

Arkansas State University System

Little Rock, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



ARKANSAS STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
JUNE 30, 2021

Independent Auditor's Report
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*
Management Letter
Management's Discussion and Analysis (Unaudited)

BASIC FINANCIAL STATEMENTS

	<u>Exhibit</u>
Statement of Net Position	A
Arkansas State University System Foundation, Inc. – Statement of Financial Position	A-1
Arkansas State University Red Wolves Foundation, Inc. – Statement of Financial Position	A-2
Henderson State University Foundation, Inc. – Statement of Financial Position	A-3
Statement of Revenues, Expenses, and Changes in Net Position	B
Arkansas State University System Foundation, Inc. – Statement of Activities	B-1
Arkansas State University Red Wolves Foundation, Inc. – Statement of Activities	B-2
Henderson State University Foundation, Inc. – Statement of Activities	B-3
Statement of Cash Flows	C
Statement of Fiduciary Net Position	D
Statement of Changes in Fiduciary Net Position	E
Notes to Financial Statements	

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Benefits Other Than Pensions (OPEB) for campuses other than Henderson State University
(Unaudited)
Notes to Required Supplementary Information – Postemployment Benefits Other Than Pensions (OPEB) for
campuses other than Henderson University (Unaudited)
Postemployment Benefits Other Than Pensions (OPEB) for Henderson State University (Unaudited)
Notes to Required Supplementary Information – Postemployment Benefits Other Than Pensions (OPEB) for
Henderson State University (Unaudited)
Schedule of the University's Proportionate Share of the Net Pension Liability – Pension Plans (Unaudited)
Schedule of the University's Contributions – Pension Plans (Unaudited)
Notes to Required Supplementary Information – Pension Plans (Unaudited)

OTHER INFORMATION

	<u>Schedule</u>
Schedule of Selected Information for the Last Five Years (Unaudited)	1
Statement of Net Position by Campus	2
Statement of Revenues, Expenses, and Changes in Net Position by Campus	3
Statement of Cash Flows by Campus	4
Statement of Fiduciary Net Position by Campus	5
Statement of Changes in Fiduciary Net Position by Campus	6

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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, 2021, 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., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., is based solely on the reports of the other auditors. 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., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the 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, 2021, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in 2021 the College adopted new accounting guidance, Governmental Accounting Standards Board Statement no. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-29, 121-124, and 125-130 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), the Statement of Fiduciary Net Position by Campus (Schedule 5), and the Statement of Changes in Fiduciary Net Position by Campus (Schedule 6) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, the Statement of Cash Flows by Campus, the Statement of Fiduciary Net Position by Campus, and the Statement of Changes in Fiduciary Net Position 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, the Statement of Cash Flows by Campus, the Statement of Fiduciary Net Position by Campus, and the Statement of Changes in Fiduciary Net Position by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 16, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 16, 2021
EDHE12521

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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, 2021, 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 16, 2021. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated November 16, 2021.

AUDIT FINDINGS

Significant Deficiency

The Henderson State University internal control system did not detect or prevent significant misstatements in the financial statements. Key errors are listed below:

Statement of Cash Flows

- Purchases of capital assets were overstated by \$2,574,465, primarily due to inclusion of donated capital assets and other non-cash transactions.
- Student tuition and fees were understated by \$2,119,497 due to misclassifications.
- Grants and contracts were overstated by \$1,481,945 due to misclassifications.
- Capital gift and grants were overstated by \$1,329,311 due to inclusion of donated capital assets.
- State appropriations were understated by \$963,268 due to misclassifications.
- Payments to suppliers were understated by \$419,642 due to misclassifications.
- Payments for employee benefits were understated by \$274,763 due to misclassifications.
- Payments to debt holders for loan principal were overstated by \$250,000 due to inclusion of a non-cash transaction.

Notes to the Financial Statements

- The amounts reported in the Capital Asset note did not agree with the University's subsidiary ledger. "Improvements and infrastructure" was overstated by \$789,076, and "Buildings" was understated by the same amount.
- The amounts reported in the Receivable and Payable Balances note for vendor payables, due to students, salaries and other payroll-related items, and miscellaneous contained misclassifications totaling \$431,150.

The financial statements, for the above misstatements, were corrected by University personnel during the audit.

We recommend the University review internal controls to ensure the accuracy of financial statements.

Management Response: The University transitioned to a new common ERP system on July 1, 2021 and will ensure that balances are loaded properly into the new financial system. Additional training and oversight will be provided to ensure proper classification. Merging Henderson into the ASU System consolidated financial statements and notes has been completed with this audit and has laid the groundwork for future audits.

University's Response to Findings

The University's response to the finding identified in our audit, excluding the management letter findings, is described previously. The University's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 16, 2021

Arkansas



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

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

Arkansas State University System (System)

Henderson State University campus did not complete and submit campus-level financial statements to the System office timely. Based on the deadlines established by System administration, the campus was to provide financial statements and notes to the System office by August 16, 2021. As a result, the System office was unable to provide the consolidated report to Arkansas Legislative Audit (ALA) staff by the originally scheduled date of October 8, 2021, which delayed the audit process. The System office provided the consolidated report to ALA on November 2, 2021.

Arkansas State University – Jonesboro

A review of issues reported to the Arkansas State University – Jonesboro Human Resource Department revealed \$4,198 in salary overpayments:

- \$3,500 overpaid to a non-classified employee to teach courses that were subsequently cancelled due to lack of student enrollment. Through payroll deductions, the University will recoup the full overpayment amount as of November 30, 2021.
- \$698 overpaid to a classified employee due to inaccurate recording of time worked. The University deducted the excess hours paid from the employee's annual leave and terminated employment on August 31, 2021.

Arkansas State University – Mid-South

Due to an issue reported to the Arkansas State University System Internal Audit (IA), the IA Department examined a part-time employee's payroll records for the period January 1, 2017 through October 10, 2020. This examination revealed that the employee was overpaid wages and payroll taxes totaling \$4,800 due to over reporting of time worked. The employee resigned on March 8, 2021. (As of November 16, 2021, the University had not received reimbursement.)

Henderson State University

In July 2021, the University discovered that the former acting President was paid \$32,010 in excess of her contracted salary from August 2020 to June 2021 when she took her current position (General Counsel/Chief Compliance Officer) and the University failed to adjust her salary accordingly. She reimbursed the University on August 11, 2021.


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, 2021, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2020</u>	<u>Fall Term</u> <u>2020</u>	<u>Spring Term</u> <u>2021</u>	<u>Summer I Term</u> <u>2021</u>
Student Headcount	8,136	24,908	22,755	10,119
Student Semester Credit Hours	33,539	244,451	219,014	49,630

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



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 16, 2021

Financial Statement Presentation

This section of the Arkansas State University (The University) annual financial report presents discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2021. 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, 2020 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has remained stable during the fiscal year.

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

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

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

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

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

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

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

In May 2020, the GASB issued Statement no. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the following Statement that is relevant to the University due to the COVID-19 pandemic: Statement no. 87, *Leases*.

Financial Statement Presentation (Continued)

The University's financial statements for the year ended June 30, 2021 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, 2021 and 2020 where appropriate. Due to the merger of Henderson State University (HSU) into the Arkansas State University System, the 2020 comparative amounts are shown separately for Arkansas State University and Henderson State University. The 2020 comparative amounts have been adjusted for the merger to provide a more complete comparison of the two years. Additional information about the merger may be found in Note 21.

Statement Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2021, 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, 2021:

- 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						
	2021	2020 Revised	2020 HSU	2020 ASU	Increase/ (Decrease)	Percent Change
Assets and Deferred Outflows:						
Current Assets	\$ 146,704,492	\$ 124,470,849	\$ 13,091,825	\$ 111,379,024	\$ 22,233,643	17.86%
Capital Assets, net	551,523,175	558,262,096	107,210,686	451,051,410	(6,738,921)	(1.21%)
Other Noncurrent Assets	138,413,742	118,825,348	2,480,977	116,344,371	19,588,394	16.49%
Total Assets	836,641,409	801,558,293	122,783,488	678,774,805	35,083,116	4.38%
Deferred Outflows	15,112,256	13,369,504	1,910,583	11,458,921	1,742,752	13.04%
Total Assets and Deferred Outflows	\$ 851,753,665	\$ 814,927,797	\$ 124,694,071	\$ 690,233,726	\$ 36,825,868	4.52%
Liabilities and Deferred Inflows:						
Current Liabilities	\$ 65,489,814	\$ 54,945,016	\$ 11,734,091	\$ 43,210,925	\$ 10,544,798	19.19%
Noncurrent Liabilities	311,201,237	331,433,993	91,233,879	240,200,114	(20,232,756)	(6.10%)
Total Liabilities	376,691,051	386,379,009	102,967,970	283,411,039	(9,687,958)	(2.51%)
Deferred Inflows	21,375,123	18,815,633	1,951,192	16,864,441	2,559,490	13.60%
Total Liabilities and Deferred Inflows	398,066,174	405,194,642	104,919,162	300,275,480	(7,128,468)	(1.76%)
Net Position:						
Net Investment in Capital Assets	284,429,128	281,324,518	34,372,244	246,952,274	3,104,610	1.10%
Restricted, Nonexpendable	19,579,467	16,442,426	-	16,442,426	3,137,041	19.08%
Restricted, Expendable	7,755,610	10,309,939	740,647	9,569,292	(2,554,329)	(24.78%)
Unrestricted	141,923,286	101,656,272	(15,337,982)	116,994,254	40,267,014	39.61%
Total Net Position	453,687,491	409,733,155	19,774,909	389,958,246	43,954,336	10.73%
Total Liabilities and Net Position	\$ 851,753,665	\$ 814,927,797	\$ 124,694,071	\$ 690,233,726	\$ 36,825,868	4.52%

Statement of Net Position (Continued)

Assets and Deferred Outflows

Total assets and deferred outflows increased by \$36.8 million.

Current Assets

Current assets increased by \$22.2 million.

Cash and Cash Equivalents

Cash and cash equivalents increased by approximately \$23.9 million. All campuses had increases for the year except for Mountain Home which had a small decrease of approximately \$500,000. All campuses benefitted from receiving federal Higher Education Emergency Relief Funds (HEERF I/HEERF II/HEERF III). Additional information about HEERF can be found in the details that follow. The Jonesboro campus had a significant increase of \$15 million. This increase of cash in unrestricted funds was mainly due to lower spending during the year. Beebe's \$5.2 million increase was largely a result of certificate of deposits that were converted to cash. Mid-South had an increase of \$1.2 million, primarily from the timing of their Pell drawdowns at the end of the year. Newport had an increase in the amount of \$2.3 million. Henderson State University and Three Rivers had small increases of roughly \$300,000 and \$400,000, respectively.

Short-term Investments

Short-term investments decreased by \$1.5 million. Mountain Home renewed certificate of deposits totaling \$1.7 million with a two year maturity. These are now considered long-term investments. Beebe had a slight increase of approximately \$200,000. There were no changes at the other campuses.

Accounts Receivable

Accounts receivable increased slightly by approximately \$945,000; although only two campuses had increases. Gross receivables increased by \$2.1 million. The Jonesboro campus's increase of \$3.6 million was largely due to recording HEERF III funds of approximately \$13.2 million and state treasury funds of \$3.8 million released at the end of the fiscal year. In addition to this, the campus also received federal direct lending funds of \$9 million which was recorded as a receivable in 2020. Three Rivers also showed an increase due to their recording of approximately \$700,000 in HEERF III funds. Henderson State University had a \$1.5 million decrease as of result of writing off uncollectible accounts receivable. Mountain Home's and Newport's declines were the result of receiving their HEERF I funds that were recorded in 2020 in 2021. The Mid-South campus's decrease of \$400,000 was a result of lower Federal Pell Grants receivable at the end of 2021. The Beebe campus had a minimal decrease in accounts receivable due to lower enrollment. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables balances are closely monitored and the allowance for doubtful accounts methodology is reviewed and revised. Overall, allowance for doubtful accounts increased by about \$1.2 million. Henderson State University, Beebe, and Mountain Home all had increases. These increases were based on reviewing the aged accounts receivable and concluding a larger allowance is necessary. Of the remaining campuses, Mid-South and Three Rivers had the largest decreases of \$440,000 due to writing off older balances. The other campuses had slight decreases due to a decrease of accounts receivable balances.

Inventories

Inventories decreased by \$396,000. Of the campuses with inventories, four had decreases and two had increases. Jonesboro had the largest change with a decrease of \$308,000. This was from a reduction of Information and Technology Services' inventory. In preparation of Beebe's bookstores being privatized beginning July 1, 2021, they depleted bookstore inventories, resulting in a decrease of \$66,000. Henderson State University and Newport had small decreases in the amounts of \$2,000 and \$30,000, respectively. Mid-South and Three Rivers both had slight increases during the year.

Deposits with Trustees

Deposits with trustees decreased by \$850,000. All of the campuses, other than Mid-South, had decreases. Mid-South's slight increase is due to their bond agreements. Henderson State University accounted for nearly all the decrease due to their completion of an energy savings project. Jonesboro had a decrease of around \$5,000 due to a bond refunding and the elimination of three debt service reserve funds for the refunded issue. Additional information on the bond refunding may be found in Note 5. The remaining campuses, other than Three Rivers and Mountain Home, had slight decreases. Three Rivers does not have bonds issued and had no deposits with trustees.

Statement of Net Position (Continued)

Current Assets (Continued)

Prepaid Expenses

Prepaid expenses increased by \$52,000. The greatest change was the increase at Newport of \$95,000. This was the result of maintenance agreements that were paid for before the end of fiscal year 2021 that were associated with new computer systems and software. Mid-South had an increase of \$27,000 from a payment that was submitted to the Arkansas Department of Finance and Administration for a vehicle purchase. Mountain Home also had an increase of \$17,000 due to a rise in the amounts paid in fiscal year 2021 for fiscal year 2022 expenses. Of the three campuses that had decreases, the largest decline was at Three Rivers in the amount of \$68,000. Three Rivers' prior year prepaid expenses included \$55,000 for Ellucian support, but they did not have this type of prepaid expense at the end of fiscal year 2021. Beebe had a decrease of \$14,000 due to a reduction in prepaid postage. The Jonesboro campus had a small decrease during the year. Henderson State University did not have any prepaid expenses.

Capital Assets, net

Capital assets, net decreased by \$6.7 million. Accumulated depreciation increased from \$563,142,234 in 2020 to \$590,881,018 in 2021. This increase, of approximately \$31.5 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 2020 and began depreciating in 2021. The increase in accumulated depreciation was offset by the addition of \$24.9 million in capital assets and the retirement of \$3.9 million in capital assets with accumulated depreciation of \$3.7 million. Of the \$24.9 million added to capital assets, \$10.3 million was buildings, \$6.5 million was construction in progress, \$450,000 was improvements and infrastructure, \$3.7 million was equipment, and 2.3 million was intangibles related to software in development. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

Other Noncurrent Assets

Other noncurrent assets increased by \$19.6 million.

Noncurrent Cash

Noncurrent cash increased by \$17.8 million and restricted cash increased by \$920,000. The Jonesboro and Mountain Home campuses are the only ones to have a noncurrent cash balance. Jonesboro's increase in noncurrent cash of \$16.5 million was the result of additional cash transfers to unexpended plant funds and the accounts receivable related to HEERF and State Treasury, as previously mentioned in the Accounts Receivable section. The annual increase of noncurrent cash by the campus is a strategic effort to increase the University's reserves. Mountain Home had an increase of \$1.3 million. This change was from lost revenues recovered through HEERF funding that was transferred to plant funds. The Jonesboro and Mid-South campuses are the only ones with a noncurrent restricted cash balance. The greatest change was Mid-South's increase of \$1.4 million. Mid-South had increases for the receipt of restricted cash from their excess millage during fiscal year 2021 and recoveries of lost revenue from CARES funds. Jonesboro's decrease of \$480,000 was due to a decrease in cash in loan funds from returns of part of the federal capital contribution related to the Federal Perkins Loan Program.

Endowment Investments

Endowment investments increased by \$3.3 million. The majority of this increase was due to Jonesboro's \$3.1 million market value adjustment for endowment funds. The remaining difference was from an increase in the return rate of Beebe's investments compared to previous years. The other campuses did not have endowment investments.

