809,982	$ 760,221		$ 7,538,828
Buildings	58,672,548				58,672,548
Equipment	10,531,964	439,711		$ (129,697)	10,841,978
Library/audiovisual holdings	901,326	5,602		(849)	906,079
Total other capital assets	76,074,463	1,255,295	760,221	(130,546)	77,959,433
Less accumulated depreciation for:					
Improvements and infrastructure	4,476,043	155,975			4,632,018
Buildings	23,765,741	1,166,551			24,932,292
Equipment	9,197,986	467,731		(129,697)	9,536,020
Library/audiovisual holdings	837,684	11,461		(849)	848,296
Total accumulated depreciation	38,277,454	1,801,718	-	(130,546)	39,948,626
Other capital assets, net	$ 37,797,009	$ (546,423)	$ 760,221	$ -	$ 38,010,807
Capital Asset Summary:					
Nondepreciable capital assets	$ 4,658,297		$ (760,221)		$ 3,898,076
Other capital assets, at cost	76,074,463	$ 1,255,295	760,221	$ (130,546)	77,959,433
Total cost of capital assets	80,732,760	1,255,295		(130,546)	81,857,509
Less accumulated depreciation	38,277,454	1,801,718		(130,546)	39,948,626
Capital Assets, net	$ 42,455,306	$ (546,423)	$ -	$ -	$ 41,908,883

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
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	2,120,857	$ 310,021			2,430,878
Library/audiovisual holdings	1,009,403	16,734			1,026,137
Total other capital assets	43,728,829	326,755	-	-	44,055,584
Less accumulated depreciation for:					
Improvements and infrastructure	2,151,594	40,771			2,192,365
Buildings	25,879,856	1,641,819			27,521,675
Equipment	1,825,568	95,681			1,921,249
Library/audiovisual holdings	874,601	22,201			896,802
Total accumulated depreciation	30,731,619	1,800,472	-	-	32,532,091
Other capital assets, net	$ 12,997,210	$ (1,473,717)	$ -	$ -	$ 11,523,493
Capital Asset Summary:					
Nondepreciable capital assets	$ 2,934,808				$ 2,934,808
Other capital assets, at cost	43,728,829	$ 326,755			44,055,584
Total cost of capital assets	46,663,637	326,755			46,990,392
Less accumulated depreciation	30,731,619	1,800,472			32,532,091
Capital Assets, net	$ 15,932,018	$ (1,473,717)	$ -	$ -	$ 14,458,301

NOTE 4: Capital Assets (Continued)

Arkansas State University-Newport

	Balance July 1, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Nondepreciable capital assets:					
Land and improvements	$ 1,409,175				$ 1,409,175
Construction-in-progress	3,951,079	$ 1,050,259	$ (3,951,079)		1,050,259
Intangibles-Software in development	1,213,769	415,089			1,628,858
Total nondepreciable capital assets	$ 6,574,023	$ 1,465,348	$ (3,951,079)	$ -	$ 4,088,292
Other capital assets:					
Improvements and infrastructure	$ 2,852,106		$ 3,951,079		$ 6,803,185
Buildings	31,320,526				31,320,526
Equipment	5,451,913	$ 261,599		$ (95,321)	5,618,191
Library/audiovisual holdings	476,471	25,471		(1,132)	500,810
Total other capital assets	40,101,016	287,070	3,951,079	(96,453)	44,242,712
Less accumulated depreciation for:					
Improvements and infrastructure	1,382,460	178,631			1,561,091
Buildings	17,138,885	1,138,556			18,277,441
Equipment	3,314,030	394,191		(83,854)	3,624,367
Library/audiovisual holdings	389,746	16,366		(1,132)	404,980
Total accumulated depreciation	22,225,121	1,727,744	-	(84,986)	23,867,879
Other capital assets, net	$ 17,875,895	$ (1,440,674)	$ 3,951,079	$ (11,467)	$ 20,374,833
Capital Asset Summary:					
Nondepreciable capital assets	$ 6,574,023	$ 1,465,348	$ (3,951,079)	$ -	$ 4,088,292
Other capital assets, at cost	40,101,016	287,070	3,951,079	(96,453)	44,242,712
Total cost of capital assets	46,675,039	1,752,418	-	(96,453)	48,331,004
Less accumulated depreciation	22,225,121	1,727,744	-	(84,986)	23,867,879
Capital Assets, net	$ 24,449,918	$ 24,674	$ -	$ (11,467)	$ 24,463,125

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, 2019	Maturities To June 30, 2019
9/15/2005	4/1/2025	3 - 5%	$ 19,230,000	$ 7,280,000	$ 11,950,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	1,605,000	995,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	590,000	2,845,000
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	3,935,000	1,405,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	1,890,000	885,000
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	5,675,000	835,000
3/1/2012	3/1/2042	2 - 4%	6,875,000	5,885,000	990,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	2,755,000	670,000
12/1/2012	3/1/2042	0.866 - 4.7%	4,470,000	3,905,000	565,000
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,075,000	180,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,210,000	290,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	22,570,000	6,325,000
8/1/2013	8/1/2023	0.24%	1,000,000	502,995	497,005
12/1/2013	12/1/2038	0.864 - 5.779%	11,130,000	9,700,000	1,430,000
12/1/2013	12/1/2043	2 - 5%	14,685,000	13,250,000	1,435,000
11/1/2015	11/1/2025	0.00%	600,000	390,000	210,000
11/1/2015	11/1/2025	0.00%	604,000	392,600	211,400
11/5/2015	11/5/2023	2.97%	8,000,000	4,743,650	3,256,350
12/17/2015	12/1/2035	3.21%	15,226,080	15,000,244	225,836
11/17/2016	3/1/2037	3 - 4%	13,870,000	12,465,000	1,405,000
11/17/2016	3/1/2037	2 - 4%	23,150,000	19,755,000	3,395,000
12/20/2017	3/1/2039	3 - 4%	11,740,000	10,705,000	1,035,000
7/25/2018	5/25/2028	0.00%	1,000,000	900,000	100,000
Unamoritzed discount			(52,188)	(38,362)	(13,826)
Unamoritzed premium			4,771,721	3,933,269	838,452
Totals			$ 192,034,613	$ 150,074,396	$ 41,960,217

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, 2019	Maturities To June 30, 2019
12/1/2012	12/1/2032	1 - 3%	$ 1,890,000	$ 1,410,000	$ 480,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	1,100,000	795,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	7,000,000	1,005,000
5/1/2015	12/1/2035	2 - 4%	12,930,000	11,105,000	1,825,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	7,800,000	1,385,000
8/8/2017	7/1/2032	1.31%	100,000	93,923	6,077
10/18/2017	10/1/2037	3.04%	4,930,498	4,852,007	78,491
Unamortized discount			(91,432)	(71,931)	(19,501)
Unamortized premium			404,190	317,549	86,641
Totals			$ 39,248,256	$ 33,606,548	$ 5,641,708

Arkansas State University-Mid-South

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2019	Maturities To June 30, 2019
8/26/2010	2/1/2040	2 - 4.7%	$ 5,180,000	$ 4,200,000	$ 980,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	15,290,000	3,220,000
3/15/2018	3/15/2038	3.30%	1,537,658	1,482,027	55,631
Unamortized discount			(47,842)	(33,490)	(14,352)
Unamortized premium			112,689	86,395	26,294
Totals			$ 25,292,505	$ 21,024,932	$ 4,267,573

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, 2019	Maturities To June 30, 2019
12/1/2012	12/1/2032	0.666 - 4.25%	$ 6,995,000	$ 5,115,000	$ 1,880,000
Totals			$ 6,995,000	$ 5,115,000	$ 1,880,000

Arkansas State University-Newport

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2019	Maturities To June 30, 2019
7/23/2012	7/23/2027	3.75%	$ 1,500,000	$ 927,172	$ 572,828
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	2,260,000	1,480,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,405,000	470,000
10/27/2016	3/1/2021	0.00%	606,934	242,773	364,161
8/8/2017	7/1/2032	1.31%	1,000,000	939,235	60,765
10/18/2017	10/1/2037	3.04%	2,951,079	2,904,099	46,980
Unamortized discount			(22,328)	(15,071)	(7,257)
Totals			$ 11,650,685	$ 8,663,208	$ 2,987,477

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	$ 134,458,924		$ 6,314,017	$ 128,144,907	$ 6,539,017
Notes payable	7,214,485	$ 1,000,000	1,285,240	6,929,245	1,318,108
Capital leases payable	15,407,748		407,504	15,000,244	414,897
Compensated absences	7,441,351	4,018,822	4,592,875	6,867,298	4,227,616
Totals	$ 164,522,508	$ 5,018,822	$ 12,599,636	$ 156,941,694	$ 12,499,638

Arkansas State University-Beebe

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	$ 30,027,518		$ 1,366,900	$ 28,660,618	$ 1,406,900
Notes payable	100,000		6,077	93,923	6,156
Capital leases payable	4,930,498		78,491	4,852,007	85,414
Compensated absences	1,318,881	$ 961,980	1,045,707	1,235,154	999,981
Totals	$ 36,376,897	$ 961,980	$ 2,497,175	$ 34,841,702	$ 2,498,451

Arkansas State University-Mid-South

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	$ 20,085,067		$ 542,162	$ 19,542,905	$ 557,161
Notes payable	1,537,658		55,631	1,482,027	57,327
Compensated absences	562,829	$ 313,520	379,537	496,812	47,483
Totals	$ 22,185,554	$ 313,520	$ 977,330	$ 21,521,744	$ 661,971

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	$ 5,440,000		$ 325,000	$ 5,115,000	$ 330,000
Notes payable	78,076		78,076	-	
Compensated absences	495,632	$ 265,115	268,258	492,489	14,776
Totals	$ 6,013,708	$ 265,115	$ 671,334	$ 5,607,489	$ 344,776

Arkansas State University-Newport

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	$ 3,953,813		$ 303,884	$ 3,649,929	$ 313,883
Notes payable	2,020,903		154,496	1,866,407	159,289
Capital leases payable	3,315,239		168,367	3,146,872	172,511
Compensated absences	849,748	$ 987,654	889,930	947,472	833,775
Totals	$ 10,139,703	$ 987,654	$ 1,516,677	$ 9,610,680	$ 1,479,458

NOTE 5: Long-Term Liabilities (Continued)

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

Arkansas State University-Jonesboro

Year ended June 30,	Bonds payable Principal		Bonds payable Interest		Notes payable Principal	Notes payable Interest	
2020	$ 6,539,017	*	$ 5,068,524	**	$ 1,318,108	$ 136,437	**
2021	6,784,017		4,822,062		1,348,527	106,018	
2022	7,044,017		4,556,469		1,379,859	74,686	
2023	7,299,017		4,279,825		1,414,259	40,287	
2024	7,609,017		3,989,882		887,892	243	
2025 - 2029	30,457,448		16,232,234		580,600		
2030 - 2034	34,292,779		9,930,794				
2035 - 2039	20,954,559		3,931,063				
2040 - 2044	7,165,036		797,376				
Totals	$ 128,144,907	***	$ 53,608,229		$ 6,929,245	$ 357,671	

*Includes discount amortization of $2,099 and premium amortization of $226,115.
**Includes interest payable of $1,428,819 recorded as a current liability at June 30, 2019.
***Total principal of $128,144,907 Includes discount amortization of $38,362 and premium amortization of $3,933,269.

Arkansas State University-Beebe

Year ended June 30,	Bonds payable Principal		Bonds payable Interest		Notes payable Principal	Notes payable Interest	
2020	$ 1,406,900	*	$ 961,158	**	$ 6,156	$ 1,230	**
2021	1,451,900		925,021		6,237	1,150	
2022	1,476,899		882,485		6,318	1,068	
2023	1,531,899		833,474		6,401	985	
2024	1,575,746		782,444		6,485	901	
2025 - 2029	7,454,615		3,140,432		33,722	3,210	
2030 - 2034	8,706,292		1,748,760		28,604	944	
2035 - 2039	5,056,367		349,157				
Totals	$ 28,660,618	***	$ 9,622,931		$ 93,923	$ 9,488	

*Includes discount amortization of $3,996 and premium amortization of $20,896.
**Includes interest payable of $301,590 recorded as a current liability at June 30, 2019.
***Total principal of $28,660,618 includes discount amortization of $71,931 and premium amortization of $317,549.

Arkansas State University-Mid-South

Year ended June 30,	Bonds payable Principal		Bonds payable Interest		Notes payable Principal	Notes payable Interest	
2020	$ 557,161	*	$ 748,052	**	$ 57,327	$ 48,907	**
2021	577,162		730,989		59,218	47,015	
2022	597,162		710,721		61,172	45,061	
2023	617,162		691,496		63,191	43,042	
2024	637,162		671,733		65,276	40,957	
2025 - 2029	3,535,808		3,008,393		360,151	171,015	
2030 - 2034	4,245,808		2,296,754		423,629	107,537	
2035 - 2039	5,145,808		1,398,533		392,063	32,870	
2040 - 2042	3,629,672		299,585				
Totals	$ 19,542,905	***	$ 10,556,256		$ 1,482,027	$ 536,404	

*Includes discount amortization of $1,595 and premium amortization of $3,757.
**Includes interest payable of $322,237 recorded as a current liability at June 30, 2019.
***Total principal of $19,542,905 includes discount amortization of $33,490 and premium amortization of $86,395.

Arkansas State University-Mountain Home
Bonds payable

Year ended June 30,	Principal		Interest
2020	$ 330,000	*	$ 183,546
2021	340,000		175,039
2022	350,000		165,110
2023	360,000		154,270
2024	370,000		141,933
2025 - 2029	2,065,000		490,041
2030 - 2033	1,300,000		100,937
Totals	$ 5,115,000		$ 1,410,876

*Includes interest payable of $17,272 recorded as a current liability at June 30, 2019.

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Newport

Year ended June 30,	Bonds payable Principal		Bonds payable Interest		Notes payable Principal	Notes payable Interest	
2020	$ 313,883	*	$ 116,651	**	$ 159,289	$ 45,807	**
2021	328,884		108,347		163,899	41,196	
2022	323,884		99,403		168,578	36,518	
2023	343,884		89,979		173,414	31,682	
2024	353,883		78,035		178,369	26,727	
2025 - 2029	1,529,418		198,917		736,826	58,841	
2030 - 2033	456,093		28,049		286,032	9,427	
Totals	$ 3,649,929	***	$ 719,381		$ 1,866,407	$ 250,198	

*Includes discount amortization of $1,116.
**Includes interest payable of $101,174 recorded as a current liability at June 30, 2019.
***Total principal of $3,649,929 includes discount amortization of $15,071.