Other Long-term Investments

Other long-term investments decreased by \$2 million. Mountain Home was the only campus with an increase. This was due to renewing certificate of deposits totaling \$1.7 million with a two year maturity. These were previously considered short-term investments. Jonesboro, Beebe, and Mid-South all had decreases. As investments are maturing at the Jonesboro campus, new investments are not being purchased. There is a strategic change to move from investments to cash. There was a decrease of \$1.3 million for the year. Beebe's decrease of \$1.9 million is a result of moving from long-term to short-term investments. Mid-South had a small decrease of approximately \$500,000.

Statement of Net Position (Continued)

Other Noncurrent Assets (Continued)

Irrevocable Split-Interest Agreement

The Jonesboro campus implemented GASB no. 81, *Irrevocable Split-Interest Agreements*, which was effective July 1, 2017. There was an increase of roughly \$68,000 during fiscal year 2021 as the trustee re-appraised the value of the asset.

Deposits with Trustees

Deposits with trustees decreased by \$2.1 million. Henderson State University's decrease of \$1.3 million was a result of completion of an energy savings project. The Jonesboro campus's decrease of \$900,000 was primarily due to the elimination of three debt service reserve funds related to the bond refunding issue. Additional information on the bond refunding may be found in Note 5. Mid-South's increase for the year was due to their bond agreements.

Deferred Outflows

Deferred outflows increased by approximately \$1.7 million. Roughly \$1.6 million of this increase was due to an increased amount of deferred outflows related to pensions. All of the campuses had increases due to the adjustment of deferred outflows related to pensions for the 2021 fiscal year. Additional information about the deferred outflows related to pensions may be found in Note 8 and the Required Supplementary Information. Deferred outflows related to other postemployment benefits (OPEB) increased slightly by about \$170,000. Although all but one of the campuses had decreases; Henderson State University's increase was substantial when compared to the others. Their increase was approximately \$780,000. Additional information about the deferred outflows related to OPEB may be found in Note 12 and the Required Supplementary Information. Deferred outflows related to the excess of bond reacquisition costs over carrying value decreased by \$40,000. All the campuses, other than Jonesboro, had decreases due to the amortization of these amounts. Jonesboro recorded an additional amount for their bond refunding issue. 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 \$7.1 million.

Current Liabilities

Current liabilities increased by \$10.5 million.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities increased by roughly \$10 million. Jonesboro had a substantial increase of approximately \$9.8 million. This increase was primarily from a payable due to the United States Department of Education for direct lending. Henderson State University saw an increase of about \$700,000. Newport also had a slight increase; while Beebe, Mid-South, Mountain Home, and Three Rivers all had small decreases. Some campuses made the decision to pay as many invoices as possible prior to June 30, 2021, since they were converting to the Banner ERP system on July 1, 2021. This caused a reduction in accounts payable.

Bonds, Notes, and Leases Payable

Bonds, notes, and leases payable increased slightly by \$506,000. There was a mix of increases and decreases among the campuses. There was no additional debt issued during the fiscal year; however Jonesboro did have a bond refunding issue and paid off one bond and one note early. The increases for each campus are due to the additional amount of principal payments due in 2022 compared to 2021.

Statement of Net Position (Continued)

Current Liabilities (Continued)

Unearned Revenues

Unearned revenues increased by \$3.4 million. All campuses had increases for the year except for Henderson State University which had a decrease of approximately \$250,000. This was largely due to unearned revenue from HEERF I that was recorded in fiscal year 2020. Jonesboro had the largest increase in the amount of \$3.1 million which was the result of activity in several different areas. Athletics saw a rise in football and basketball tickets sold for the new fiscal year, and the First National Bank Arena also had more tickets sold for upcoming concerts and shows for fiscal year 2022. There will be renovations to Agriculture's Meat Lab through a grant where funds have been received, but the work has not been completed yet. Furthermore, there are other grant awards received in full prior to the spending of the total grant award. As expenses are posted to the grant award, revenue is recognized equal to the amount of the expenses. Mid-South, Mountain Home, and Three Rivers also had increases related to grants in the amounts of \$200,000, \$80,000, and \$200,000, respectively. The remaining amount of the upturn in unearned revenue was related to tuition and fees.

Deposits

Deposits decreased by \$55,000, although Jonesboro was the only campus with a decrease which was roughly \$115,000. This was mainly due to a decline in student enrollment. Newport allowed more students to use excess funds to prepay summer and fall semesters which resulted in an increase of \$60,000. Beebe had a slight increase due to property rentals, and Mid-South also had a slight increase.

Other Postemployment Benefits (OPEB) Liability

The current portion of this liability, a reduction of about \$231,000, 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 2022. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$20.2 million.

Bonds, Notes, and Leases Payable

Bonds, notes and leases payable decreased by \$19.6 million. All campuses had decreases when compared to 2020. The decrease is a reflection of the reduction of principal amounts owed by all the campuses for bonds, notes, and leases payable. As previously mentioned, there was no additional debt issued during the fiscal year; however Jonesboro did have a bond refunding issue and paid off one bond and one note early.

Other Postemployment Benefits (OPEB) Liability

The noncurrent portion of this liability decreased by about \$4.4 million and was recorded during the year in accordance with GASB no. 75. Additional information about OPEB may be found below in the deferred inflows section, in Note 12 and the Required Supplementary Information.

Net Pension Liability

The University's portion of the net pension liability increased by around \$3.2 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.

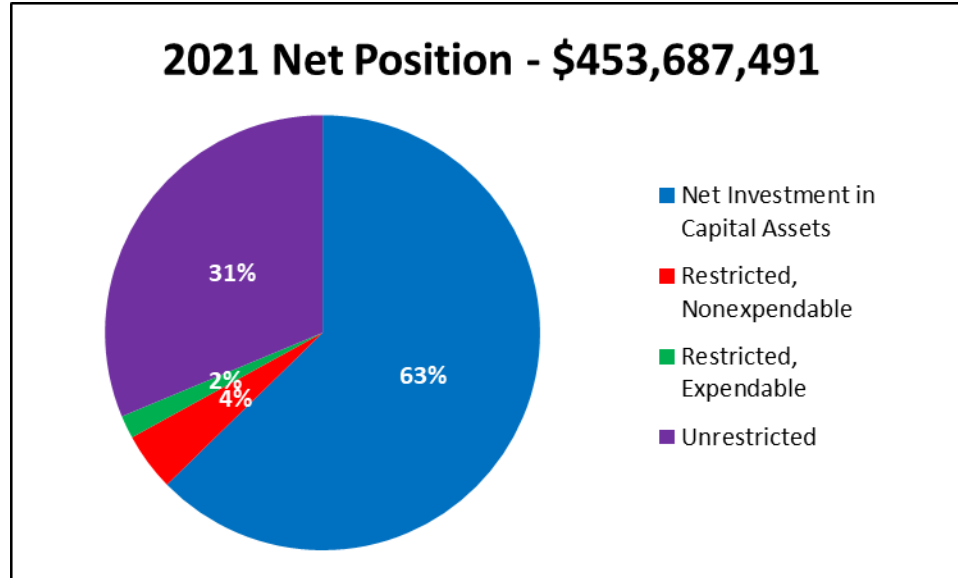
Deferred Inflows

Deferred inflows increased by \$2.6 million. Nearly all of this increase, \$3.8 million, was the amount related to other postemployment benefits. This amount is recorded in accordance with GASB no. 75 and as mentioned previously, the campuses recorded a large decrease of \$4.4 million related to the noncurrent liability portion of OPEB. The overall effect of recording the OPEB amounts showed a decrease of about \$937,000. In addition to OPEB, there was a \$1.3 million decrease for pensions which was recognized in fiscal year 2020 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows and net pension liability discussed previously. The remaining minimal increase of \$68,000 was recorded as part of the irrevocable split-interest agreement at the Jonesboro campus as previously mentioned in the Noncurrent Asset section.

Statement of Net Position (Continued)

Net Position

Total net position increased by \$43.9 million. The percentage of each net position category is displayed in the chart below.



Net investment in capital assets

Net investment in capital assets increased by \$3.1 million. This increase was mainly attributable to reduction of long-term debt associated with capital projects. The amount of depreciation exceeded the amount of capital asset additions. In previous years, there have been large increases of construction projects to offset the amount of depreciation recognized. For 2021, there was \$24.9 million in capital assets additions compared to \$31.4 million of depreciation expense.

Restricted, Nonexpendable

Restricted, nonexpendable net position increased by \$3.1 million.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by \$1.3 million. This was due to Jonesboro and Beebe campuses’ increase in the fair 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 increased in the amount of approximately \$251,000. This was due to a change in the accounts receivable allowance calculation at the Jonesboro campus. The allowance decreased which caused an increase in the net position related to the Federal Perkins Loan Program.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above increased by \$1.6 million. This was due to an increase in investment earnings during the year on endowments for purposes other than scholarships.

Statement of Net Position (Continued)

Net Position (Continued)

Restricted, Expendable

Restricted, expendable net position decreased by \$2.6 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by \$315,000. This was largely due to Beebe expending most grants as they were awarded with less carried forward in to the new fiscal year, resulting in a decrease of \$273,000. The Jonesboro campus had a small increase, while the Mid-South and Mountain Home campuses had slight decreases.
- *Research*—Restricted, expendable net position for research increased by approximately \$6,000. Although the overall increase was small, two campuses had moderate swings. Jonesboro received a lower amount of research grants, while Henderson State University experienced a growth in research. This resulted in a decrease of \$148,000 for Jonesboro and an increase of \$154,000 for Henderson State University.
- *Loans*—The restricted, expendable net position for loans decreased slightly by about \$20,000. Henderson State University and Mid-South are the only campuses to have a restricted, expendable net position amount for loans. Mid-South's amount did not change compared to 2020. Henderson State University's decrease was due to the return of funds from the institutional portion of the Federal Perkins Loan Program. The Federal Perkins Loan Program amounts will continue to decline with the expiration of the program on September 30, 2017.
- *Debt Service*—The restricted, expendable net position for other purposes than those listed above decreased very slightly by \$119. Henderson State University and Mid-South are the only campuses to have funds restricted for debt service due to their debt structure for bonds payable.
- *Renewal and Replacement*—The Mid-South campus has restricted, expendable net position for renewal and replacement. There was a decrease of about \$25,000 due to the bond requirements of these funds.
- *Other*—The restricted, expendable net position for other purposes than those listed above decreased by \$2.1 million. Campuses, other than Beebe and Mid-South, experienced declines. Henderson State University and Three Rivers does not have a balance for this. The decrease of about \$1 million at Jonesboro and \$326,000 at Newport were related to a decrease of non-research grant activity balances at year end. The remaining decrease at Mountain Home and increases at Beebe and Mid-South were due to the HEERF funds.

Unrestricted

Unrestricted net position increased by \$40.3 million. All of the campuses experienced increases. While the HEERF awards attributed to a great deal of the increases; the campuses also showed increases due to reduced spending and efforts to increase reserves. The majority of this increase was a \$24 million increase at the Jonesboro campus due to an increased effort to grow the University's reserves balance. While Henderson State University has a negative unrestricted net position; theirs did experience an increase of \$5 million as a result of the HEERF funds. Additional information about their net position may be found in Note 22. In addition, Beebe's unrestricted net position also increased by approximately \$3.7 million. Mid-South and Mountain Home both had increases of \$1.5 million. Newport and Three Rivers had increases of \$3.5 million and \$833,000, respectively.

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, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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 2021 compared to fiscal year 2020 is shown below.

Condensed Statement of Revenues, Expenses and Changes in Net Position						
	2021	2020 Revised	2020 HSU	2020 ASU	Increase/ (Decrease)	Percent Change
Operating Revenues						
Tuition and Fees, Net	\$ 70,455,406	\$ 77,026,297	\$ 10,804,478	\$ 66,221,819	\$ (6,570,891)	(8.53%)
Grants and Contracts	36,894,255	38,437,890	2,503,675	35,934,215	(1,543,635)	(4.02%)
Auxiliary Enterprises, Net	29,367,343	35,030,469	9,223,208	25,807,261	(5,663,126)	(16.17%)
Other	11,688,025	12,278,686	525,640	11,753,046	(590,661)	(4.81%)
Total Operating Revenues	148,405,029	162,773,342	23,057,001	139,716,341	(14,368,313)	(8.83%)
Operating Expenses	363,809,589	365,039,802	61,978,278	303,061,524	(1,230,213)	(0.34%)
Nonoperating Revenues (Expenses)						
State Appropriations	135,778,821	131,515,710	21,487,337	110,028,373	4,263,111	3.24%
Grants and Contracts	58,561,444	63,740,768	12,208,165	51,532,603	(5,179,324)	(8.13%)
Interest on Capital Asset - Related Debt	(10,104,249)	(10,351,257)	(2,459,912)	(7,891,345)	247,008	(2.39%)
Other	63,850,746	35,425,349	3,838,100	31,587,249	28,425,397	80.24%
Total Nonoperating Revenues (Expenses)	248,086,762	220,330,570	35,073,690	185,256,880	27,756,192	12.60%
Income Before Other Revenues, Expenses, Gains or Losses	32,682,202	18,064,110	(3,847,587)	21,911,697	14,618,092	80.92%
Capital Appropriations	1,223,869	98,112	-	98,112	1,125,757	1,147.42%
Capital Grants and Gifts	8,848,584	356,598	-	356,598	8,491,986	2,381.39%
Other	1,125,613	(174,736)	43,880	(218,616)	1,300,349	(744.18%)
Total	11,198,066	279,974	43,880	236,094	10,918,092	
Increase (Decrease) in Net Position	\$ 43,880,268	\$ 18,344,084	\$ (3,803,707)	\$ 22,147,791	\$ 25,536,184	139.21%
Net Position, Beginning of Year	\$ 409,733,155	\$ 391,389,071	\$ 23,578,616	\$ 367,810,455	\$ 18,344,084	4.69%
Restatement for GASB 75 (Note 20)	\$ 74,068					
Net Position, End of Year	\$ 453,687,491	\$ 409,733,155	\$ 19,774,909	\$ 389,958,246	\$ 43,954,336	10.73%

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

Revenues

Total revenues increased by approximately \$13 million.

Operating Revenues

Total operating revenues decreased by \$14.4 million.

Tuition and Fees, net

Net tuition and fees decreased by \$6.5 million. Gross tuition and fee revenue decreased by \$10.4 million. All of the campuses experienced declines in tuition and fees, primarily due to lower student enrollment when comparing 2020 to 2021. The largest decrease was \$2.9 million at the Jonesboro campus. Declining student enrollment is a growing concern across the country. The COVID pandemic caused many students to delay their higher education plans and forced some international students to remain home due to travel restrictions. Mid-South had a decrease of \$350,000 related to their Secondary Technical Center; technical programs taken by concurrent students. In previous years, half of the funding was from Arkansas Career Education (ACE) and was recorded as grant revenue. The other half was billed directly to their high school partners and recorded as tuition and fees. ACE changed their funding method this fiscal year so that all funding now comes from them. Therefore, all of the funding for this program is now considered grant revenue. The decrease in tuition and fee revenue, as well as the decline in student enrollment, also led to a decrease in scholarship allowances. Scholarship allowances decreased by about \$3.9 million.