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled $21,795,224 at June 30, 2019. The present value of the net minimum lease payments is as follows:

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
IT Equipment	$ 485,547	$ 121,387	$ 364,160
Energy Performance Contract	23,269,103	1,838,039	21,431,064
Total	$ 23,754,650	$ 1,959,426	$ 21,795,224

NOTE 6: Capital Leases (Continued)

Fiscal Year Ending June 30,	Amount
2020	$ 1,384,194
2021	1,445,017
2022	1,384,436
2023	1,450,779
2024	1,517,362
2025 - 2029	8,238,816
2030 - 2034	9,822,699
2035 - 2038	5,575,454
Total Minimum Lease Payments	30,818,757
Less: Amount Representing Interest	7,819,634
Total Present Value of Net Minimum Lease Payments	$ 22,999,123

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2019:

A. Construction Contracts

Project Title	Estimated Completion Date	Contract Balance
<u>Jonesboro</u>		
Kays Hall Chiller	August 2019	$ 109,350
Acansa Dishwasher	October 2019	636,105
Kays Hall Showers	October 2019	113,468
Library Envelope Phase II	December 2019	524,702
Imboden Open Pavilion	December 2019	53,784
<u>Beebe</u>		
Welding Ventilation	August 2019	268,205
<u>Newport</u>		
Student Community Center Remodel	July 2019	76,774

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, cloud storage, farm equipment, printers/copiers, computers, and other office equipment with terms ranging from 1 to 50 years

(a) Future minimum rental payments (aggregate) at June 30, 2019: $4,488,440

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

Year Ended June 30,	Amount
2020	$ 2,052,144
2021	758,435
2022	340,542
2023	137,819
2024	107,053
2025 - 2029	143,538
2030 - 2034	117,002
2035 - 2039	119,013
2040 - 2044	121,083
2045 - 2049	123,215
2050 - 2054	125,412
2055 - 2059	127,674
2060 - 2064	130,004
2065 - 2068	85,506

Rental payments for the above operating leases, for the year ended June 30, 2019, were approximately $1,557,620.

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 2019, $86,591 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2019 were $9,679,607 and $7,892,419 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. Current participates 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 2019, $14,240 of forfeitures were applied to employer contributions. The University’s and participants' contributions for the year ended June 30, 2019 were $1,329,797 and $1,100,051, 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 2019, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2019 were $237,913 and $142,685, respectively.

Defined Benefit Pension Plans

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

Plan Descriptions

Arkansas Teacher Retirement System

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

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Public Employees Retirement System

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

Arkansas Teacher Retirement System

Benefit provisions are set forth in Arkansas Code Annotated, Chapter 24 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Members are eligible for full retirement benefits at age 60 with five or more years of 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.

NOTE 8: Retirement Plans (Continued)

Benefits Provided (Continued)

Arkansas Teacher Retirement System (Continued)

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 $60,466 as of June 30, 2019. This amount has been reported on the Statement of Net Position as a current liability.

Arkansas Public Employees Retirement System

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

- At 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 $20,274 as of June 30, 2019. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

Arkansas Teacher Retirement System

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 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, 2019. 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.

Arkansas Public Employees Retirement System

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.

NOTE 8: Retirement Plans (Continued)

Contributions (Continued)

Arkansas Public Employees Retirement System (Continued)

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

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

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

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

Employee refunds do not include contributions made by the employers. Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2019.

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

The collective net pension liability of $5,844,897,160 ($3,638,962,119 related to ATRS and $2,205,935,041 related to APERS) was measured as of June 30, 2018, 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, 2019, the University reported a liability of $15,470,381 ($9,255,617 related to ATRS and $6,214,764 related to APERS) for its proportionate share of the net pension liability. At June 30, 2018, the University's proportion of the collective net pension liability was .25% for ATRS and .28% for APERS.

NOTE 8: Retirement Plans (Continued)

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

For the year ended June 30, 2019, the University recognized total pension expense of $558,539. $245,201 of this amount was related to ATRS and $313,338 was related to APERS. At June 30, 2019, 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
ATRS		
Differences between expected and actual experience	$ 92,853	$ 188,505
Changes of assumptions	2,217,014	
Net difference between projected and actual earnings on pension plan investments		1,584,404
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,615	2,660,886
Contributions subsequent to the measurement date	955,533	
Totals	$ 3,321,015	$ 4,433,795
APERS		
Differences between expected and actual experience	$ 98,837	$ 65,240
Changes of assumptions	707,111	384,335
Net difference between projected and actual earnings on pension plan investments		157,262
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,977	1,322,546
Contributions subsequent to the measurement date	727,761	
Totals	$ 1,536,686	$ 1,929,383
Totals		
Differences between expected and actual experience	$ 191,690	$ 253,745
Changes of assumptions	2,924,125	384,335
Net difference between projected and actual earnings on pension plan investments		1,741,666
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,592	3,983,432
Contributions subsequent to the measurement date	1,683,294	
Totals	$ 4,857,701	$ 6,363,178

The above amount of $1,683,294 was reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	ATRS	APERS	Total
2020	$ (281,559)	$ (149,953)	$ (431,512)
2021	(469,444)	(216,758)	(686,202)
2022	(846,990)	(587,810)	(1,434,800)
2023	(364,059)	(165,937)	(529,996)
2024	(106,261)		(106,261)

NOTE 8: Retirement Plans (Continued)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2018 for both ATRS and APERS. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees and the APERS Board of Trustees were as follows:

	ATRS	**APERS**
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	28 years	21 years
Asset valuation method	4-year closed period; 20% corridor	4-year smoothed market; 25% corridor
Discount rate	7.50%	7.15%
Wage inflation	2.75%	3.25%
Salary increases	2.75 – 7.75%	3.25 – 9.85%
Investment rate of return	7.50% compounded annually	7.15%*

* Net of investment and administrative expenses

Mortality rate table

ATRS

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%

APERS

RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation for ATRS were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

All other actuarial assumptions used in the June 30, 2018 valuations for APERS were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

NOTE 8: Retirement Plans (Continued)

Investment Rate of Return

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

Arkansas Teacher Retirement System

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	55%	4.9%
Fixed income	15%	1.2%
Alternatives	5%	4.3%
Real assets	15%	4.2%
Private equity	10%	6.0%
Cash equivalents	0%	0.3%
Total	100%	

Arkansas Public Employees Retirement System

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 - 2027 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, 2018, 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%	6.07%
Real assets	16%	4.59%
Absolute return	5%	3.15%
Domestic fixed	18%	0.83%
Total	100%	

NOTE 8: Retirement Plans (Continued)

Discount Rate

Arkansas Teacher Retirement System

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.

Arkansas Public Employees Retirement System

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

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

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

	Rate	1% Decrease	Rate	Current Discount Rate	Rate	1% Increase
University's proportionate share of the net pension liability						
ATRS	6.50%	$ 15,874,633	7.50%	$ 9,255,617	8.50%	$ 3,766,522
APERS	6.15%	$ 10,160,829	7.15%	$ 6,214,764	8.15%	$ 2,959,576

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2019 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self-insurance	Depreciation	Other	Total
Instruction	$ 71,017,351	$ 2,516,908	$ 10,326,622				$ 83,860,881
Research	5,580,526	414,532	2,960,644				8,955,702
Public service	13,640,491	15,200	5,503,099				19,158,790
Academic support	11,266,274	41,272	7,219,128				18,526,674
Student services	14,067,753	136,156	4,618,673				18,822,582
Institutional support	21,385,750	20,670	7,895,261				29,301,681
Scholarships and fellowships		9,535,078					9,535,078
Operations and maintenance of plant	11,423,516		10,852,832				22,276,348
Auxiliary enterprises	9,014,867	6,260,982	16,625,465				31,901,314
Self-insurance				$ 20,926,524			20,926,524
Depreciation					$ 24,116,637		24,116,637
Other						$ 55,357	55,357
Totals	$ 157,396,528	$ 18,940,798	$ 66,001,724	$ 20,926,524	$ 24,116,637	$ 55,357	$ 287,437,568

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2019 as reported in the Statement of Net Position, were as follows:

	Current	Noncurrent	Total
Student receivables, net	$ 10,200,981		$ 10,200,981
Grants and contracts	5,031,701		5,031,701
Sales and use tax	493,682		493,682
Construction projects	211,506	$ 534,854	746,360
Travel advances	15,826		15,826
Property tax accrual	871,641	1,390,095	2,261,736
Auxiliary enterprises	693,749	14,265	708,014
Sales tax rebates	20,847		20,847
Miscellaneous	2,094,853	59,109	2,153,962
Totals	$ 19,634,786	$ 1,998,323	$ 21,633,109

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was $3,130,841 at June 30, 2019. 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, 2019 were as follows:

	Current	Noncurrent	Total
Notes receivable, net	$ 551,775	$ 2,311,818	$ 2,863,593
Deposits receivable	10,350	5,759	16,109
Totals	$ 562,125	$ 2,317,577	$ 2,879,702

NOTE 10: Receivable and Payable Balances (Continued)

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2019 was reduced by an allowance for doubtful accounts of $356,531 for the current portion and $1,559,325 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2019 are detailed below:

	Current	Noncurrent	Total
Vendors	$ 7,073,676		$ 7,073,676
Students	21,123		21,123
Sales tax and use tax	6,205		6,205
Health claims	1,674,100		1,674,100
Arkansas Delta Training and Education Consortium	205,149		205,149
Salaries and other payroll related items	2,439,839		2,439,839
Optional Voluntary Retirement Incentive Program	650,627	$ 42,266	692,893
Miscellaneous	125,106		125,106
Totals	$ 12,195,825	$ 42,266	$ 12,238,091

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 shall become eligible for early retirement benefits in the calendar year in which the sum of their age (must be at least fifty-five (55)) and the number of years of continuous benefits eligible service to the University totals seventy (70). 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 Arkansas Blue Advantage Plan.

- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives an amount equal to 1.5 times the retiree's final salary immediately prior to retirement, rounded to the next highest multiple of $1,000. The maximum benefit is $50,000. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65. 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.

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

Benefits Provided (Continued)

No contributions are required for the life insurance benefit.

Employees hired on or after January 1, 2019 are not eligible to receive these postemployment benefits.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

	Medical benefits	Life insurance benefits	Total
Active employees			
Fully eligible	532	517	1,049
Not yet fully eligible	1,576	1,692	3,268
	2,108	2,209	4,317
Retired employees			
Retirees	83	124	207
Spouses	21	n/a	21
Surviving spouses	14	n/a	14
	118	124	242
Totals	2,226	2,333	4,559

Total OPEB Liability

The University's total OPEB liability of $25,398,286 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.49% for June 30, 2018 measurement date and fiscal 2019 OPEB expense development 3.14% for June 30, 2019 measurement date
Inflation rate	2.20%
Salary increases	2.50%
Mortality rate table	RPH 2006 Total Dataset Mortality Table, separately for males and females and separately for annuitants and non-annuitants Mortality includes a generational projection for future mortality improvements using Scale MP-2018
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

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

Actuarial Assumptions and Other Inputs (Continued)

Year	Percentage
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, 2019 valuation were based on the results of an actuarial experience study from June 30, 2016, based on census data from 2013 – 2016.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2018	$ 20,153,200
Changes for the year:	
Service cost	1,521,697
Interest	743,196
Changes of benefit terms	-
Differences between expected and actual experience	3,151,798
Changes in assumptions or other inputs*	594,755
Benefit payments	(766,360)
Net changes	5,245,086
Balance, June 30, 2019	$ 25,398,286

*The discount rate was updated from 3.49% as of June 30, 2018 to 3.14% as of June 30, 2019 to reflect changes in municipal bond indices; and Mortality projection scales were updated based on more recent research by the Society of Actuaries.

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 3.14%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.14%) or 1 percentage point higher (4.14%) than the current rate:

	1% Decrease (2.14%)	Current Discount Rate (3.14%)	1% Increase (4.14%)
Total OPEB Liability	$ 27,567,698	$ 25,398,286	$ 23,427,437

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

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 6.50% 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 (5.50% decreasing to 4.00%) or 1 percentage point higher (7.50% decreasing to 6.00%) than the current rate:

	1% Decrease (5.50% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
Total OPEB Liability	$ 21,627,295	$ 25,398,286	$ 30,120,711

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

For the year ended June 30, 2019, the University recognized OPEB expense of $2,873,429. At June 30, 2019, 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	$ 2,680,677	
Changes of assumptions or other inputs	733,383	
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
Totals	$ 3,414,060	$ -

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
2020	$ 608,536
2021	608,536
2022	608,536
2023	608,536
2024	593,500
Thereafter	386,416

NOTE 13: Self-insurance Program

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

At June 30, 2019, approximately 4,297 active employees, their dependents, former employees and retirees were participating in the program. Effective January 1, 2019, the University offers two plans: the Classic Plan which uses the Arkansas True-Blue network and a Premium Plan which uses the Arkansas True-Blue network and the National Blue Care network. For those participating in single coverage, the University pays 84% of the total premium. The University pays 72% of the total premium for those participating in full family coverage, 68% for those participating in employee and spouse coverage, and 67% for those participating in employee and children coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%. The University does not offer insurance to retirees or their spouses who are eligible for Medicare. A retiree's spouse can continue coverage after the retiree becomes eligible for Medicare at a cost of 100% of the single coverage rate until they too are eligible for Medicare.

Employees and retirees on the ASU Mid-South campus had their premiums grandfathered at their current cost share through June 30, 2017. The University pays the entire premium for employees and retirees with employee only coverage, 41% for family, 49% for employee & spouse and 66% for employee and children. Employees who retired after July 1, 2017, pay 50% of their coverage and the University covers the other 50%.

The University estimates its unpaid health claims liability at June 30, 2019 to be $1,674,100 with Arkansas Blue Advantage Administrators. 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.

	FY 2019
Unpaid Claims, 7-1-18	$ 1,654,795
Incurred claims during current year	21,599,726
Current year claims paid	19,925,626
Prior year claims paid	1,654,795
Total payments	21,580,421
Unpaid Claims, 6-30-19	$ 1,674,100

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, 2019 was $14,025,159. Of this amount, $12,982,877 was nonexpendable and the remaining $1,042,282 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.

NOTE 14: Endowment Funds (Continued)

Arkansas State University-Jonesboro (Continued)

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, 2019 were $768,658. Of this amount, $740,789 was nonexpendable and the remaining $27,869 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, 2019 are as follows:

Arkansas State University-Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2019 Gross Revenue	Amount Issued	2019 Principal Paid	2019 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Student Union and Parking Garage	Student Union Fee/Parking Fees	$ 3,749,975	$ 19,230,000	$ 1,185,000	$ 423,250	$ 7,280,000	$ 1,185,500	42.89%
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	63,923	1,605,000	412,684	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	55,000	21,998	590,000	105,114	0.08%
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	836,213	6,510,000	145,000	273,244	5,675,000	3,957,446	50.02%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	836,213	4,470,000	105,000	171,217	3,905,000	2,444,316	33.03%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees	474,142	6,875,000	175,000	211,573	5,885,000	2,976,740	81.53%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees	474,142	1,255,000	35,000	33,863	1,075,000	472,138	14.52%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,687,223	3,425,000	100,000	111,956	2,755,000	1,095,119	12.56%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,687,223	1,500,000	50,000	36,294	1,210,000	386,400	5.11%
Series 2012A Taxable Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and Fees	see below	5,340,000	200,000	164,973	3,935,000	1,511,411	0.39%

*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: Pledged Revenues (Continued)

Arkansas State University-Jonesboro (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2019 Gross Revenue	Amount Issued	2019 Principal Paid	2019 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	$ 100,000	$ 62,506	$ 1,890,000	$ 529,306	0.18%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall and Construction of Family Housing Phase II	Housing Fees	$ 4,854,046	28,895,000	1,115,000	886,450	22,570,000	7,400,825	41.23%
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	11,130,000	295,000	512,636	9,700,000	6,308,623	0.87%
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	300,000	617,775	13,250,000	9,436,268	0.99%
Series 2016 Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Student Fee-Construction of Recreation Center	Recreation Center Fee	1,658,086	13,870,000	475,000	477,356	12,465,000	4,609,470	57.44%
Series 2016 Housing Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Housing-Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park	Housing Fees	3,408,220	23,150,000	1,150,000	808,713	19,755,000	6,979,350	57.47%
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	1,391,594	11,740,000	485,000	408,275	10,705,000	3,797,519	64.19%