Grants and Contracts

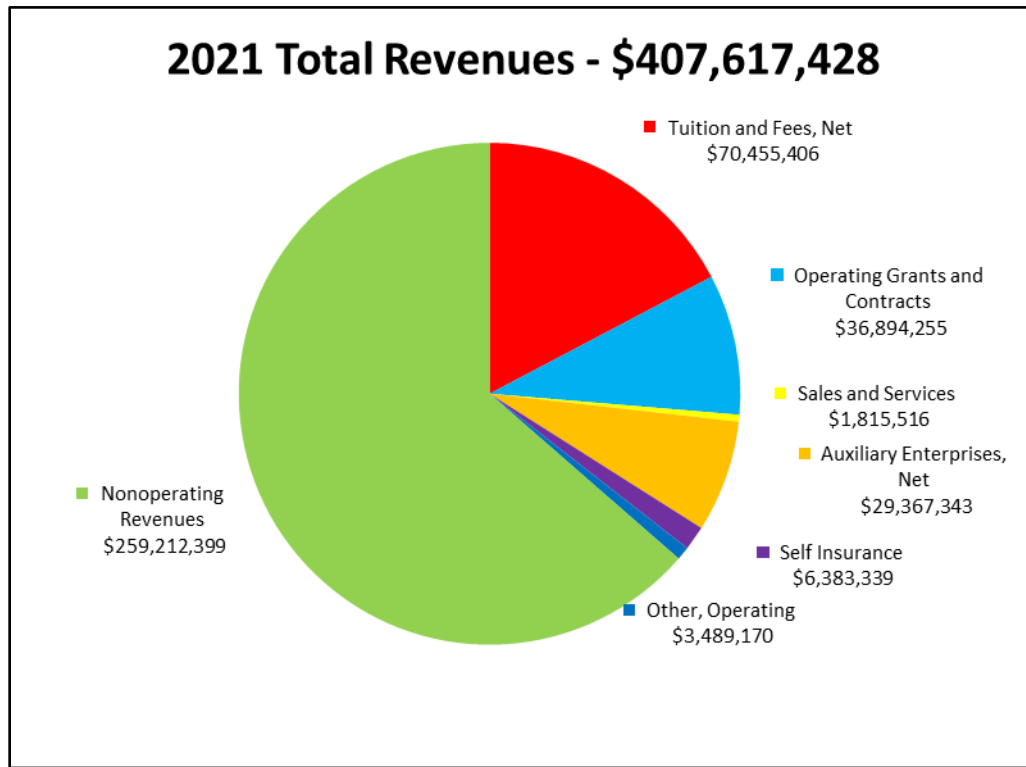
Operating grants and contracts decreased by \$1.5 million. Jonesboro, Mountain Home, and Three Rivers all experienced decreases, while the other four campuses had increases. Jonesboro has seen a decline in grant research due to the COVID pandemic, resulting in a decrease of \$2.6 million. Currently, there is not much emphasis placed on research, but it should increase with the implementation of their campus strategic plan. Mountain Home had a decrease of \$200,000 mainly due to funding that was cut in fiscal year 2021 for their Secondary Career Center grant. Three Rivers had a small decrease of \$100,000. Beebe's increase of \$900,000 was mostly attributable to activities returning to normal after COVID restrictions interrupted grant activity in the previous year. Henderson State University, Mid-South, and Newport experienced increases in operating grants and contracts revenues due to slight increases of these balances at the end of the year. Overall, the change across the campuses was a decrease of 4.02%. As the available grant resources remain in decline, there will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars.

Sales and Services

Sales and services increased slightly by about \$154,000. Of the four campuses that show sales and services revenue, two had increases and two had decreases. Jonesboro and Henderson State University had increases of \$96,000 and \$111,000, respectively. This is primarily due to the impact the COVID pandemic had on sales and services revenue in the previous fiscal year; lost revenue due to cancelled events, lost store sales, and reduced admissions due to closed facilities. COVID restrictions loosened during fiscal year 2021, and although these activities did not completely return to normal, they did expand from the previous year. Mountain Home continued to show a decrease of \$46,000 due to the COVID pandemic, as they were unable to rent rooms. Beebe had a slight decrease of \$7,000 from fewer student testing.

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

Operating Revenues (Continued)



Auxiliary Enterprises, net

Auxiliary enterprises, net decreased by approximately \$5.7 million. All campuses, except for Three Rivers, experienced declines from 2020 to 2021. The bulk of this amount was from Jonesboro and Henderson State University's decreases of \$3 million and \$2.4 million, respectively. The declines in auxiliary revenues at the campuses were expected due to lower enrollment and the ongoing impact of the COVID pandemic. In addition to the reduced revenues, scholarship allowances related to auxiliaries decreased by \$972,000.

Self Insurance

Self insurance revenues increased by \$317,000. During fiscal year 2021, there was a minimal increase in premiums beginning in January 2021 for the employee withholding amount.

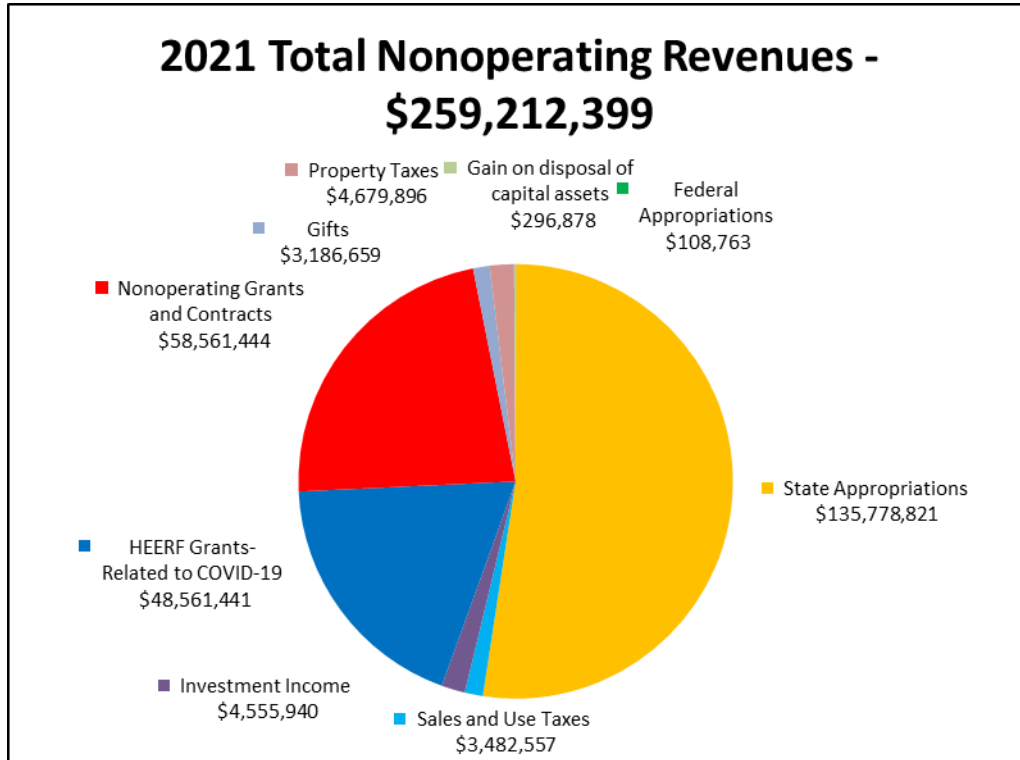
Other

Other operating revenues decreased by \$1.1 million. The Jonesboro campus experienced the largest decrease in the amount of \$960,000 due to receiving two years of payments for the partner share of the NYIT College of Osteopathic Medicine during fiscal year 2020. Beebe and Mountain Home had decreases of \$39,000 and \$17,000, respectively. These reductions were from a decrease in the ASU Jonesboro host fees collected due to lower student enrollment. Three Rivers' decrease of \$52,000 was related to internet rebates to customers in rural areas received from the Arkansas Research and Education Optical Network (ARE-ON) organization in 2020. Newport recognized a slight decrease as well; while Henderson State University and Mid-South were the only campuses with slight increases.

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

Nonoperating Revenues

Total nonoperating revenues increased by \$27.3 million.



Federal Appropriations

Federal appropriations slightly decreased by about \$78,000. In previous fiscal years, the Jonesboro campus received several federal awards related to grants and contracts. As available grant resources continue to decline, so do these funds.

State Appropriations

State appropriations increased by \$4.3 million overall; although Jonesboro, Henderson State University, and Mid-South were the only campuses with increases which were \$4.6 million, \$56,000, and \$77,000, respectively. The increase at Jonesboro was largely due to an additional \$3.9 million received for implementing a new ERP (Enterprise Resource Planning) System for all campuses. Additional rainy day funds and restricted reserve funds were released to Jonesboro, Beebe, and Three Rivers in July 2020. State funding remained stable throughout the year, and new monies were released for productivity 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.

Grants and Contracts

Nonoperating grants and contracts decreased by approximately \$5.2 million. All of the campuses experienced declines during the year. Henderson State University had the highest decrease at \$1.6 million, and Mid-South had the lowest decrease at \$106,000. The decreases were primarily a result of less Pell funding due to declines in student enrollment.

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

Nonoperating Revenues (Continued)

HEERF Grants-Related to COVID-19

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

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

The Higher Education Emergency Relief Fund III (HEERF III) was authorized by the American Rescue Plan (ARP), Public Law 117-2, and was signed into law on March 11, 2021. This provided \$39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic.

ARP funds are in addition to funds authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260 and the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136.

As with HEERF I, both HEERF II and HEERF III provided a portion of institutional funds and a portion of funds dedicated to students. During fiscal year 2021, there were \$9.8 million in direct payments to students from HEERF II funds.

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

Sales and Use Taxes

Sales and use taxes increased by \$513,000. Beebe experienced an increase of \$378,000 from tourists returning to the Heber Springs area causing an influx in tax revenues. Newport saw an increase of \$135,000 due to increased consumer spending in the county and the initiation of mail order tax enforcement.

Property Taxes

Property tax revenues increased by \$146,000. The Mid-South campus saw an increase of \$44,000, and the Mountain Home campus saw an increase of \$102,000.

Gifts

Revenues from gifts decreased by \$858,000. All the campuses experienced declines compared to 2020. Henderson State University had the highest decrease at \$557,530, and Newport had the lowest decrease at \$5,000.

Investment Income

Investment income increased by approximately \$1.3 million overall; although Jonesboro and Beebe were the only campuses with an increase which were \$2 million and \$46,000, respectively. This was a result of higher investment income in their endowment funds. Mid-South had the largest decrease of \$538,000 from unrealized losses and lower interest rates. The other campuses had decreases during the year due to a continued decline in interest rates.

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

Nonoperating Revenues

Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a gain of \$297,000 on capital assets compared to a loss of \$397,000 in fiscal year 2020. The Jonesboro campus had a gain of about \$268,000. This was mainly a result of selling off-campus real estate during the fiscal year. Henderson State University, Mid-South, and Newport also had gains during the year. Beebe was the only campus to show a loss of about \$3,800.

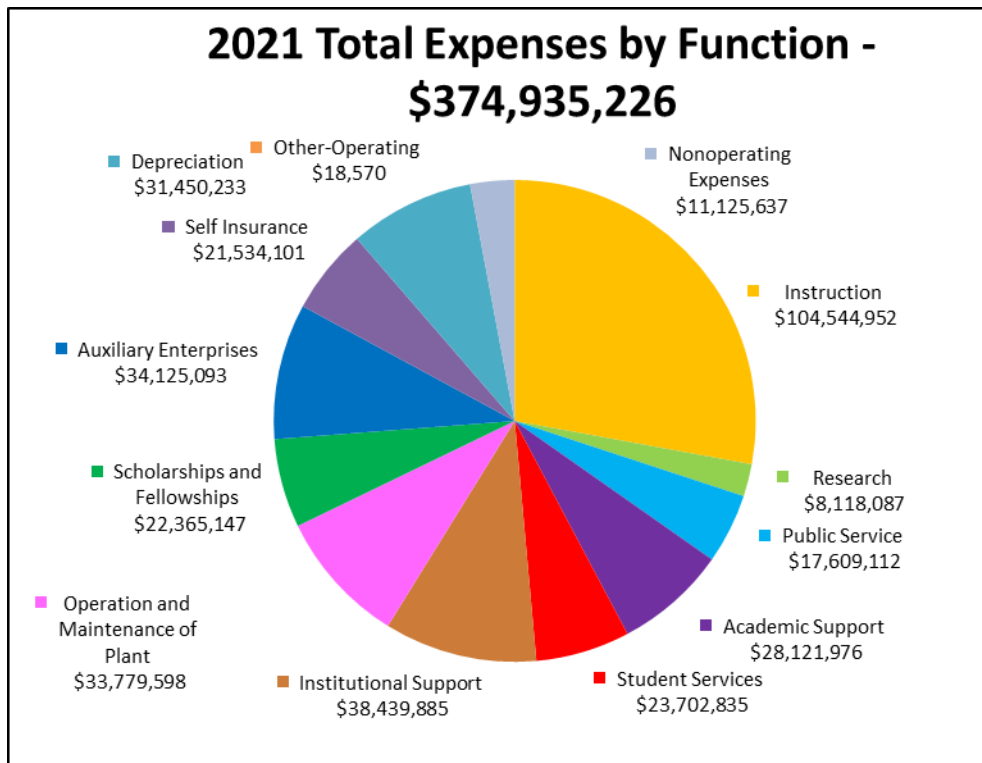
Expenses

Total expenses decreased by \$1.6 million.

Operating Expenses

Total operating expenses decreased by \$1.2 million.

Additional information on operating expenses can be found in the tables and charts that follow.



Personal Services

Personal services decreased by approximately \$757,000; although there was a mix of increases and decreases throughout the System. Of those with increases, the Three Rivers campus experienced the largest increase, \$4.8 million. The majority of this increase was due to their 2020 OPEB plan entries. The campus joined the System's OPEB plan in 2020. This provided the campus with a positive effect in recording OPEB plan liabilities from fiscal year 2019 to fiscal year 2020. Their OPEB entries for 2021 would be for a more typical year and their increase in personal services reflects this. Mid-South also showed a minor increase of less than \$100,000 during the year. Of the campuses with decreases; Henderson State University showed the largest with \$3.7 million. This was a result of a 3% reduction in wages for the year. Additionally, the remaining campuses, had a combined decrease of around \$1.9 million. A net decrease of about of \$1 million was recorded by the campuses for other postemployment benefits. More information on this may be found in Note 12.

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

Operating Expenses (Continued)

Scholarships and Fellowships

Scholarships and fellowships increased by \$9 million. Gross scholarships and fellowships increased by approximately \$4.2 million. All of the campuses had declines in enrollment when compared to 2020. All campuses, except for Henderson State University, showed an increase in scholarships and fellowships due to HEERF funds that were disbursed directly to students as aid. 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 \$9.5 million. The majority of the decrease can be attributed to HEERF I direct payments to students and student refunds for housing and meal plans that occurred in fiscal year 2020 and were shown as supplies and services. In fiscal year 2021, all payments made to students related to HEERF I or HEERF II were shown as scholarships and fellowships. In addition to this, the campuses reduced budgets due to the lower enrollment during the year. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

Self Insurance

Self insurance expenses increased by \$1.5 million. Medical and pharmaceutical claims during 2021 increased when compared to 2020. Additionally, there was an increase (\$262,000) in the unpaid claims liability recorded at year end.