Note: Issues with Tuition and Fees pledged, 2019 Gross Revenue-$92,505,319

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Beebe

	Issue Date	Maturity Date	Purpose	Revenue Pledged	Gross Revenue	Amount Issued	Principal Paid	Interest Paid	Principal Outstanding	Interest Outstanding	Revenue Pledged
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus	Gross Tuition and Fees	see below	$ 1,890,000	$ 80,000	$ 38,206	$ 1,410,000	$ 295,484	1.23%
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	205,000	33,000	1,100,000	83,425	2.47%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	701,149	8,005,000	255,000	233,723	7,000,000	2,782,056	69.70%
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	475,000	396,256	11,105,000	3,629,966	9.05%
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	335,000	289,826	7,800,000	2,832,000	6.49%

Note: Issues with Tuition and Fees pledged, 2019 Gross Revenue-$9,632,051

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Mid-South

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2019 Gross Revenue	Amount Issued	2019 Principal Paid	2019 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	$ 2,935,242	$ 5,180,000	$ 110,000	$ 188,756	$ 4,200,000	$ 2,639,215	10.18%
Series 2012 Construction	8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	2,935,242	18,510,000	430,000	575,908	15,290,000	7,917,041	34.27%

Arkansas State University-Mountain Home

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2019 Gross Revenue	Amount Issued	2019 Principal Paid	2019 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	$ 4,175,157	$ 6,995,000	$ 325,000	$ 190,652	$ 5,115,000	$ 1,410,876	12.35%

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2019 Gross Revenue	Amount Issued	2019 Principal Paid	2019 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	$ 225,000	$ 85,409	$ 2,260,000	$ 424,162	3.81%
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	38,100	1,405,000	295,219	1.45%

Note: Issues with Tuition and Fees pledged, 2019 Gross Revenue-$8,145,023

NOTE 16: Risk Management

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

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

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

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

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

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

The University secures cyber data liability insurance coverage through participation in the Arkansas Multi-Agency Insurance Trust Fund administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow participating agencies an affordable means of insuring their cyber data liability exposure. The University pays an annual premium for this coverage and has a $25,000 per occurrence deductible applicable only to the hardware "bricking" coverage of the policy. The insurance plan provides a limited self-funded risk retention plan, but procures an excess liability policy to reduce its exposure to large losses.

Additional polices purchased by the University include a group accident policy that provides accidental death and dismemberment and accident medical expenses coverage for certain categories of participants in intercollegiate sport activities of the university; a business travel policy that provides accidental death and dismemberment, medical evacuation and repatriation coverage for individuals traveling on university business; a comprehensive K&R policy to cover costs and provide assistance in certain crisis events involving university directors, officers, employees, faculty and students; a foreign commercial package policy that provides coverage for foreign commercial general liability, auto liability/physical damage, voluntary compensation and employers liability, and foreign travel accident and sickness.

NOTE 17: Optional Voluntary Retirement Incentive Program

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 was paid to the employee's retirement fund on July 2, 2018 and will be paid 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, 2019, the liability totaling $606,555 has been recorded on the University's financial statements as a current liability.

Newport

During fiscal year 2019, 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, 2019. Employees will receive twenty-five percent of their annual salary for the first payment and one percent of the salary for each year of service for the second payment. These payments will occur over two years. An annual payment will be paid to the employee's retirement fund in July 2019 and again in July 2020. The University has accrued the payable for the four (4) employees who elected to participate in this program. As of June 30, 2019, the liability totaling $86,338 has been recorded on the University's financial statements with $44,072 recorded as a current liability and the remaining $42,266 as a noncurrent 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.

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

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.

NOTE 19: Lease Agreements (Continued)

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.

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: Subsequent Events

System

On February 20, 2019, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and College of the Ouachitas. The merger will be effective on January 1, 2020 and College of the Ouachitas will become Arkansas State University Three Rivers.

On July 19, 2019, the University signed a Memorandum of Understanding to provide various operations support services to Henderson State University. The Henderson State University Board of Trustees voted to hire the ASU System to provide financial, internal audit, information technology, institutional research, executive support, and legal support services from August 1, 2019 through December 31, 2019 unless a different time period is mutually agreed to by the parties.

On October 24, 2019, the Henderson State University Board of Trustees voted to join the Arkansas State University System and proceed with the development of a merger agreement. The move is subject to approval from the ASU Board of Trustees and the Higher Learning Commission, as well as action by the Arkansas General Assembly. The target date for finalizing the transition would be no later than January 1, 2021.

Jonesboro

On September 20, 2019, the Board of Trustees approved to refund the Series 2010A Student Fee and the 2012C (Federally Taxable) Housing bond issues. The refundings will have a net present value savings of at least 4%. The 2010A bonds will mature no later than March 1, 2031 and the 2012C bonds will mature no later than March 1, 2042.

Mountain Home

On September 20, 2019, the Board of Trustees approved to refund the Series 2012 (Federally Taxable) Student Fee bond issue. The refunding will have a net present value savings of at least 4%. The 2012 bonds will mature no later than December 1, 2032.

Postemployment Benefits Other Than Pensions (OPEB)

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

	2019	2018
Total OPEB Liability*		
Service cost	$ 1,521,697	$ 1,433,006
Interest	743,196	671,522
Changes of benefit terms		
Differences between expected and actual experience	3,151,798	
Changes in assumptions or other inputs	594,755	324,555
Benefit payments	(766,360)	(948,092)
Net change in total OPEB liability	5,245,086	1,480,991
Total OPEB liability, beginning of year	20,153,200	18,672,209
Total OPEB liability, end of year	$ 25,398,286	$ 20,153,200
Covered-employee payroll	$ 115,592,428	$ 117,067,546
Total OPEB liability as a percentage of covered-employee payroll	21.97%	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, 2019.

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.
- Healthcare trend was adjusted for 2018 to reflect the increase in medical premiums that was larger than anticipated.

C. Method and assumptions used in calculations

Valuation date	July 1, 2017
Measurement date	June 30, 2019
Discount rate	3.49% for June 30, 2018 measurement date and fiscal 2019 OPEB expense development
	3.14% for June 30, 2019 measurement date
Inflation rate	2.20%
Salary increases	2.50%
Mortality rate table	RPH 2006 Total Dataset Mortality Table, separately for males and females and separately for annuitants and non-annuitants
	Mortality includes a generational projection for future mortality improvements using Scale MP-2018
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

Year	Percentage
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

	2019*	2018*	2017*	2016*		2015*
Proportion of the net pension liability (asset)	0.25%	0.29%	0.32%	0.35%		0.36%
Proportionate share of the net pension liability (asset)	$ 9,255,617	$ 12,297,190	$ 14,053,207	$ 11,434,400		$ 9,331,442
Covered payroll	$ 7,547,210	$ 8,589,558	$ 9,199,761	$ 10,241,904	**	$ 10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	122.64%	143.16%	152.76%	111.64%		92.26%
Plan fiduciary net position as a percentage of the total pension liability	82.78%	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.