Depreciation

Depreciation expense decreased by \$1.5 million. All of the campuses, other than Mid-South, Newport, and Three Rivers, experienced decreases when compared to 2020. The largest increase was at Three Rivers in the amount of \$449,000 due to their change in the useful lives of their assets. The largest amount of decrease was \$1.6 million at Henderson State University also due to their change in the useful lives of their assets. The remaining changes were due to either additions or deletions of fixed assets at the campuses. Additionally, as new projects were completed in 2021, depreciation expense will increase next year as a result of these. The amount of completed projects was \$30 million when compared to the \$18.8 million in 2020; depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

Other operating expenses decreased by \$33,000. These expenses are related to the Federal Perkins Loan program on the Jonesboro and Henderson State University campuses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

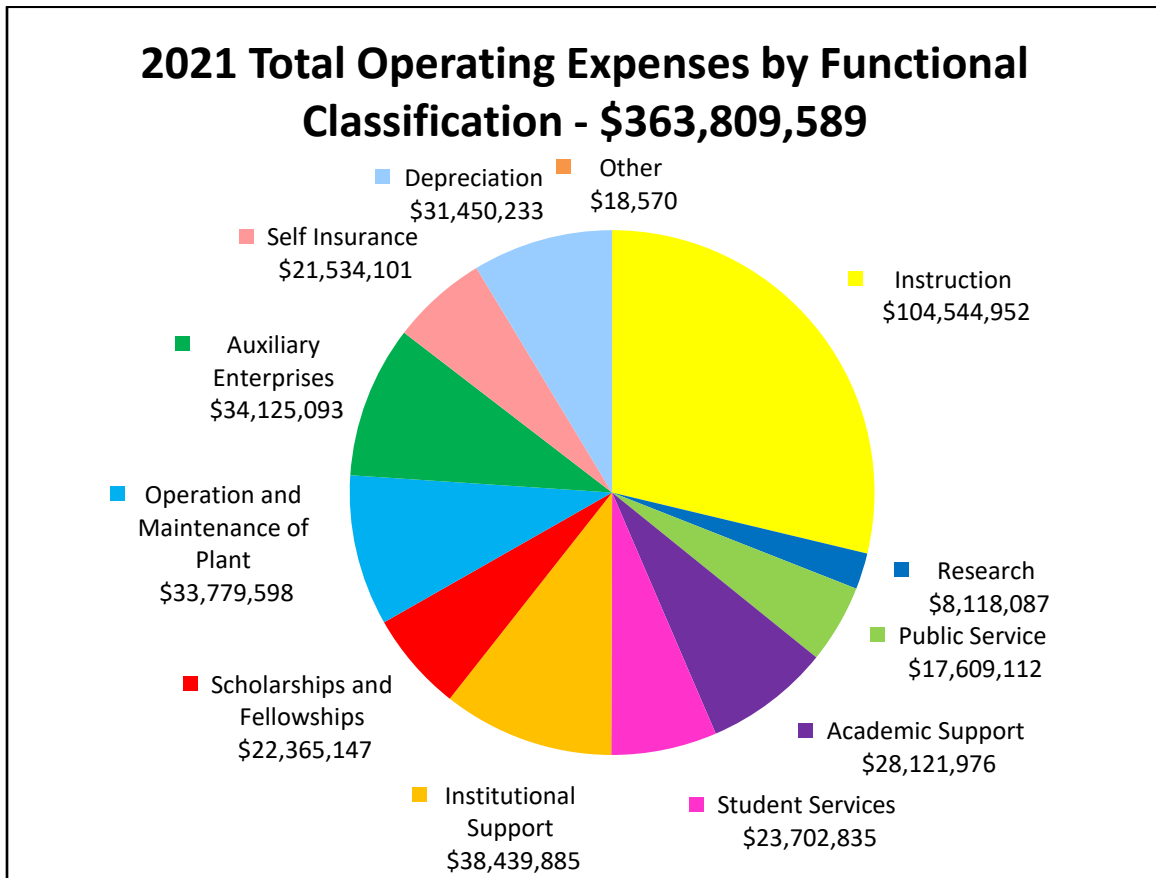
Operating Expenses (Continued)

Operating Expenses by Function						
	<u>2021</u>	<u>2020 Revised</u>	<u>2020 HSU</u>	<u>2020 ASU</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Instruction	\$ 104,544,952	\$ 100,571,829	\$ 14,227,178	\$ 86,344,651	\$ 3,973,123	3.95%
Research	8,118,087	9,875,958	29,002	9,846,956	(1,757,871)	(17.80%)
Public Service	17,609,112	18,857,868	275,589	18,582,279	(1,248,756)	(6.62%)
Academic Support	28,121,976	28,892,285	9,142,915	19,749,370	(770,309)	(2.67%)
Student Services	23,702,835	22,599,238	5,364,563	17,234,675	1,103,597	4.88%
Institutional Support	38,439,885	36,445,693	7,180,171	29,265,522	1,994,192	5.47%
Scholarships and Fellowships	22,365,147	22,840,427	3,326,509	19,513,918	(475,280)	(2.08%)
Operation and Maintenance of Plant	33,779,598	31,921,066	5,749,064	26,172,002	1,858,532	5.82%
Auxiliary Enterprises	34,125,093	40,018,263	10,849,094	29,169,169	(5,893,170)	(14.73%)
Self Insurance	21,534,101	20,043,070		20,043,070	1,491,031	7.44%
Depreciation	31,450,233	32,922,583	5,834,193	27,088,390	(1,472,350)	(4.47%)
Other	18,570	51,522		51,522	(32,952)	(63.96%)
Total Operating Expenses	<u><u>\$ 363,809,589</u></u>	<u><u>\$ 365,039,802</u></u>	<u><u>\$ 61,978,278</u></u>	<u><u>\$ 303,061,524</u></u>	<u><u>\$ (1,230,213)</u></u>	<u><u>(0.34%)</u></u>

Operating Expenses by Natural Classifications						
	<u>2021</u>	<u>2020 Revised</u>	<u>2020 HSU</u>	<u>2020 ASU</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Personal Services	\$ 196,773,631	\$ 197,530,143	\$ 34,479,629	\$ 163,050,514	\$ (756,512)	(0.38%)
Scholarships and Fellowships	31,446,429	22,398,183	3,326,509	19,071,674	9,048,246	40.40%
Supplies and Services	82,586,625	92,094,301	18,337,947	73,756,354	(9,507,676)	(10.32%)
Self Insurance	21,534,101	20,043,070		20,043,070	1,491,031	7.44%
Depreciation	31,450,233	32,922,583	5,834,193	27,088,390	(1,472,350)	(4.47%)
Other	18,570	51,522		51,522	(32,952)	(63.96%)
Total Operating Expenses	<u><u>\$ 363,809,589</u></u>	<u><u>\$ 365,039,802</u></u>	<u><u>\$ 61,978,278</u></u>	<u><u>\$ 303,061,524</u></u>	<u><u>\$ (1,230,213)</u></u>	<u><u>(0.34%)</u></u>

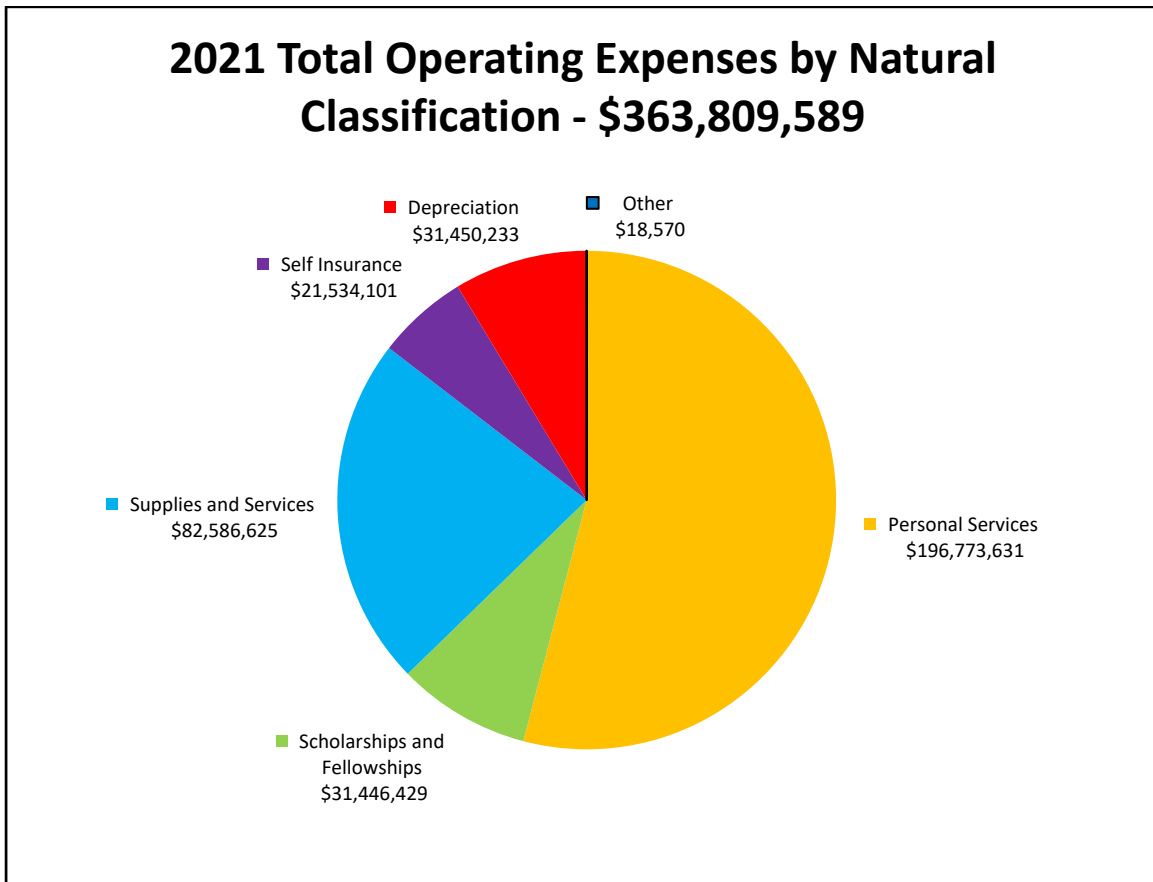
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Operating Expenses (Continued)



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

Operating Expenses (Continued)



Nonoperating Expenses

Total nonoperating expenses decreased by \$418,000.

Interest

Interest expense decreased by \$247,000. All the campuses, other than Henderson State University, showed decreases. Their increase of approximately \$323,000 was a result of adding additional debt in the 2020. Jonesboro experienced the largest decrease of \$471,000 due to savings from bond refundings that have been done recently. The campuses did not incur any new debt during fiscal year 2021. There was one bond refunding issue at Jonesboro to refund three bond issues into one. The lower interest expense is expected due to no additional debt with interest being added and the fact that more of the payments are being applied to principal rather than interest. Additional information on debt administration may be found in the Debt Administration section that follows.

Other Changes

Other revenues, expenses, gains and losses totaled \$11.2 million. This amount increased by \$10.9 million.

Capital Appropriations

Capital appropriations increased by \$1.1 million. The Jonesboro and Three Rivers campuses were the only campus with capital appropriations in 2021. Three Rivers received about \$662,000 for the Ritz Theatre renovation. Jonesboro had amounts in both 2020 and 2021. During 2020, the campus received about \$98,000 for projects at the Dyess Colony, the Lakeport Plantation Dairy, and Marion Berry Phase III-Loop Road. In 2021, Jonesboro’s amount was around \$562,000. In 2021, the campus received additional funds for the Dyess Colony restoration related to the campus’s Delta Heritage Office.

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

Other Changes (Continued)

Capital Grants and Gifts

Capital grants and gifts increased by \$8.5 million. The Jonesboro campus had the largest increase of \$6.7 million due to the transfer of the Windgate Center for Three-Dimensional Arts from the ASU Foundation. Henderson State University, Beebe, Mid-South, and Mountain Home also had increases when compared to 2020. Newport and Three Rivers had a small combined decrease of \$77,000 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, 2021 and June 30, 2020 were as follows:

Capital Assets (net of accumulated depreciation)						
	<u>2021</u>	<u>2020 Revised</u>	<u>2020 HSU</u>	<u>2020 ASU</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Land and land improvements	\$ 22,629,935	\$ 21,478,473	\$ 1,975,554	\$ 19,502,919	\$ 1,151,462	5.36%
Construction in progress	8,428,746	15,910,724	10,583,252	5,327,472	\$ (7,481,978)	(47.02%)
Livestock	225,886	234,901		234,901	\$ (9,015)	(3.84%)
Intangibles-Software in development	2,053,095	847,761		847,761	\$ 1,205,334	142.18%
Intangibles-Easements	2,675,000	2,675,000		2,675,000	\$ -	0.00%
Intangibles-Software	4,097,046	3,791,437		3,791,437	\$ 305,609	8.06%
Buildings	343,016,648	336,781,739	74,815,161	261,966,578	\$ 6,234,909	1.85%
Improvements and infrastructure	149,099,566	156,381,462	14,546,474	141,834,988	\$ (7,281,896)	(4.66%)
Equipment	14,114,793	14,748,893	1,249,420	13,499,473	\$ (634,100)	(4.30%)
Library/audiovisual holdings	5,182,460	5,411,706	4,040,825	1,370,881	\$ (229,246)	(4.24%)
Total	<u>\$ 551,523,175</u>	<u>\$ 558,262,096</u>	<u>\$ 107,210,686</u>	<u>\$ 451,051,410</u>	<u>\$ (6,738,921)</u>	<u>(1.21%)</u>

Land

The University had one addition of land and land improvements in the amount of \$1,156,721 at the Jonesboro campus. Also, the campus had a small decrease of \$5,259 for the sale of property during the year.

Capital Assets (Continued)

Construction in progress

Construction in progress decreased by 47.02%. Henderson State University had a decrease of \$10.6 million. This decrease is mainly attributable to the energy savings project at Henderson State University. \$10.6 million was transferred from construction in progress to buildings. All the other campuses either had an overall increase or no activity during 2021. Jonesboro had an increase of \$1.2 million for a number of projects. Some of these projects include renovations to the library and campus lighting renovations. Newport's increase was a result of a technology project at the campus and Three River's was a result of the Ritz Theatre renovation. Mountain Home had a slight increase during the year.

Livestock

The change of 3.84% is attributable to a decrease of the Jonesboro campus livestock herds of \$473 and a decrease of the Beebe campus's herds in the amount of \$8,542.

Intangibles-Software in development

All of the campuses, other than Jonesboro, have been implementing a new ERP (Enterprise Resource Planning) System. The new software was still in development as of June 30, 2021. The University's threshold for capitalizing software is \$1 million and each campus should meet this threshold with the exception of Mountain Home and Three Rivers. An amount of \$2,053,095 was recorded during 2021 by Henderson State University, Beebe, Mid-South, and Newport. The transition to the new ERP should be complete June 2022. The Jonesboro campus has been transitioning to cloud software and added \$284,274 of intangibles-software in development. The Jonesboro campus completed their transition and transferred the total amount of \$1.1 million to intangibles-software.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2021.

Intangibles-Software

The University's increase of \$1.1 million consisted of the amount that the Jonesboro campus transferred from intangibles-software in development. In addition, \$826,426 was depreciated for software during fiscal year 2021.

Buildings

The University experienced an increase of \$6.2 million in the total value of buildings. This is a result of transfers from construction in progress during the year. In fiscal year 2021, the campuses added \$20,884,469 compared to \$6,565,402 in fiscal year 2020. Jonesboro, Henderson State University, and Newport were the only campuses with building additions during the year. The Jonesboro campus added \$6.8 million in building additions. The majority of this (\$6.7 million) was for a capital gift received from the ASU Foundation for the Windgate Center for Three-Dimensional Arts. The building has 16,818 square feet indoors plus an additional 5,000 square feet of outdoor working spaces. The Windgate Center has state of the art kilns and workspaces for ceramics, a dedicated woodworking lab, a foundry for castings, student studio and work spaces, and indoor and outdoor spaces for students, faculty, and visiting faculty to display their art. In addition to this building, the campus also added a building from the purchase of property adjacent to the campus. The \$13.8 million addition at Henderson State University was a result of an energy savings project, the completion of the Charles and Anita Cabe Student-Athlete Success Center, and updates to Hickory House. Newport added a greenhouse and an equipment repair facility. Jonesboro was the only campus to reduce buildings during the year for property that was sold at an off-campus location. Also, accumulated depreciation increased from \$377,025,870 in 2020 to \$391,310,136 in 2021. This is due to the annual amount of depreciation recorded by each campus. There were no large adjustments to the annual depreciation since the additions of buildings in the prior year were minor.

Capital Assets (Continued)

Improvements and infrastructure

The 4.66%, or \$7,281,896, decrease in improvements and infrastructure is attributable to the amount of depreciation exceeding the amount of additions during the year. In 2020, there were completed projects totaling approximately \$6.4 million. These included the \$3.5 million improvements to the student union cafeteria at the Jonesboro campus, as well as parking and residence hall improvements. In fiscal year 2021, there were only \$3.9 million in additions; all of which are at Jonesboro. These projects included residence hall upgrades, parking overlays, improvements to the library, and renovations for utilities. In addition to a reduced amount of completed projects; the amount of depreciation increased in the fiscal year 2021 due to the additions in fiscal year 2020. In 2020, there was \$10.4 million posted for depreciation compared to \$11.1 million in 2021. Also, there were no deletions in 2021 while the deletions in 2020 deletions netted to around \$409,000.

Equipment

Equipment decreased by 4.30%, or \$634,100, during the year. Equipment additions increased slightly from \$3,433,242 in 2020 to \$3,660,323 in 2021; an increase of about \$227,000. Of the additions for fiscal year 2021, \$78,751 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. The campuses did have reduced spending in light of the COVID pandemic. Depreciation expense decreased from \$4,896,661 in 2020 to \$4,242,265 in 2021. The campuses disposed of equipment during the year with a net value of \$52,158.

Library/Audiovisual Holdings

The University’s decrease of \$229,246, or 4.24%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases decreased in part to the COVID pandemic during the fiscal year from a total of \$506,217 compared to \$635,078 in 2020. Depreciation expense increased from \$689,614 in 2020 to \$735,463 in 2021. Library holdings that were removed during the year were fully depreciated.

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

Debt Administration

The University’s financial statements indicate \$210,914,326 in bonds payable, \$38,690,141 in notes payable and \$21,574,369 in capital leases payable at June 30, 2021.

The Jonesboro campuses issued refunding bonds during 2021. The bonds that were refunded included:

\$5,370,000	2012A Taxable Housing
\$5,520,000	2012B Housing
\$1,005,000	2012D Housing

Also, the campus paid the 2010B Refunding bond issue off early. Additional information about the refunding is included in Note 5.

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

Debt Administration (Continued)

The \$38,690,141 in notes payable consists of four notes for the Jonesboro campus. These include \$604,000 and \$600,000 notes for energy improvement projects through the state's sustainable revolving loan fund, and a \$1,000,000 note for pedestrian improvements. Additionally, there is a \$1,000,000 note for renovations to the Armory. The campus has benefited from securing zero or very low interest rates for each of these notes. Also, the campus paid the note to renovate Wilson Hall for the DO School off early during fiscal year 2021. This will save the campus approximately \$150,000 over 2.5 years. At June 30, 2021, the outstanding amounts for these notes were \$271,800, \$270,000, \$302,521, and \$700,000 respectively. Henderson State University has \$33,356,461 in notes payable outstanding at June 30, 2021. These six notes payable include: \$2,750,000 for the Honors Hall, \$2,366,268 for energy savings, \$1,100,000 for energy savings related to an auxiliary renovation, \$10,136,926 for energy savings, 2019 \$6,000,000 loan from the state of Arkansas used to assist with cash shortfalls for that year, and \$15,996,406 for property renovations. At June 30, 2021, the outstanding amounts for these notes were \$2,203,766, \$1,137,955, \$583,762, \$8,021,260, \$5,750,000, and \$15,659,718, respectively. 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 2021 are \$75,212, \$1,365,482, 727,901, and \$815,306, respectively. The notes payable for the Three Rivers campus include \$825,000 for construction of a new Allied Health building, \$565,000 for the remodel and expansion of a cosmetology building, , and \$1,000,000 for the purchase and renovation of an Applied Science Technology building. All three notes were secured through Arkansas Higher Education Coordinating Boards' College Savings Bond Revolving Loan Fund at exceptionally low interest rates. The outstanding amounts for these notes were \$75,830, \$191,822 and \$537,806 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 \$14,113,961. 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 \$4,667,027 and \$2,793,381, respectively at June 30, 2021.

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

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The impacts of the COVID pandemic on our financial statements for future reporting periods remain uncertain and cannot be predicted. The long-term effects on student population, housing, and participation in traditional, in-person classes is unclear. However, the economic outlook of the University remains sound at this time.

The Federal Reserve predicts the annual inflation rate to continue rising and hit 4.2% by the end of the year, but believes the price hikes will level out in 2022 as pressures from the COVID pandemic subside. Prices have been driven upward due to supply-chain bottlenecks and shortages caused by the pandemic. As these supply effects diminish, inflation is expected to drop back down to around 2%. There is potential for the Fed's rate-setting committee to increase interest rates in 2022 which could positively affect the University's ability to generate returns on its financial assets. Interest rates are currently near zero.

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.

Economic Outlook (Continued)

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit A

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

Cash and cash equivalents	\$	88,097,500
Short-term investments		8,770,641
Accounts receivable (less allowances of \$9,733,352)		44,478,159
Notes and deposits receivable (less allowances of \$117,509)		800,129
Accrued interest and late charges		223,534
Inventories		2,006,196
Deposits with trustees		1,469,080
Unamortized bond insurance		141,754
Prepaid expenses		717,499
Total Current Assets		146,704,492

Noncurrent Assets:

Cash and cash equivalents		82,614,935
Restricted cash and cash equivalents		10,315,700
Restricted investments		143,563
Endowment investments		18,750,220
Unrestricted investments		2,261,251
Other long-term investments		14,142,347
Irrevocable split-interest agreement		2,171,390
Accrued interest and late charges		746,400
Deposits with trustees		2,382,227
Accounts receivable		1,980,013
Notes and deposits receivable (less allowances of \$407,573)		2,905,696
Capital assets (net of accumulated depreciation of \$590,881,018)		551,523,175
Total Noncurrent Assets		689,936,917

TOTAL ASSETS

836,641,409

DEFERRED OUTFLOWS OF RESOURCES

Excess of bond reacquisition costs over carrying value		4,181,563
Pensions		7,892,727
Other postemployment benefits (OPEB)		3,037,966

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

851,753,665

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:

Accounts payable and accrued liabilities		26,878,573
Bonds, notes and leases payable		15,938,300
Compensated absences		5,932,411
Unearned revenue		12,776,790
Deposits		696,883
Interest payable		2,766,236
Other postemployment benefits (OPEB) liability		500,621
Total Current Liabilities		65,489,814

Noncurrent Liabilities:

Accounts payable and accrued liabilities		13,238
Bonds, notes and leases payable		255,240,536
Compensated absences		6,331,207
Other postemployment benefits (OPEB) liability		17,059,596
Net pension liability		27,317,990
Deposits		241,036
Refundable federal advances		4,997,634
Total Noncurrent Liabilities		311,201,237

TOTAL LIABILITIES

376,691,051

DEFERRED INFLOWS OF RESOURCES

Pensions		5,206,463
Other postemployment benefits (OPEB)		13,997,270
Irrevocable split-interest agreement		2,171,390

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

398,066,174

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit A

NET POSITION

Net investment in capital assets		\$ 284,429,128
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		7,135,240
Renewal and replacement		967,261
Loans		347,547
Other-College and Department Purposes		11,129,419
Expendable:		
Scholarships and fellowships		1,224,928
Research		475,019
Loans		47,377
Debt service		1,997,701
Renewal and replacement		582,651
Other		3,427,934
Unrestricted		141,923,286
TOTAL NET POSITION		\$ 453,687,491

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Exhibit A-1

ASSETS

Cash and cash equivalents	\$	9,385,171
Certificates of deposit		4,520,022
Prepaid expenses		35,984
Contributions receivable, net		5,948,943
Investments, at fair value		114,385,899
Property and equipment, net		2,005,806
Other assets		100,082
Total Assets	\$	<u>136,381,907</u>

LIABILITIES

Accounts payable	\$	47,250
Annuity obligations		16,000
Due to Arkansas State University campuses		98,904
Due to Alumni Association		160
Amounts held on behalf of Arkansas State University related entities		16,269,603
Note payable		28,619
Total Liabilities		<u>16,460,536</u>

NET ASSETS

Without donor restrictions		
Undesignated		926,471
Board designated		7,447,451
Total without donor restrictions		<u>8,373,922</u>
With donor restrictions		
Restricted as to purposes		15,362,714
Restricted in perpetuity		96,184,735
Total with donor restrictions		<u>111,547,449</u>
Total Net Assets		<u>119,921,371</u>
Total Liabilities and Net Assets	\$	<u>136,381,907</u>

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Exhibit A-2

ASSETS

Current Assets

Cash	\$ 9,029,409
Investment securities	191
Receivables, current portion	3,265,736
Related party prepaid lease, current portion	1,700,000
	<u>\$ 13,995,336</u>

Property and Equipment

Buildings	\$ 29,866,540
Furniture and equipment	680,506
Parking lot	57,005
	<u>30,604,051</u>

Less accumulated depreciation

(869,549)
<u>\$ 29,734,502</u>

Other Assets

Receivables, net of current portion and amortization	\$ 6,249,143
Related party prepaid lease, net of current portion	4,391,667
Real estate	206,100
Construction in progress	102,390
	<u>\$ 10,949,300</u>

Endowment Investments, at fair value

\$ 2,204,295
<u>\$ 2,204,295</u>

Total Assets

<u>\$ 56,883,433</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,150,834
Accrued interest payable	35,316
Current portion long-term debt	560,994
Current portion deferred revenue	3,405,141
Total Current Liabilities	<u>\$ 6,152,285</u>

Long-Term Liabilities

Long-Term Debt, net of current portion	\$ 30,007,729
Deferred Revenue, net of current portion	8,250,102
	<u>\$ 38,257,831</u>

Total Liabilities

<u>\$ 44,410,116</u>

Net Assets

Without donor restrictions	\$ (1,435,110)
With donor restrictions	13,908,427
	<u>\$ 12,473,317</u>

Total Liabilities and Net Assets

<u>\$ 56,883,433</u>

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Exhibit A-3

ASSETS

Cash and cash equivalents	\$ 1,278,467
Accrued interest receivable	128
Investments	24,974,260
Works of art	<u>480,778</u>
Total Assets	<u>\$ 26,733,633</u>

LIABILITIES

Accounts payable	\$ 56,015
Total Liabilities	<u>56,015</u>

NET ASSETS

Without donor restrictions	273,376
With donor restrictions	<u>26,404,242</u>
Total without donor restrictions	<u>26,677,618</u>
Total Liabilities and Net Assets	<u>\$ 26,733,633</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$66,901,570)	\$ 70,455,406
Grants and contracts	36,894,255
Sales and services	1,815,516
Auxiliary enterprises (net of scholarship allowances of \$11,403,654)	29,367,343
Self-insurance	6,383,339
Other operating revenues	3,489,170
TOTAL OPERATING REVENUES	<u>148,405,029</u>
OPERATING EXPENSES	
Personal services	196,773,631
Scholarships and fellowships	31,446,429
Supplies and services	82,586,625
Self-insurance	21,534,101
Depreciation	31,450,233
Other	18,570
TOTAL OPERATING EXPENSES	<u>363,809,589</u>
OPERATING INCOME (LOSS)	<u>(215,404,560)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal appropriations	108,763
State appropriations	135,778,821
Grants and contracts	58,561,444
HEERF Grants-Related to COVID-19	48,561,441
Sales and use taxes	3,482,557
Property taxes	4,679,896
Gifts	3,186,659
Investment income	4,555,940
Interest on capital asset - related debt	(10,104,249)
Gain or loss on disposal on capital assets	296,878
Payment of student activity fee to fiduciary accounts	(278,160)
Refunds to grantors	(208,544)
Other nonoperating revenues (expenses)	(534,684)
NET NON-OPERATING REVENUES (EXPENSES)	<u>248,086,762</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	32,682,202
Capital appropriations	1,223,869
Capital grants and gifts	8,848,584
Additions to endowments	100
Adjustments to capital assets	1,125,513
INCREASE (DECREASE) IN NET POSITION	<u>43,880,268</u>
NET POSITION - BEGINNING OF YEAR	389,958,246
MERGER WITH HENDERSON STATE UNIVERSITY (NOTE 21)	19,774,909
RESTATEMENT FOR GASB 84 (NOTE 20)	74,068
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>409,807,223</u>
NET POSITION - END OF YEAR	<u>\$ 453,687,491</u>

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 397,995	\$ 11,425,176	\$ 11,823,171
Investment return, net	1,459,519	18,058,947	19,518,466
Other income	216,690	376,597	593,287
Net assets released from restrictions	4,058,344	(4,058,344)	-
Total Revenue and Other Support	6,132,548	25,802,376	31,934,924
Expenses			
Program services	4,388,368		4,388,368
Management and general supporting services	162,782		162,782
Change in split-interest agreements		16,000	16,000
Total Expenses	4,551,150	16,000	4,567,150
(Decrease) increase in net assets	1,581,398	25,786,376	27,367,774
Net assets at beginning of year	6,792,524	85,761,073	92,553,597
Net assets at end of year	\$ 8,373,922	\$ 111,547,449	\$ 119,921,371

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support			
Contributions	\$ 2,083,671	\$ 158,411	\$ 2,242,082
Special events/fundraising		294,906	294,906
Other income	36,240	4,379,121	4,415,361
Investment income (expense)	32,209	1,097,101	1,129,310
Net assets released from restrictions	6,675,347	(6,675,347)	
	<u>\$ 8,827,467</u>	<u>\$ (745,808)</u>	<u>\$ 8,081,659</u>
Expenses			
General and administrative	\$ 414,299		\$ 414,299
Athletic program services	6,660,119		6,660,119
Special events/fundraising	177,882		177,882
	<u>\$ 7,252,300</u>		<u>\$ 7,252,300</u>
Transfers			
ASU athletic programs	\$ 51,736	\$ 4,200	\$ 55,936
ASU other	1,944,927	37,679	1,982,606
	<u>\$ 1,996,663</u>	<u>\$ 41,879</u>	<u>\$ 2,038,542</u>
Increase (decrease) in net assets	<u>\$ (421,496)</u>	<u>\$ (787,687)</u>	<u>\$ (1,209,183)</u>
Beginning Net Assets	\$ (136,202)	\$ 10,143,855	\$ 10,007,653
Reclassifications	(877,412)	877,412	
Prior period adjustments		3,674,847	3,674,847
Ending Net Assets	<u><u>\$ (1,435,110)</u></u>	<u><u>\$ 13,908,427</u></u>	<u><u>\$ 12,473,317</u></u>

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B-3

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue Without Donor Restrictions	
Contributions	\$ 1,210
Investment return	2,760
Net assets released from restrictions	2,575,247
Total Support and Revenue Without Donor Restrictions	2,579,217
Expenses	
Program services	2,353,822
General and administrative supporting services	175,216
Total Expenses	2,529,038
Increase in Net Assets Without Donor Restrictions	50,179
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	1,472,480
Investment return, net	5,242,146
Net assets released from restrictions	(2,575,247)
Increase in Net Assets With Donor Restrictions	4,139,379
INCREASE IN TOTAL NET ASSETS	4,189,558
NET ASSETS, BEGINNING OF YEAR	22,488,060
NET ASSETS, END OF YEAR	\$ 26,677,618

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 74,403,734
Grants and contracts	36,371,611
Auxiliary enterprises revenues	29,276,268
Sales and services	1,856,304
Self-insurance program receipts	6,696,011
Collection of principal and interest related to student loans	654,810
Other receipts	3,676,065
Payments to employees	(166,095,821)
Payments for employee benefits	(32,298,647)
Payments to suppliers	(80,159,728)
Scholarships and fellowships	(31,339,066)
Self-insurance program payments	(21,587,045)
Other payments	(804,382)
Net cash provided (used) by operating activities	<u>(179,349,886)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	136,013
State appropriations	130,361,174
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,527,000
Grants and contracts	60,375,525
HEERF Grants-Related to COVID-19	39,305,891
Private gifts and grants	1,976,488
Payments to debt holders for loan principal	(170,326)
Payments to debt holders for loan interest	(40,295)
Sales and use taxes	3,415,956
Property taxes	4,605,865
Direct lending, PLUS and FFEL loan receipts	124,331,412
Direct lending, PLUS and FFEL loan payments	(105,721,434)
Payment of student activity fee to fiduciary accounts	(332,919)
Refunds to grantors	(270,067)
Net cash provided (used) by noncapital financing activities	<u>259,500,283</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	141,801
Capital appropriations	1,223,869
Capital gift and grants	1,160,000
Proceeds from sale of capital assets	449,805
Purchases of capital assets	(13,741,348)
Payments to trustees for bond principal	(11,285,000)
Payments to trustees for bond interest and fees	(7,567,021)
Payments to debt holders for principal (other than bonds)	(6,322,612)
Payments to debt holders for interest and fees (other than bonds)	(2,092,784)
Property taxes remitted to bond trustees	(3,039,359)
Distribution of excess property taxes from bond trustees	1,671,552
Net cash provided (used) by capital and related financing activities	<u>(39,401,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	10,043,116
Interest on investments (net of fees)	997,326
Purchases of investments	(7,692,630)
Net cash provided (used) by investing activities	<u>3,347,812</u>
Net increase (decrease) in cash and cash equivalents	44,097,112
Cash and cash equivalents - beginning of year	132,408,024
Merger with Henderson State University (Note 21)	5,876,925
Restatement for GASB 84 (Note 20)	(1,353,926)
Cash and cash equivalents - beginning of year, restated	<u>136,931,023</u>
Cash and cash equivalents - end of year	<u>\$ 181,028,135</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

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

Operating income (loss)	\$ (215,404,560)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	31,450,233
Change in assets and liabilities:	
Receivables, net	934,809
Inventories	396,027
Prepaid expenses	(52,104)
Accounts and salaries payable	1,701,050
Other postemployment benefits (OPEB)	(936,929)
Pension obligations	207,140
Unearned revenue	2,556,915
Deposits	132,608
Refundable federal advances	250,036
Compensated absences	(585,111)
Net cash provided (used) by operating activities	\$ (179,349,886)

Reconciliation of Cash and Cash Equivalents

Current Assets:	
Cash and Cash Equivalents	\$ 88,097,500
Noncurrent Assets:	
Cash and Cash Equivalents	82,614,935
Restricted Cash and Cash Equivalents	10,315,700
Total cash and cash equivalents	\$ 181,028,135

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$11,670,000. The proceeds of this issue were utilized as follows: \$11,472,240 was remitted to an escrow agent and \$197,760 was used to pay the bond issuance costs.