Schedule of University Contributions

Arkansas Teacher Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	$ 955,533	$ 1,085,490	$ 1,211,404	$ 1,305,613	$ 1,320,906
Contributions in relation to the contractually required contribution	$ (955,533)	$ (1,085,490)	$ (1,211,404)	$ (1,305,613)	$ (1,320,906)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 6,715,577	$ 7,547,210	$ 8,589,558	$ 9,199,761	$ 9,404,438
Contributions as a percentage of covered payroll	14.23%	14.38%	14.10%	14.19%	14.05%

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

Notes to Required Supplementary Information
Pension Plans
Arkansas Teacher Retirement System

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

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

B. Changes in assumptions
There were no significant changes in assumptions for the year ended June 30, 2018.

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

Valuation date:	June 30, 2018

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	28 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%

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

Arkansas Public Employees Retirement System

	2019*	2018*	2017*	2016*	2015*
Proportion of the net pension liability (asset)	0.28%	0.33%	0.36%	0.39%	0.44%
Proportionate share of the net pension liability (asset)	$ 6,214,764	$ 8,480,922	$ 8,493,072	$ 7,228,228	$ 6,175,989
Covered payroll	$ 5,102,828	$ 5,769,334	$ 6,303,819	$ 6,903,139	$ 7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	121.79%	147.00%	134.73%	104.71%	81.54%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	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 (UNAUDITED)
JUNE 30, 2019

Schedule of University Contributions

Arkansas Public Employees Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	$ 727,761	$ 771,954	$ 858,174	$ 928,244	$ 1,027,156
Contributions in relation to the contractually required contribution	$ (727,761)	$ (771,954)	$ (858,174)	$ (928,244)	$ (1,027,156)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,797,303	$ 5,102,828	$ 5,769,334	$ 6,303,819	$ 6,903,139
Contributions as a percentage of covered payroll	15.17%	15.13%	14.87%	14.73%	14.88%

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

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, 2018.

B. Changes in assumptions

Public Employees and State Police Retirement Plans – Changes in economic assumptions were limited to pay increase assumptions for individual members. Non-economic assumptions adjusted included changes in the mortality tables, probabilities of retirement, death in service, disability, and withdrawal from service. Additional information regarding any changes are available from each plan's actuary report that provides the information required by GASB Statement No. 67.

Judicial Retirement Plans – No changes in economic or non-economic assumptions were made to the GASB Statement No. 67 valuation of the judicial retirement plan.

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

Valuation date: June 30, 2016

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

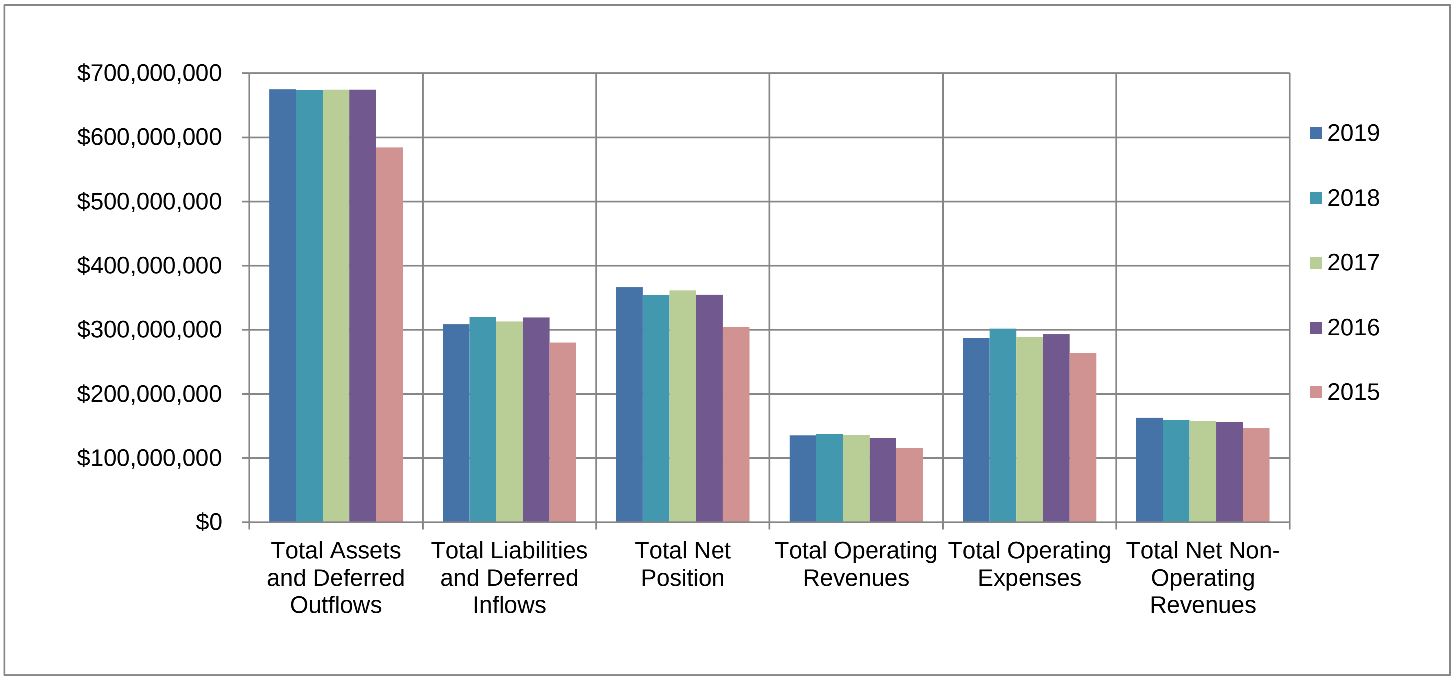
The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	21 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-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017

Schedule 1

ARKANSAS STATE UNIVERSITY SYSTEM
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2019
(Unaudited)

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets and Deferred Outflows	$ 674,937,920	$ 673,645,848	$ 674,514,758	$ 674,208,460	$ 584,319,573
Total Liabilities and Deferred Inflows	308,619,927	319,567,427	313,211,581	319,412,193	280,090,274
Total Net Position	366,317,993	354,078,421	361,303,177	354,796,267	304,229,299
Total Operating Revenues	135,719,229	137,925,804	135,950,467	131,717,149	115,442,238
Total Operating Expenses	287,437,568	302,102,075	288,886,162	293,092,645	263,700,741
Total Net Non-Operating Revenues	163,170,941	159,618,107	157,704,639	156,229,285	146,521,857
Total Other Revenues, Expenses, Gains or Losses	786,970	1,950,563	1,737,966	15,855,247	16,406,149



ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2019

Schedule 2

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2019	Beebe June 30, 2019	Mid-South June 30, 2019	Mountain Home June 30, 2019	Newport June 30, 2019	Total June 30, 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets:						
Cash and cash equivalents	$ 32,583,496	$ 9,566,744	$ 4,014,826	$ 5,580,983	$ 1,944,805	$ 53,690,854
Short-term investments	400,000	8,266,163	2,000,000	3,000,000	138,273	13,804,436
Accounts receivable (less allowances of and $3,130,841)	12,657,636	1,806,260	1,215,386	1,646,286	2,309,218	19,634,786
Notes and deposits receivable (less allowances of $356,531)	562,125					562,125
Accrued interest and late charges	208,605	23,513	3,973	395	2,419	238,905
Inventories	1,992,075	220,087	17,610		454,274	2,684,046
Deposits with trustee	21,907	2,659	865,061	138	223	889,988
Unamortized bond insurance	225,642	10,847		43,627	30,571	310,687
Prepaid expenses	292,500	19,227	185,306	12,159	57,967	567,159
Total Current Assets	48,943,986	19,915,500	8,302,162	10,283,588	4,937,750	92,382,986
Noncurrent Assets:						
Cash and cash equivalents	56,651,219					56,651,219
Restricted cash and cash equivalents	3,505,169		5,030,707	1,029,148		9,565,024
Endowment investments	14,931,670	765,619				15,697,289
Other long-term investments	6,622,362		8,114,886		3,809,599	18,546,847
Irrevocable split-interest agreement	2,083,920					2,083,920
Accrued interest and late charges	722,115		57,132			779,247
Deposits with trustee	1,466,552		1,521,079			2,987,631
Accounts receivable	608,228		1,390,095			1,998,323
Notes and deposits receivable (less allowances of $1,559,325)	2,317,577					2,317,577
Capital assets (net of accumulated depreciation of $437,999,496)	325,656,688	53,184,209	41,908,883	14,458,301	24,463,125	459,671,206
Total Noncurrent Assets	414,565,500	53,949,828	58,022,782	15,487,449	28,272,724	570,298,283
TOTAL ASSETS	**463,509,486**	**73,865,328**	**66,324,944**	**25,771,037**	**33,210,474**	**662,681,269**
DEFERRED OUTFLOWS OF RESOURCES						
Excess of bond reacquisition costs over carrying value	3,106,370	752,908	58,613	17,272	49,727	3,984,890
Pensions	3,125,613	932,151	177,475	39,771	582,691	4,857,701
Other postemployment benefits (OPEB)	2,347,885	459,440	190,768	173,586	242,381	3,414,060
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**472,089,354**	**76,009,827**	**66,751,800**	**26,001,666**	**34,085,273**	**674,937,920**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	9,981,426	313,718	1,305,572	207,949	387,160	12,195,825
Bonds, notes and leases payable	8,272,022	1,498,470	614,488	330,000	645,683	11,360,663
Compensated absences	4,227,616	999,981	47,483	14,776	833,775	6,123,631
Unearned revenue	9,750,148	76,082	93,891	77,599	95,017	10,092,737
Funds held in trust for others	525,281	81,564	35,860	30,147	36,163	709,015
Deposits	594,695	2,280			14,809	611,784
Interest payable	1,428,819	301,590	322,237	17,272	101,174	2,171,092
Total other postemployment benefits (OPEB) liability	594,810	112,735	50,784	41,110	57,787	857,226
Total Current Liabilities	35,374,817	3,386,420	2,470,315	718,853	2,171,568	44,121,973