Building-capital gift of \$6,656,055

Equipment-capital gift of \$6,841

Value of equipment received from vendor discounts-\$100,602

Interest earned on reserve accounts held by trustee-\$591

Interest paid from accounts held by trustee-\$12,068

Amount earned on investments-\$3,647,734

Amount of PPE received from the state through CARES funds-\$738,402

HENDERSON

Building improvement-capital gift of \$1,372,775

Construction expenses paid by trustee-\$1,865,354

Principal payment on loan withheld from state appropriations-\$250,000

Amount of PPE received from the state through CARES funds-\$213,798

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

NONCASH TRANSACTIONS (CONTINUED)

BEEBE

Equipment-capital gift of \$25,710

Interest earned on reserve accounts held by trustee-\$21

Interest paid from accounts held by trustee-\$516

Amount of PPE received from the state through CARES funds-\$51,119

MID-SOUTH

Equipment-capital gift of \$28,200

Interest earned on reserve accounts held by trustee-\$142

Trustee payments for retirement of bond principal-\$575,000

Trustee payment for bond interest-\$730,989

Trustee payment for bond fees-\$4,075

Unrealized loss on investments-\$171,732

Amount of PPE received from the state through CARES funds-\$46,323

Amount of interest earned on CD's reinvested with CD's-\$2,746

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-\$6

Interest paid from accounts held by trustee-\$5

Amount of PPE received from the state through CARES funds-\$14,535

NEWPORT

Interest earned on reserve accounts held by trustee-\$128

Interest paid from accounts held by trustee-\$137

Amount of interest earned on CD's reinvested with CD's-\$1,357

Amount of PPE received from the state through CARES funds-\$96,716

THREE RIVERS

Equipment-capital gift of \$18,000

Amount of PPE received from the state through CARES funds-\$28,134

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

Exhibit D

ASSETS

Cash and cash equivalents	\$ 1,710,795
Accounts receivable	<u>311</u>
TOTAL ASSETS	<u>1,711,106</u>

LIABILITIES

Accounts payable	<u>1,185</u>
TOTAL LIABILITIES	<u>1,185</u>

NET POSITION

Restricted for:	
Individuals and organizations	<u>1,709,921</u>
TOTAL NET POSITION	<u><u>\$ 1,709,921</u></u>

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2021

Exhibit E

ADDITIONS	
Gifts	\$ 119,215
Contributions	2,389,756
Transfer from Student Activity Fee	332,919
TOTAL ADDITIONS	<u>2,841,890</u>
 DEDUCTIONS	
Supplies	\$ 691,913
Travel	881
Scholarships	2,255,698
Transfer to Mid-South Community College Foundation	3,884
TOTAL DEDUCTIONS	<u>2,952,376</u>
 INCREASE (DECREASE) IN FIDUCIARY NET POSITION	 <u>(110,486)</u>
 NET POSITION-BEGINNING OF YEAR	 -
 RESTATEMENT FOR GASB 84 (NOTE 20)	 \$ 1,820,407
 NET POSITION-BEGINNING OF YEAR, RESTATED	 <u>1,820,407</u>
 NET POSITION- END OF YEAR	 <u><u>\$ 1,709,921</u></u>

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Jonesboro

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

Henderson

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

Beebe

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

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

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

Mountain Home

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

Newport

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Mid-South

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

Three Rivers

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

System

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

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

Component Units

Arkansas State University System Foundation, Inc.

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

During the year ended June 30, 2021, the ASU Foundation transferred property, equipment and funds of \$2,961,623 to the University for academic support. Complete financial statements for the ASU Foundation may be obtained from the ASU Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Arkansas State University Red Wolves Foundation, Inc.

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

During the year ended June 30, 2021, the RW Foundation transferred property, equipment and funds of \$2,038,542 to the University for support. Complete financial statements for the RW Foundation may be obtained from the RW Foundation at P.O. Box 2219, State University, AR 72467-1990.

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

Henderson State University Foundation, Inc.

The Henderson State University Foundation, Inc. (the HSU Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The HSU Foundation operates for charitable educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of Henderson State University. The board of directors consist of 12 members including 2 members who are members of the former Henderson State University Board of Trustees, and two ex-officio members who are also employees of the University. The HSU Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement no. 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the RW Foundation are discretely presented in the University's financial statements in accordance with the provisions of GASB Statement no. 39.

During the year ended June 30, 2021, the HSU Foundation transferred property, equipment and funds of \$2,007,505 to the University for academic support. Complete financial statements for the HSU Foundation may be obtained from the HSU Foundation at 324 North 12th Street, Arkadelphia, AR 71923.

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

Financial Statement Presentation

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

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

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

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

In May 2020, the GASB issued Statement no. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the following Statement that is relevant to the University due to the COVID-19 pandemic: Statement no. 87, *Leases*.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Capital Assets and Depreciation

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

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

At Henderson State University, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 50 years for buildings, 15 to 20 years for improvements and infrastructure, 10 to 15 years for library and audiovisual holdings, 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.

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

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.

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, 2021. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Investments

An investment is a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The University accounts for its investments, except for nonparticipating contracts, at fair value in accordance with GASB Statement no. 72, *Fair Value Measurement and Application*. Fair value is 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, 2021 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

Deposits with Trustees

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

Noncurrent Liabilities

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

Fiduciary Activities

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 4,373,790	\$ 4,300,734
Insured (SIPC)	249,338	338
Collateralized:		
Collateral held by the pledging bank or pledging bank's agent in the University's name	188,103,804	188,717,565
Total Deposits	\$ 192,726,932	\$ 193,018,637

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 \$6,739,864 and \$94,145 at June 30, 2021, respectively. Also, the above amount does not include \$96,184 in cash and cash equivalents and \$400,000 in certificates of deposits held by the ASU Foundation for license plate scholarships classified as short-term investments and \$576,292 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of \$16,478,201 reported as investments and classified as nonnegotiable certificates of deposit and money market checking accounts of \$1,016,286 reported as deposits with trustees. Additionally, the deposits do not include money market checking accounts of \$1,341 reported as deposits with trustees. The above total deposits include cash held for fiduciary activities of \$1,710,795 reported on the Statement of Fiduciary Net Position.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's policy states that investments made by the University, excluding those funds donated for endowment purposes, should be secure with no risk of loss. All investments must be fully collateralized with such collateral being evidenced by a bonded, third-party custody receipt provided to the campus making the investment. Collateral may be of three types including: (a) United State government securities, (b) securities of agencies of the United States, or (c) general obligation bonds of cities, counties, or school districts of the state of Arkansas. The University's bank balance of \$193,018,637 was fully collateralized at June 30, 2021.

Deposits with Trustees

At June 30, 2021, the University's deposits with trustees totaled \$3,851,307. Other than the money market checking accounts of \$1,017,627, the details of the deposits with trustee by campus are below.

Jonesboro

At June 30, 2021, the University's deposits with trustee of \$314,003 were primarily invested in the Federated Hermes Treasury Obligations Fund and the Federated Hermes U.S. Treasury Cash Reserves. Both of these are money market treasury funds. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 28 days. The Federated U.S. Treasury Cash Reserves consisted of short-term U.S. Treasury securities had a weighted average maturity of 40 days.

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro (Continued)

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

The fair value of the deposits with trustee at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 314,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,003</u>

Mid-South

At June 30, 2021, the University's deposits with trustee of \$2,519,676 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 26 days.

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

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

The fair value of the deposits with trustee at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 2,519,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,519,676</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Mountain Home

At June 30, 2021, the University's deposits with trustee of \$1 were invested in Morgan Stanley Government Portfolio, a money market treasury fund. This fund was rated Aaa-mf by Moody's Investors Service and consisted of Treasury bills, bonds and notes. The effective average maturity was approximately 32 days.

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

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

The fair value of the deposits with trustee at June 30, 2021 is shown below:

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

University Investments (Excluding Endowment Funds)

At June 30, 2021, the University's investments, excluding endowment funds, consisted of corporate bonds of \$2,124,539, U.S. agencies of \$898,476, negotiable certificates of deposit of \$605,101, and U.S. Treasury notes of \$4,811,485. Details of the investments by campus are below.

Jonesboro

At June 30, 2021, the University's investments, excluding endowment funds, consisted of corporate bonds of \$758,417, U.S. agencies of \$691,460 and negotiable certificates of deposit of \$605,101.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
<u>\$ -</u>	<u>\$ 758,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,417</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Jonesboro (Continued)

The U.S. agencies will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 72,542</u>	<u>\$ -</u>	<u>\$ 618,918</u>	<u>\$ 691,460</u>

The negotiable certificates of deposits will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
<u>\$ 605,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,101</u>

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 648,826</u>	<u>\$ 109,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,417</u>

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ 352,261</u>	<u>\$ 266,657</u>	<u>\$ -</u>	<u>\$ 72,542</u>	<u>\$ 691,460</u>

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 3.302 years at June 30, 2021. The U.S. agencies had an estimated weighted average maturity of 12.868 years at June 30, 2021. The negotiable certificates of deposit had an estimated weighted average maturity of 0.625 years at June 30, 2021. 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.

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Jonesboro (Continued)

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments. At June 30, 2021, negotiable certificates of deposits of \$605,101 were exposed to custodial credit risk.

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

The fair value of the corporate bonds at June 30, 2021 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 758,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,417</u>

The fair value of the U.S. agencies at June 30, 2021 are shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 691,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,460</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Jonesboro (Continued)

The fair value of the negotiable certificates of deposit at June 30, 2021 are shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 605,101	\$ -	\$ -	\$ 605,101

Mid-South

At June 30, 2021, the University's investments consisted of corporate bonds of \$1,366,122, U.S. agencies of \$207,016, and U.S. Treasury notes of \$4,811,485. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
\$ 201,207	\$ 909,586	\$ 255,329	\$ -	\$ 1,366,122

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
\$ 101,224	\$ 105,792	\$ -	\$ -	\$ 207,016

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
\$ 1,009,268	\$ 2,610,387	\$ 1,191,830	\$ -	\$ 4,811,485

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Mid-South (Continued)

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

Aaa	Aa	A	Baa	Not Rated	Total
\$ 81,953	\$ 286,916	\$ 997,253	\$ -	\$ -	\$ 1,366,122

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

Aaa	Aa	A	Baa	Not Rated	Total
\$ 207,016	\$ -	\$ -	\$ -	\$ -	\$ 207,016

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.095 years at June 30, 2021. The U.S. agencies had an estimated weighted average maturity of 1.257 years at June 30, 2021. The U.S. Treasury notes had an estimated weighted average maturity of 3.814 years at June 30, 2021. The University’s investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

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

The fair value of the corporate bonds at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University’s data	
\$ 1,366,122	\$ -	\$ -	\$ 1,366,122

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

University Investments (Excluding Endowment Funds) (Continued)

Mid-South (Continued)

The fair value of the U.S. agencies at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 207,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,016</u>

The fair value of the U.S. Treasury notes at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
<u>\$ 4,811,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,811,485</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Educational Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. Endowment investments totaling \$6,049,185 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 10.29% or \$11,788,823 and consisted of the following types of investments:

Type	Amount
Bonds/Fixed Income Mutual Funds	\$ 1,989,937
Cash/Cash Equivalents	240,009
Domestic Equity Mutual Funds	2,306,281
Domestic Equities	1,793,537
Global Equity Funds	864,765
Hedge Fund	583,701
International Equities	645,628
International Equity Mutual Funds	2,536,714
Real Estate	113,383
Real Estate Funds	171,454
Venture Capital and Partnerships	543,414
Total	\$ 11,788,823

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 value of the investments at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	Total
\$ 8,176,844	\$ 2,439,165	\$ 1,172,814	\$ 11,788,823

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.80% or \$912,212 and consisted of the following types of investments:

Type	Amount
Bonds/Fixed Income Mutual Funds	\$ 154,183
Cash/Cash Equivalents	17,394
Domestic Equity Mutual Funds	178,696
Domestic Equities	138,968
Global Equity Funds	67,004
Hedge Fund	45,226
International Equities	50,025
International Equity Mutual Funds	196,541
Real Estate	8,785
Real Estate Funds	13,285
Venture Capital and Partnerships	42,105
Total	\$ 912,212

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 value of the investments at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 632,346	\$ 188,993	\$ 90,873	\$ 912,212

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$4,092,411 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

<u>Type</u>	<u>Amount</u>
Bond Funds	\$ 277,051
Corporate Bonds	524,709
Cash Equivalents	190,162
U.S. Agencies	360,851
Equities	<u>2,739,638</u>
Total	<u>\$ 4,092,411</u>

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

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
Corporate Bonds	\$ 10,223	\$ 264,423	\$ 189,931	\$ 60,132	\$ 524,709
U.S. Agencies	-	<u>3,748</u>	<u>49,593</u>	<u>307,510</u>	<u>360,851</u>
Total	<u>\$ 10,223</u>	<u>\$ 268,171</u>	<u>\$ 239,524</u>	<u>\$ 367,642</u>	<u>\$ 885,560</u>

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

	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 40,070	\$ 265,222	\$ 179,215	\$ 40,202	\$ 524,709
U.S. Agencies	<u>135,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,989</u>	<u>360,851</u>
Total	<u>\$ 135,862</u>	<u>\$ 40,070</u>	<u>\$ 265,222</u>	<u>\$ 179,215</u>	<u>\$ 265,191</u>	<u>\$ 885,560</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.938 and 18.959 years, respectively, at June 30, 2021.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

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

The fair value of the investments at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
\$ 4,092,411	\$ -	\$ -	\$ 4,092,411

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

The V.C. and Bertie H. Kays Educational Trust of \$1,956,774 consisted of the following types of investments held in trust by a third party:

Type	Amount
Bond Funds	\$ 146,493
Corporate Bonds	247,909
Cash Equivalents	100,916
U.S. Agencies	217,733
Equities	1,238,622
Other	5,101
Total	\$ 1,956,774

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

	Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
Corporate Bonds	\$ 5,111	\$ 126,784	\$ 87,785	\$ 28,229	\$ 247,909
U.S. Agencies	-	28,568	52,707	136,458	217,733
Total	\$ 5,111	\$ 155,352	\$140,492	\$ 164,687	\$ 465,642

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment 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	\$ -	\$ 29,152	\$ 125,448	\$ 84,517	\$ 8,792	\$ 247,909
U.S. Agencies	111,935	-	-	-	105,798	217,733
Total	<u>\$ 111,935</u>	<u>\$ 29,152</u>	<u>\$ 125,448</u>	<u>\$ 84,517</u>	<u>\$ 114,590</u>	<u>\$ 465,642</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.934 and 15.701 years, respectively, at June 30, 2021.

The fair value of the investments at June 30, 2021 is shown below:

Level 1	Level 2	Level 3	Total
Quoted prices for identical investments in active markets	Quoted prices for similar investments in active markets	Prices determined from the University's data	
<u>\$ 1,956,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,956,774</u>

NOTE 3: Income Taxes

The Institution is tax exempt under the Internal Revenue Service code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2021:

	Arkansas State University Jonesboro				
	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 7,058,089	\$ 1,156,721		\$ (5,259)	\$ 8,209,551
Livestock for educational purposes	163,154			(473)	162,681
Construction-in-progress	5,257,425	4,595,562	\$ (3,403,986)		6,449,001
Intangibles-Easements	2,675,000				2,675,000
Intangibles-Software in development	847,761	284,274 *	(1,132,035)		-
Total nondepreciable capital assets	\$ 16,001,429	\$ 6,036,557	\$ (4,536,021)	\$ (5,732)	\$ 17,496,233
Other capital assets:					
Improvements and infrastructure	\$ 176,568,532	\$ 449,628	\$ 3,403,986		\$ 180,422,146
Buildings	366,916,687	6,752,879		\$ (365,292)	373,304,274
Equipment	49,207,324	2,023,516 *		(1,020,184)	50,210,656
Library/audiovisual holdings	12,225,870			(71,613)	12,154,257
Intangibles-Software	5,828,610		1,132,035		6,960,645
Total other capital assets	\$ 610,747,023	\$ 9,226,023	\$ 4,536,021	\$ (1,457,089)	\$ 623,051,978
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	53,687,432	8,042,373			61,729,805
Buildings	195,739,913	5,640,670		(226,303)	201,154,280
Equipment	41,249,313	2,300,883		(1,020,184)	42,530,012
Library/audiovisual holdings	11,685,232	39,041		(71,613)	11,652,660
Intangibles-Software	5,051,462	388,574			5,440,036
Total accumulated depreciation	\$ 307,413,352	\$ 16,411,541	\$ -	\$ (1,318,100)	\$ 322,506,793
Other capital assets, net	\$ 303,333,671	\$ (7,185,518)	\$ 4,536,021	\$ (138,989)	\$ 300,545,185
Capital Asset Summary:					
Nondepreciable capital assets	\$ 16,001,429	\$ 6,036,557	\$ (4,536,021)	\$ (5,732)	\$ 17,496,233
Other capital assets, at cost	610,747,023	9,226,023	4,536,021	(1,457,089)	623,051,978
Total cost of capital assets	626,748,452	15,262,580	-	(1,462,821)	640,548,211
Less accumulated depreciation	307,413,352	16,411,541	-	(1,318,100)	322,506,793
Capital Assets, net	\$ 319,335,100	\$ (1,148,961)	\$ -	\$ (144,721)	\$ 318,041,418

*Includes \$205,817 for prior year additions for intangibles-software in development and \$115,110 for prior year additions for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Henderson State University					
	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 1,975,554				\$ 1,975,554
Construction-in-progress	10,583,252	\$ 502,086	\$ (10,583,250)		502,088
Intangibles-Software in development		758,762			758,762
	<u>\$ 12,558,806</u>	<u>\$ 1,260,848</u>	<u>\$ (10,583,250)</u>	<u>\$ -</u>	<u>\$ 3,236,404</u>
Other capital assets:					
Improvements and infrastructure	\$ 23,044,193				\$ 23,044,193
Buildings	141,784,538	\$ 3,222,903	\$ 10,583,250		155,590,691
Equipment	7,192,915	19,817		\$ (982,007)	6,230,725
Library/audiovisual holdings	14,485,316	426,578			14,911,894
Intangibles-Software					-
Total other capital assets	<u>186,506,962</u>	<u>3,669,298</u>	<u>10,583,250</u>	<u>(982,007)</u>	<u>199,777,503</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	8,497,719	934,977			9,432,696
Buildings	66,969,377	2,521,532			69,490,909
Equipment	5,943,495	282,175		(977,452)	5,248,218
Library/audiovisual holdings	10,444,491	531,797			10,976,288
Intangibles-Software					-
Total accumulated depreciation	<u>91,855,082</u>	<u>4,270,481</u>	<u>-</u>	<u>(977,452)</u>	<u>95,148,111</u>
Other capital assets, net	<u>\$ 94,651,880</u>	<u>\$ (601,183)</u>	<u>\$ 10,583,250</u>	<u>\$ (4,555)</u>	<u>\$ 104,629,392</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 12,558,806	\$ 1,260,848	\$ (10,583,250)	\$ -	\$ 3,236,404
Other capital assets, at cost	<u>186,506,962</u>	<u>3,669,298</u>	<u>10,583,250</u>	<u>(982,007)</u>	<u>199,777,503</u>
Total cost of capital assets	199,065,768	4,930,146	-	(982,007)	203,013,907
Less accumulated depreciation	<u>91,855,082</u>	<u>4,270,481</u>	<u>-</u>	<u>(977,452)</u>	<u>95,148,111</u>
Capital Assets, net	<u>\$ 107,210,686</u>	<u>\$ 659,665</u>	<u>\$ -</u>	<u>\$ (4,555)</u>	<u>\$ 107,865,796</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Arkansas State University Beebe

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 3,370,634				\$ 3,370,634
Livestock for educational purposes	71,747			\$ (8,542)	63,205
Intangibles-Software in development		\$ 674,270			674,270
Total nondepreciable capital assets	\$ 3,442,381	\$ 674,270	\$ -	\$ (8,542)	\$ 4,108,109
Other capital assets:					
Improvements and infrastructure	\$ 22,037,187				\$ 22,037,187
Buildings	67,052,336				67,052,336
Equipment	6,159,406	\$ 416,785		\$ (637,018)	5,939,173
Library/audiovisual holdings	2,764,822	50,813		(35,748)	2,779,887
Intangibles-Software	1,935,886				1,935,886
Total other capital assets	99,949,637	467,598	-	(672,766)	99,744,469
Less accumulated depreciation for:					
Improvements and infrastructure	11,645,838	1,268,422			12,914,260
Buildings	34,195,157	1,988,050			36,183,207
Equipment	5,109,791	379,803 *		(593,463)	4,896,131
Library/audiovisual holdings	2,255,080	93,797		(35,748)	2,313,129
Intangibles-Software	387,178	193,589			580,767
Total accumulated depreciation	53,593,044	3,923,661	-	(629,211)	56,887,494
Other capital assets, net	\$ 46,356,593	\$ (3,456,063)	\$ -	\$ (43,555)	\$ 42,856,975
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,442,381	\$ 674,270	\$ -	\$ (8,542)	\$ 4,108,109
Other capital assets, at cost	99,949,637	467,598	-	(672,766)	99,744,469
Total cost of capital assets	103,392,018	1,141,868		(681,308)	103,852,578
Less accumulated depreciation	53,593,044	3,923,661		(629,211)	56,887,494
Capital Assets, net	\$ 49,798,974	\$ (2,781,793)	\$ -	\$ (52,097)	\$ 46,965,084

*Includes \$39,800 for prior year depreciation expense for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Arkansas State University Mid-South

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 3,898,076				\$ 3,898,076
Intangibles-Software in development		\$ 502,179			502,179
Total nondepreciable capital assets	<u>\$ 3,898,076</u>	<u>\$ 502,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,400,255</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,538,828				\$ 7,538,828
Buildings	58,672,548				58,672,548
Equipment	10,852,943	\$ 478,609 *		\$ (673,432)	10,658,120
Library/audiovisual holdings	918,123	18,777		(39)	936,861
Total other capital assets	<u>77,982,442</u>	<u>497,386</u>	<u>-</u>	<u>(673,471)</u>	<u>77,806,357</u>
Less accumulated depreciation for:					
Improvements and infrastructure	4,771,796	365,936 *			5,137,732
Buildings	26,097,843	1,166,051			27,263,894
Equipment	9,907,771	294,358 *		(669,384)	9,532,745
Library/audiovisual holdings	859,509	11,723		(39)	871,193
Total accumulated depreciation	<u>41,636,919</u>	<u>1,838,068</u>	<u>-</u>	<u>(669,423)</u>	<u>42,805,564</u>
Other capital assets, net	<u>\$ 36,345,523</u>	<u>\$ (1,340,682)</u>	<u>\$ -</u>	<u>\$ (4,048)</u>	<u>\$ 35,000,793</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,898,076	\$ 502,179	\$ -	\$ -	\$ 4,400,255
Other capital assets, at cost	<u>77,982,442</u>	<u>497,386</u>	<u>-</u>	<u>(673,471)</u>	<u>77,806,357</u>
Total cost of capital assets	81,880,518	999,565		(673,471)	82,206,612
Less accumulated depreciation	<u>41,636,919</u>	<u>1,838,068</u>		<u>(669,423)</u>	<u>42,805,564</u>
Capital Assets, net	<u>\$ 40,243,599</u>	<u>\$ (838,503)</u>	<u>\$ -</u>	<u>\$ (4,048)</u>	<u>\$ 39,401,048</u>

*Includes \$94,638 for prior year additions for equipment, \$157,020 for prior year depreciation expense for improvements, and \$10,769 for prior year depreciation expense for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Arkansas State University Mountain Home

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction-in-progress	51,226	\$ 8,670			59,896
Total nondepreciable capital assets	\$ 2,986,034	\$ 8,670	\$ -	\$ -	\$ 2,994,704
Other capital assets:					
Improvements and infrastructure	\$ 2,313,346				\$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	2,531,277	\$ 184,996			2,716,273
Library/audiovisual holdings	1,038,422	3,214		\$ (117,263)	924,373
Total other capital assets	44,168,268	188,210	-	(117,263)	44,239,215
Less accumulated depreciation for:					
Improvements and infrastructure	2,223,699	24,276			2,247,975
Buildings	29,163,494	1,641,819			30,805,313
Equipment	2,046,100	122,524			2,168,624
Library/audiovisual holdings	917,789	19,747		(117,263)	820,273
Total accumulated depreciation	34,351,082	1,808,366	-	(117,263)	36,042,185
Other capital assets, net	\$ 9,817,186	\$ (1,620,156)	\$ -	\$ -	\$ 8,197,030
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,986,034	\$ 8,670	\$ -	\$ -	\$ 2,994,704
Other capital assets, at cost	44,168,268	188,210	-	(117,263)	44,239,215
Total cost of capital assets	47,154,302	196,880	-	(117,263)	47,233,919
Less accumulated depreciation	34,351,082	1,808,366	-	(117,263)	36,042,185
Capital Assets, net	\$ 12,803,220	\$ (1,611,486)	\$ -	\$ -	\$ 11,191,734

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Arkansas State University Newport

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 1,451,050				\$ 1,451,050
Construction-in-progress	18,821	\$ 756,640	\$ (18,820)		756,641
Intangibles-Software in development		117,884			117,884
	<u>\$ 1,469,871</u>	<u>\$ 874,524</u>	<u>\$ (18,820)</u>	<u>\$ -</u>	<u>\$ 2,325,575</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,651,852				\$ 7,651,852
Buildings	31,320,526	\$ 306,615	\$ 18,820		31,645,961
Equipment	6,071,967	437,917			6,509,884
Library/audiovisual holdings	500,810	414			501,224
Intangibles-Software	1,709,844				1,709,844
Total other capital assets	<u>47,254,999</u>	<u>744,946</u>	<u>18,820</u>	<u>-</u>	<u>48,018,765</u>
Less accumulated depreciation for:					
Improvements and infrastructure	2,001,293	496,781			2,498,074
Buildings	19,334,709	1,042,813			20,377,522
Equipment	4,106,965	513,729			4,620,694
Library/audiovisual holdings	413,253	14,493			427,746
Intangibles-Software	244,263	244,263			488,526
Total accumulated depreciation	<u>26,100,483</u>	<u>2,312,079</u>	<u>-</u>	<u>-</u>	<u>28,412,562</u>
Other capital assets, net	<u>\$ 21,154,516</u>	<u>\$ (1,567,133)</u>	<u>\$ 18,820</u>	<u>\$ -</u>	<u>\$ 19,606,203</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 1,469,871	\$ 874,524	\$ (18,820)	\$ -	\$ 2,325,575
Other capital assets, at cost	47,254,999	744,946	18,820	-	48,018,765
Total cost of capital assets	48,724,870	1,619,470	-	-	50,344,340
Less accumulated depreciation	26,100,483	2,312,079	-	-	28,412,562
Capital Assets, net	<u>\$ 22,624,387</u>	<u>\$ (692,609)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,931,778</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: Capital Assets (Continued)

Arkansas State University Three Rivers

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Nondepreciable capital assets:					
Land and improvements	\$ 790,262				\$ 790,262
Construction-in-progress		\$ 661,120			661,120
Total nondepreciable capital assets	<u>\$ 790,262</u>	<u>\$ 661,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,451,382</u>
Other capital assets:					
Improvements and infrastructure	\$ 339,912				\$ 339,912
Buildings	9,775,751				9,775,751
Equipment	3,028,497	\$ 98,683			3,127,180
Library/audiovisual holdings	503,980	6,421			510,401
Total other capital assets	<u>13,648,140</u>	<u>105,104</u>	<u>-</u>	<u>-</u>	<u>13,753,244</u>
Less accumulated depreciation for:					
Improvements and infrastructure	284,611	2,745			287,356
Buildings	5,525,377	509,634			6,035,011
Equipment	1,932,001	348,793			2,280,794
Library/audiovisual holdings	450,283	24,865			475,148
Total accumulated depreciation	<u>8,192,272</u>	<u>886,037</u>	<u>-</u>	<u>-</u>	<u>9,078,309</u>
Other capital assets, net	<u>\$ 5,455,868</u>	<u>\$ (780,933)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,674,935</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 790,262	\$ 661,120	\$ -	\$ -	\$ 1,451,382
Other capital assets, at cost	<u>13,648,140</u>	<u>105,104</u>	<u>-</u>	<u>-</u>	<u>13,753,244</u>
Total cost of capital assets	14,438,402	766,224	-	-	15,204,626
Less accumulated depreciation	<u>8,192,272</u>	<u>886,037</u>	<u>-</u>	<u>-</u>	<u>9,078,309</u>
Capital Assets, net	<u>\$ 6,246,130</u>	<u>\$ (119,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,126,317</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021	Maturities To June 30, 2021
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 4,725,000	\$ 14,505,000
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	3,520,000	1,820,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	1,685,000	1,090,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	2,540,000	885,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,100,000	400,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	20,235,000	8,660,000
8/1/2013	8/1/2023	0.24%	1,000,000	302,521	697,479
12/1/2013	12/1/2038	0.864 - 5.779%	11,130,000	9,080,000	2,050,000
12/1/2013	12/1/2043	2 - 5%	14,685,000	12,630,000	2,055,000
11/1/2015	11/1/2025	0.00%	600,000	270,000	330,000
11/1/2015	11/1/2025	0.00%	604,000	271,800	332,200
12/17/2015	12/1/2035	3.21%	15,226,080	14,113,961	1,112,119
11/17/2016	3/1/2037	3 - 4%	13,870,000	11,465,000	2,405,000
11/17/2016	3/1/2037	2 - 4%	23,150,000	17,305,000	5,845,000
12/20/2017	3/1/2039	3 - 4%	11,740,000	9,680,000	2,060,000
7/25/2018	5/25/2028	0.00%	1,000,000	700,000	300,000
12/18/2019	3/1/2030	2 - 3%	1,640,000	1,350,000	290,000
12/18/2019	3/1/2042	2.004 - 3.651%	3,750,000	3,500,000	250,000
3/15/2021	3/1/2042	0.515 - 2.794%	11,670,000	11,670,000	-
Unamortized discount			(21,470)	(14,313)	(7,157)
Unamortized premium			4,750,343	3,479,585	1,270,758
Totals			<u>\$ 175,958,953</u>	<u>\$ 129,608,554</u>	<u>\$ 46,350,399</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities To June 30, 2021</u>
8/31/2011	8/30/2036	5.74%	\$ 2,750,000	\$ 2,203,766	\$ 546,234
7/23/2012	7/23/2026	3.08%	2,366,268	1,137,955	1,228,313
2/14/2014	2/14/2028	4.98%	1,100,000	583,762	516,238
11/1/2014	11/1/2039	2 - 5%	33,000,000	28,195,000	4,805,000
6/1/2015	7/1/2026	1 - 3.2%	3,780,000	1,520,000	2,260,000
6/30/2015	6/1/2035	4.12%	10,136,926	8,021,260	2,115,666
2/3/2016	7/1/2032	2 - 3%	6,465,000	5,080,000	1,385,000
9/19/2017	7/15/2035	2 - 3.25%	7,005,000	6,050,000	955,000
10/3/2017	9/1/2035	1.25 - 3.25%	3,315,000	2,860,000	455,000
8/14/2018	8/14/2021	4.25%	1,000,000	1,000,000	-
7/1/2019	6/30/2028	0.00%	6,000,000	5,750,000	250,000
8/20/2019	11/1/2039	3.73%	15,996,406	15,553,524	442,882
Unamortized discount			(49,704)	(38,238)	(11,466)
Unamortized premium-bonds			783,471	564,730	218,741
Unamortized premium-note			115,848	106,194	9,654
Totals			<u>\$ 93,764,215</u>	<u>\$ 78,587,953</u>	<u>\$ 15,176,262</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021	Maturities To June 30, 2021
12/1/2012	12/1/2032	1 - 3%	\$ 1,890,000	\$ 1,235,000	\$ 655,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	680,000	1,215,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	6,465,000	1,540,000
5/1/2015	12/1/2035	2 - 4%	12,930,000	10,110,000	2,820,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	7,100,000	2,085,000
8/8/2017	7/1/2032	1.31%	100,000	75,212	24,788
10/18/2017	10/1/2037	3.04%	4,930,498	4,667,027	263,471
Unamortized discount			(91,432)	(63,938)	(27,494)
Unamortized premium			404,190	275,758	128,432
Totals			<u>\$ 39,248,256</u>	<u>\$ 30,544,059</u>	<u>\$ 8,704,197</u>