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2019

Schedule 2

	ARKANSAS STATE UNIVERSITY					
	Jonesboro June 30, 2019	Beebe June 30, 2019	Mid-South June 30, 2019	Mountain Home June 30, 2019	Newport June 30, 2019	Total June 30, 2019
Noncurrent Liabilities:						
Accounts payable and accrued liabilities					$ 42,266	$ 42,266
Bonds, notes and leases payable	$ 141,802,374	$ 32,108,078	$ 20,410,444	$ 4,785,000	8,017,525	207,123,421
Compensated absences	2,639,682	235,173	449,329	477,713	113,697	3,915,594
Total other postemployment benefits (OPEB) liability	16,871,862	3,305,187	1,368,397	1,250,253	1,745,361	24,541,060
Net pension liability	10,248,399	2,988,954	483,553	123,354	1,626,121	15,470,381
Deposits	149,275					149,275
Refundable federal advances	4,808,859					4,808,859
Total Noncurrent Liabilities	176,520,451	38,637,392	22,711,723	6,636,320	11,544,970	256,050,856
TOTAL LIABILITIES	**211,895,268**	**42,023,812**	**25,182,038**	**7,355,173**	**13,716,538**	**300,172,829**
DEFERRED INFLOWS OF RESOURCES						
Pensions	3,683,004	1,525,205	396,834	214,072	544,063	6,363,178
Irrevocable split-interest agreement	2,083,920					2,083,920
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**217,662,192**	**43,549,017**	**25,578,872**	**7,569,245**	**14,260,601**	**308,619,927**
NET POSITION						
Net investment in capital assets	179,119,271	20,330,567	20,883,951	9,404,201	15,700,216	245,438,206
Restricted for:						
Nonexpendable:						
Scholarships and fellowships	5,306,678	740,789				6,047,467
Renewal and replacement			967,261			967,261
Loans	261,122	20,000				281,122
Other-College and Department Purposes	9,577,867					9,577,867
Expendable:						
Scholarships and fellowships	708,661	27,869	230,608	29,340		996,478
Loans			10,000			10,000
Debt service			1,774,779			1,774,779
Renewal and replacement			529,145			529,145
Other	710,386	92,857	371,790	1,352,630	187,389	2,715,052
Unrestricted	58,743,177	11,248,728	16,405,394	7,646,250	3,937,067	97,980,616
TOTAL NET POSITION	**$ 254,427,162**	**$ 32,460,810**	**$ 41,172,928**	**$ 18,432,421**	**$ 19,824,672**	**$ 366,317,993**

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 3

	Jonesboro 2019	Beebe 2019	Mid-South 2019	Mountain Home 2019	Newport 2019	Total 2019
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of $52,346,138)	$ 52,031,092	$ 5,367,867	$ 1,692,143	$ 1,482,728	$ 4,823,799	$ 65,397,629
Grants and contracts	20,938,170	3,616,590	3,663,183	1,384,247	2,242,591	31,844,781
Sales and services	1,861,391	90,910		66,345		2,018,646
Auxiliary enterprises (net of scholarship allowances of $7,912,624)	26,017,394	1,441,761	129,434	225,648	567,859	28,382,096
Self-insurance	5,257,173					5,257,173
Other operating revenues	1,730,590	344,474	273,797	234,613	235,430	2,818,904
TOTAL OPERATING REVENUES	107,835,810	10,861,602	5,758,557	3,393,581	7,869,679	135,719,229
OPERATING EXPENSES						
Personal services	108,057,651	18,899,612	9,424,139	7,793,046	13,222,080	157,396,528
Scholarships and fellowships	10,606,818	3,821,073	1,479,878	1,240,165	1,792,864	18,940,798
Supplies and services	44,612,746	7,895,064	5,311,302	3,395,143	4,787,469	66,001,724
Self-insurance	20,926,524					20,926,524
Depreciation	15,380,250	3,406,453	1,801,718	1,800,472	1,727,744	24,116,637
Other	55,357					55,357
TOTAL OPERATING EXPENSES	199,639,346	34,022,202	18,017,037	14,228,826	21,530,157	287,437,568
OPERATING INCOME (LOSS)	(91,803,536)	(23,160,600)	(12,258,480)	(10,835,245)	(13,660,478)	(151,718,339)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	263,475					263,475
State appropriations	69,529,441	15,316,233	7,632,448	4,867,755	8,256,381	105,602,258
Grants and contracts	33,056,778	7,142,061	2,547,848	3,809,698	4,800,408	51,356,793
Sales and use taxes		1,791,708			1,060,410	2,852,118
Property taxes			2,935,242	1,454,816		4,390,058
Gifts	2,746,154		386,935	278,977	29,427	3,441,493
Investment income	3,349,626	329,022	419,359	72,656	98,359	4,269,022
Interest on capital asset - related debt	(5,962,256)	(1,236,740)	(806,589)	(196,056)	(267,872)	(8,469,513)
Gain or loss on disposal of capital assets	(230,438)		1,025		(7,487)	(236,900)
Refund to grantors	(83,013)	(9,151)	(23,277)	(34,737)	(3,186)	(153,364)
Other nonoperating revenues (expenses)	(132,624)	(6,500)	(2,875)	(1,500)	(1,000)	(144,499)
NET NON-OPERATING REVENUES (EXPENSES)	102,537,143	23,326,633	13,090,116	10,251,609	13,965,440	163,170,941
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	10,733,607	166,033	831,636	(583,636)	304,962	11,452,602
Capital appropriations	79,211					79,211
Capital grants and gifts	849,277	11,471	52,671	103,826		1,017,245
Additions to endowments		24,667				24,667
Adjustments to capital assets	(714,020)	152,266	174,160			(387,594)
Capitalization of library holdings at rate per volume			4,802	16,734		21,536
Livestock additions	31,905					31,905
INCREASE (DECREASE) IN NET POSITION	10,979,980	354,437	1,063,269	(463,076)	304,962	12,239,572
NET POSITION - BEGINNING OF YEAR	243,447,182	32,106,373	40,109,659	18,895,497	19,519,710	354,078,421
NET POSITION - END OF YEAR	$ 254,427,162	$ 32,460,810	$ 41,172,928	$ 18,432,421	$ 19,824,672	$ 366,317,993

Schedule 4

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2019

	Jonesboro 2019	Beebe 2019	Mid-South 2019	Mountain Home 2019	Newport 2019	Total 2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Student tuition and fees	$ 51,390,922	$ 5,696,030	$ 1,701,725	$ 1,593,030	$ 4,834,242	$ 65,215,949
Grants and contracts	20,556,753	3,539,559	5,340,162	1,535,735	2,509,064	33,481,273
Auxiliary enterprises revenues	25,716,889	1,378,776	129,434	224,111	538,065	27,987,275
Sales and services	1,858,110	72,525		66,345		1,996,980
Self-insurance program receipts	5,257,093					5,257,093
Collection of principal and interest related to student loans	665,319					665,319
Other receipts	1,917,759	334,315	304,679	234,112	235,430	3,026,295
Payments to employees	(95,630,177)	(14,482,358)	(7,400,919)	(5,850,575)	(9,764,012)	(133,128,041)
Payments for employee benefits	(11,935,976)	(4,481,755)	(2,168,117)	(1,848,725)	(3,077,922)	(23,512,495)
Payments to suppliers	(43,733,130)	(8,189,849)	(5,829,580)	(3,390,968)	(5,187,891)	(66,331,418)
Scholarships and fellowships	(10,606,818)	(3,821,072)	(1,479,878)	(1,240,165)	(1,792,864)	(18,940,797)
Self-insurance program payments	(20,756,869)					(20,756,869)
Net cash provided (used) by operating activities	(75,300,125)	(19,953,829)	(9,402,494)	(8,677,100)	(11,705,888)	(125,039,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Federal appropriations	257,400					257,400
State appropriations	69,529,441	15,316,232	6,134,016	4,867,755	8,256,381	104,103,825
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	33,114,114	7,145,197	2,473,450	3,809,698	5,192,713	51,735,172
Private gifts and grants	3,147,271		386,935	278,979	29,427	3,842,612
Sales and use taxes		1,804,708			1,164,516	2,969,224
Property taxes			2,866,509	1,454,419		4,320,928
Direct lending, PLUS and FFEL loan receipts	92,954,140	2,900,999		1,972,426	2,482,120	100,309,685
Direct lending, PLUS and FFEL loan payments	(92,505,960)	(2,900,899)		(1,972,426)	(2,203,264)	(99,582,549)
Agency activity (net)	(186)	(5,182)	35	21,556	(134,834)	(118,611)
Refunds to grantors	(83,013)	(34,780)	(23,277)	(34,737)	(3,186)	(178,993)
Net cash provided (used) by noncapital financing activities	106,413,207	24,226,275	13,337,668	10,397,670	14,783,873	169,158,693
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	788,494					788,494
Distributions from trustee of bond proceeds and interest earnings	3,684					3,684
Capital appropriations	79,211					79,211
Capital gifts and grants	282,154			103,826		385,980
Proceeds from sale of capital assets	17,160		1,025		3,771	21,956
Purchases of capital assets	(7,183,279)	(521,306)	(1,557,323)	(310,021)	(1,650,989)	(11,222,918)
Payments to trustees for bond principal	(6,090,000)	(1,350,000)		(325,000)	(305,000)	(8,070,000)
Payments to trustees for bond interest and fees	(5,309,058)	(993,617)		(191,716)	(124,509)	(6,618,900)
Payments to debt holders for principal (other than bonds)	(1,692,744)	(84,568)	(55,631)	(78,076)	(322,863)	(2,233,882)
Payments to debt holders for interest and fees (other than bonds)	(729,233)	(144,215)	(50,602)	(2,823)	(136,134)	(1,063,007)
Property taxes remitted to bond trustees			(2,866,509)			(2,866,509)
Distribution of excess property taxes from bond trustees			1,932,353			1,932,353
Net cash provided (used) by capital and related financing activities	(19,833,611)	(3,093,706)	(2,596,687)	(803,810)	(2,535,724)	(28,863,538)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 4

	Jonesboro 2019	Beebe 2019	Mid-South 2019	Mountain Home 2019	Newport 2019	Total 2019
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	$ 578,000	$ 8,401,024	$ 1,150,000		$ 3,125,957	$ 13,254,981
Interest on investments (net of fees)	2,262,523	308,391	408,220	$ 71,786	14,096	3,065,016
Purchases of investments	(400,000)	(8,150,000)	(1,439,533)	(3,000,000)	(3,300,000)	(16,289,533)
Net cash provided (used) by investing activities	2,440,523	559,415	118,687	(2,928,214)	(159,947)	30,464
Net increase (decrease) in cash and cash equivalents	13,719,994	1,738,155	1,457,174	(2,011,454)	382,314	15,286,183
Cash and cash equivalents - beginning of year	79,019,890	7,828,589	7,588,359	8,621,585	1,562,491	104,620,914
Cash and cash equivalents - end of year	$ 92,739,884	$ 9,566,744	$ 9,045,533	$ 6,610,131	$ 1,944,805	$ 119,907,097
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:						
Operating income (loss)	$ (91,803,536)	$ (23,160,600)	$ (12,258,480)	$ (10,835,245)	$ (13,660,478)	$ (151,718,339)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	15,380,250	3,406,453	1,801,718	1,800,472	1,727,744	24,116,637
Change in assets and liabilities:						
Receivables, net	218,895	112,175	1,734,940	295,451	321,388	2,682,849
Inventories	50,066	11,596	(3,382)		(169,940)	(111,660)
Prepaid expenses	615,816	(11,377)	(12,101)	(1,590)	(55,824)	534,924
Accounts and salaries payable	867,759	(273,877)	(530,925)	997	(158,035)	(94,081)
Other postemployment benefits payable	1,326,467	344,410	50,853	164,526	220,812	2,107,068
Pension obligations	(597,318)	(344,951)	(98,034)	(63,133)	(21,319)	(1,124,755)
Unearned revenue	(827,253)	45,699	(21,066)	(35,435)	(14,441)	(852,496)
Deposits	52,067	370			6,481	58,918
Refundable federal advances	(9,285)					(9,285)
Compensated absences	(574,053)	(83,727)	(66,017)	(3,143)	97,724	(629,216)
Net cash provided (used) by operating activities	$ (75,300,125)	$ (19,953,829)	$ (9,402,494)	$ (8,677,100)	$ (11,705,888)	$ (125,039,436)
Reconciliation of Cash and Cash Equivalents						
Current Assets:						
Cash and Cash Equivalents	32,583,496	9,566,744	4,014,826	5,580,983	1,944,805	53,690,854
Noncurrent Assets:						
Cash and Cash Equivalents	56,651,219					56,651,219
Restricted Cash and Cash Equivalents	3,505,169		5,030,707	1,029,148		9,565,024
Total Cash and Cash Equivalents	$ 92,739,884	$ 9,566,744	$ 9,045,533	$ 6,610,131	$ 1,944,805	$ 119,907,097

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2019

NONCASH TRANSACTIONS

JONESBORO

Equipment - capital gifts of $27,625

Marquee-capital gift of $690,334

Value of equipment traded for equipment - $71,566

Value of equipment received from vendor discounts - $7,072

Interest earned on reserve accounts held by trustee - $40,508

Interest paid from accounts held by trustee - $26,644

Amount earned on investments - $748,469

BEEBE

Equipment - capital gift of $11,471

Interest earned on reserve accounts held by trustee - $4,538

Interest paid from accounts held by trustee - $3,894

Amount of interest earned on CDs reinvested with CDs - $51,023

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2019

NONCASH TRANSACTIONS

MID-SOUTH

Interest earned on reserve accounts held by trustee - $43,307

Trustee payments for retirement of bond principal - $540,000

Trustee payment for bond interest - $764,664

Trustee payment for bond fees - $2,875

Unrealized gain on investments - $347,897

Library holdings donations - $799

Equipment donations - $52,671

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee - $474

Interest paid from accounts held by trustee - $434

NEWPORT

Interest earned on reserve accounts held by trustee - $247

Amount of interest earned on CDs reinvested with CDs - $84,014