Arkansas State University Mid-South

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2021	Maturities To June 30, 2021
8/26/2010	2/1/2040	2 - 4.7%	\$ 5,180,000	\$ 3,975,000	\$ 1,205,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	14,385,000	4,125,000
3/15/2018	3/15/2038	3.30%	1,537,658	1,365,482	172,176
Unamortized discount			(47,842)	(30,301)	(17,541)
Unamortized premium			112,689	78,883	33,806
Totals			<u>\$ 25,292,505</u>	<u>\$ 19,774,064</u>	<u>\$ 5,518,441</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities To June 30, 2021</u>
12/18/2019	12/1/2032	2.004 - 3.119%	\$ 4,885,000	\$ 4,515,000	\$ 370,000
Totals			<u>\$ 4,885,000</u>	<u>\$ 4,515,000</u>	<u>\$ 370,000</u>

Arkansas State University Newport

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities To June 30, 2021</u>
7/23/2012	7/23/2027	3.75%	\$ 1,500,000	\$ 727,901	\$ 772,099
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	1,790,000	1,950,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,230,000	645,000
8/8/2017	7/1/2032	1.31%	1,000,000	815,306	184,694
10/18/2017	10/1/2037	3.04%	2,951,079	2,793,381	157,698
Unamortized discount			<u>(22,328)</u>	<u>(12,840)</u>	<u>(9,488)</u>
Totals			<u>\$ 11,043,751</u>	<u>\$ 7,343,748</u>	<u>\$ 3,700,003</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2021	Maturities To June 30, 2021
6/5/2007	3/1/2022	5.03%	\$ 825,000	\$ 75,830	\$ 749,170
2/28/2011	3/1/2026	0.37%	565,000	191,822	373,178
4/25/2014	5/1/2029	0.24%	1,000,000	537,806	462,194
Totals			<u>\$ 2,390,000</u>	<u>\$ 805,458</u>	<u>\$ 1,584,542</u>

The changes in long-term liabilities are as follows:

Arkansas State University Jonesboro

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 121,475,710	\$ 11,670,000	\$ 19,195,438 *	\$ 113,950,272	\$ 7,115,332
Notes payable	5,613,400		4,069,079 **	1,544,321	320,999
Capital leases payable	14,585,346		471,385	14,113,961	531,796
Compensated absences	7,723,931	4,590,302	4,906,502	7,407,731	4,260,835
Totals	<u>\$ 149,398,387</u>	<u>\$ 16,260,302</u>	<u>\$ 28,642,404</u>	<u>\$ 137,016,285</u>	<u>\$ 12,228,962</u>

*Includes advance refunding of \$5,370,000; advance refunding of \$5,520,000 with an unamortized premium of \$11,979; and refunding of \$1,005,000 with an unamortized discount of \$14,911. Includes early payoff of \$475,000 with an unamortized premium of \$12,299.

**Includes early payoff of \$3,236,730.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 47,347,106		\$ 2,115,614	\$ 45,231,492	\$ 3,179,088
Notes payable	34,871,865		1,515,404	33,356,461	1,427,415
Compensated absences	1,219,570		243,278	976,292	186,954
Totals	\$ 83,438,541	\$ -	\$ 3,874,296	\$ 79,564,245	\$ 4,793,457

Arkansas State University Beebe

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 27,253,718		\$ 1,451,898	\$ 25,801,820	\$ 1,476,898
Notes payable	87,767		12,555	75,212	-
Capital leases payable	4,766,593		99,566	4,667,027	112,854
Compensated absences	1,266,376	\$ 913,694	899,365	1,280,705	859,609
Totals	\$ 33,374,454	\$ 913,694	\$ 2,463,384	\$ 31,824,764	\$ 2,449,361

Arkansas State University Mid-South

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 18,985,745		\$ 577,163	\$ 18,408,582	\$ 597,162
Notes payable	1,424,700		59,218	1,365,482	61,172
Compensated absences	592,515	\$ 444,431	389,127	647,819	39,952
Totals	\$ 21,002,960	\$ 444,431	\$ 1,025,508	\$ 20,421,883	\$ 698,286

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 4,885,000		\$ 370,000	\$ 4,515,000	\$ 375,000
Compensated absences	547,267	\$ 253,925	281,835	519,357	15,581
Totals	\$ 5,432,267	\$ 253,925	\$ 651,835	\$ 5,034,357	\$ 390,581

Arkansas State University Newport

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Bonds payable	\$ 3,336,044		\$ 328,884	\$ 3,007,160	\$ 323,884
Notes payable	1,707,113		163,906	1,543,207	168,578
Capital leases payable	2,974,362		180,981	2,793,381	67,548
Compensated absences	1,079,033	\$ 518,448	601,724	995,757	533,260
Totals	\$ 9,096,552	\$ 518,448	\$ 1,275,495	\$ 8,339,505	\$ 1,093,270

Arkansas State University Three Rivers

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Notes payable	\$ 982,100		\$ 176,642	\$ 805,458	\$ 180,574
Compensated absences	420,037	\$ 224,383	208,463	435,957	36,220
Totals	\$ 1,402,137	\$ 224,383	\$ 385,105	\$ 1,241,415	\$ 216,794

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

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

Year ended June 30,	Arkansas State University Jonesboro Bonds payable		Notes payable	
	Principal	Interest	Principal	Interest
2022	\$ 7,115,332 *	\$ 4,218,074 **	\$ 320,999	\$ 726 **
2023	7,345,332	3,963,797	321,240	485
2024	7,640,332	3,687,091	321,482	243
2025	6,065,332	3,408,793	220,400	
2026	5,850,332	3,199,271	160,200	
2027 - 2031	31,954,220	12,680,171	200,000	
2032 - 2036	30,581,825	6,474,193		
2037 - 2041	13,961,204	1,941,114		
2042 - 2044	3,436,363	214,754		
Totals	<u>\$ 113,950,272 ***</u>	<u>\$ 39,787,258</u>	<u>\$ 1,544,321</u>	<u>\$ 1,454</u>

*Includes discount amortization of \$895 and premium amortization of \$226,226.

**Includes interest payable of \$1,155,428 recorded as a current liability at June 30, 2021.

***Total principal of \$113,950,272 includes discount amortization of \$14,313 and premium amortization of \$3,479,585.

Year ended June 30,	Henderson State University Bonds payable		Notes payable	
	Principal	Interest	Principal	Interest
2022	\$ 3,179,088 *	\$ 1,547,540 **	\$ 1,427,415	\$ 1,097,032 **
2023	2,244,088	1,429,485	1,477,783	1,047,320
2024	2,334,088	1,348,252	1,529,698	996,078
2025	2,419,088	1,269,041	1,580,716	938,901
2026	2,484,088	1,196,603	1,627,438	874,440
2027 - 2031	12,520,149	4,760,269	13,450,307	3,391,552
2032 - 2036	12,215,227	2,599,472	7,820,163	1,759,835
2037 - 2040	7,835,676	631,825	4,442,941	407,120
Totals	<u>\$ 45,231,492 ***</u>	<u>\$ 14,782,487</u>	<u>\$ 33,356,461 ***</u>	<u>\$ 10,512,278</u>

*Includes discount amortization of \$2,784 and premium amortization of \$39,189.

**Includes interest payable of \$913,794 recorded as a current liability at June 30, 2021.

***Total principal of \$45,231,492 includes discount amortization of \$38,238 and premium amortization of \$564,730. Total principal of \$33,356,461 includes premium amortization of \$106,194.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Year ended June 30,	Arkansas State University Beebe Bonds payable		Notes payable	
	Principal	Interest	Principal	Interest
2022	\$ 1,476,898 *	\$ 882,485 **	\$ -	\$ -
2023	1,531,899	833,473	6,401	985
2024	1,576,899	782,444	6,485	901
2025	1,389,923	731,276	6,570	816
2026	1,434,923	679,782	6,656	730
2027 - 2031	7,984,615	2,609,630	34,612	2,321
2032 - 2036	9,102,357	1,120,694	14,488	285
2037 - 2039	1,304,306	96,969		
Totals	<u>\$ 25,801,820 ***</u>	<u>\$ 7,736,753</u>	<u>\$ 75,212</u>	<u>\$ 6,038</u>

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

**Includes interest payable of \$286,434 recorded as a current liability at June 30, 2021.

***Total principal of \$25,801,820 includes discount amortization of \$63,938 and premium amortization of \$275,758.

Year ended June 30,	Arkansas State University Mid-South Bonds payable		Notes payable	
	Principal	Interest	Principal	Interest
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	657,162	650,940	67,430	38,803
2026	682,162	626,508	69,656	36,578
2037 - 2031	3,800,810	2,744,618	384,313	146,853
2032 - 2036	4,580,810	1,961,849	452,050	79,116
2037 - 2041	5,577,400	969,150	202,394	10,073
2042	1,258,752	50,200		
Totals	<u>\$ 18,408,582 ***</u>	<u>\$ 9,077,215</u>	<u>\$ 1,365,482</u>	<u>\$ 440,483</u>

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

**Includes interest payable of \$306,088 recorded as a current liability at June 30, 2021.

***Total principal of \$18,408,582 includes discount amortization of \$30,301 and premium amortization of \$78,883.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home
Bonds payable

Year ended June 30,	Principal	Interest
2022	\$ 375,000	\$ 116,752 *
2023	385,000	108,608
2024	390,000	99,972
2025	405,000	89,963
2026	415,000	78,684
2027 - 2031	2,000,000	218,458
2032 - 2033	545,000	17,076
Totals	<u>\$ 4,515,000</u>	<u>\$ 729,513</u>

*Includes interest payable of \$9,723 recorded as a current liability at June 30, 2021.

Arkansas State University Newport
Bonds payable

Notes payable

Year ended June 30,	Principal	Interest	Principal	Interest
2022	\$ 323,884 *	\$ 99,403 **	\$ 168,578	\$ 36,518 **
2023	343,884	89,979	173,414	31,682
2024	353,884	78,035	178,369	26,727
2025	368,884	65,609	183,580	21,516
2026	368,884	52,610	188,923	16,172
2027 - 2031	1,015,534	101,623	505,466	27,732
2032 - 2033	232,206	7,125	144,877	2,853
Totals	<u>\$ 3,007,160 ***</u>	<u>\$ 494,384</u>	<u>\$ 1,543,207</u>	<u>\$ 163,200</u>

*Includes discount amortization of \$1,116.

**Includes interest payable of \$93,046 recorded as a current liability at June 30, 2021.

***Total principal of \$3,007,160 includes discount amortization of \$12,840.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers
Notes payable

Year ended June 30,	Principal	Interest
2022	\$ 180,574	\$ 5,815 *
2023	105,046	1,699
2024	105,347	1,398
2025	105,650	1,095
2026	105,954	791
2027 - 2029	202,887	975
Totals	<u>\$ 805,458</u>	<u>\$ 11,773</u>

*Includes interest payable of \$1,723 recorded as a current liability at June 30, 2021.

Refunding of Debt

On March 15, 2021, the University issued \$11,670,000 in taxable refunding bonds for the Jonesboro campus with interest rates of 0.515 to 2.794 percent to refund \$1,005,000 of outstanding bonds (Series 2012D), with an unamortized discount of \$14,911, dated December 1, 2012 with interest rates of 1.375 to 3.5 percent and to advance refund \$5,370,000 of outstanding bonds (Series 2012A) dated March 1, 2012 with interest rates of 0.9 to 5.2 percent and \$5,520,000 of outstanding bonds (Series 2012B), with an unamortized premium of \$11,979, dated March 1, 2012 with interest rates of 2 to 4 percent. Net proceeds of \$11,472,240 after payment of \$197,760 for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$421,126 was transferred from the debt service reserve of the 2012A issue; \$387,835 was transferred from the debt service reserve of the 2012B issue, and \$69,606 was transferred from the debt service reserve of the 2012D issue. U.S. Treasury obligations of \$11,472,240 purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012A, 2012B, and 2012D Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012D bonds were called on March 15, 2021 and the 2012A and 2012B bonds will be called on March 1, 2022. The University refunded the bonds to reduce its total debt service payments by \$3,312,476 over the next twenty-one (21) years and to obtain an economic gain of \$1,711,636. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$245,676. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2042 using the straight-line method.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled \$18,597,965 at June 30, 2021. The present value of the net minimum lease payments is as follows:

<u>Type of Asset</u>	<u>Asset Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Energy Performance Contract	<u>\$ 23,269,103</u>	<u>\$ 4,671,138</u>	<u>\$ 18,597,965</u>

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,384,436
2023	1,450,779
2024	1,517,362
2025	1,589,748
2026	1,662,653
2027 - 2031	8,609,153
2032 - 2036	10,314,812
2037 - 2038	1,460,602
Total Minimum Lease Payments	<u>27,989,545</u>
Less: Amount Representing Interest	<u>6,415,176</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 21,574,369</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2021:

A. Construction Contracts

Project Title	Estimated Completion Date	Contract Balance
<u>Jonesboro</u>		
Student Union Cooling Tower	July 2021	\$ 114,492
Residence Life-Blinds, Floors, and Mattresses	August 2021	289,148
Zone and MEP Maint. Repairs	August 2021	51,826
Nursing Elevator and Fire Alarm Controls	September 2021	249,534
Residence Life Village Apartments Exterior Repairs	September 2021	163,457
Lab Science West 4th Floor Biology Labs	November 2021	309,775
Collegiate Park Stairs Buildings 3 and 6	November 2021	85,859
Agri Meat Lab Upgrades	November 2021	162,697
<u>Henderson State University</u>		
ERP Implementation	June 2022	3,000,000
<u>Beebe</u>		
ERP Implementation	June 2022	1,108,032
<u>Mid-South</u>		
ERP Implementation	June 2022	716,825
<u>Mountain Home</u>		
Walking Trail	March 2022	772,598
ERP Implementation	June 2022	531,133
<u>Newport</u>		
ERP Implementation	June 2022	949,450
<u>Three Rivers</u>		
Ritz Theatre Renovation	December 2021	59,500
ERP Implementation	June 2022	256,813

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, aviation 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, 2021: \$4,695,662

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

Year Ended June 30,	Amount
2022	\$ 1,468,538
2023	553,090
2024	402,490
2025	329,666
2026	230,361
2027 - 2031	743,306
2032 - 2036	115,823
2037 - 2041	117,798
2042 - 2046	119,832
2047 - 2051	121,927
2052 - 2056	124,085
2057 - 2061	126,307
2062 - 2066	128,597
2067 - 2071	93,455
2072 - 2075	20,387

Rental payments for the above operating leases, for the year ended June 30, 2021, were approximately \$1,633,312.

NOTE 8: Retirement Plans

Defined Contribution Plans

Teachers Insurance and Annuity Association (TIAA)

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Mid-South campus contributes 14% of earnings for employees hired prior to July 1, 2016. The Three Rivers campus contributes 14% of earnings for all eligible employees. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2021, \$98,365 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2021 were \$11,986,612 and \$10,063,602 respectively.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

Variable Annuity Life Insurance Company (VALIC)

Plan Description

The Jonesboro, Beebe, Mountain Home, Newport, and Three Rivers 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. The Three Rivers campus contributes 14% of earnings for all eligible employees. Current participants may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2021, \$3 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2021 were \$1,296,597 and \$996,539, 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 2021, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2021 were \$171,686 and \$86,477, respectively.

Defined Benefit Pension Plans

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

Plan Descriptions

Arkansas Teacher Retirement System

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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%.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

Benefits Provided (Continued)

Arkansas Teacher Retirement System (Continued)

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

The University no longer offers new employees the option of electing Arkansas Teacher Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan. This became effective on July 1, 2011 for the Jonesboro, Beebe, Mountain Home and Newport campuses and Henderson State University. This was effective for the Mid-South campus on June 8, 2015 and the Three Rivers campus on December 31, 2019.

The University reported payables to ATRS in the amount of \$87,661 as of June 30, 2021. 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.

The University no longer offers new employees the option of electing Arkansas Public Employees Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan. This became effective on January 1, 2012 for the Jonesboro, Beebe, Mountain Home and Newport campuses. This was effective for Henderson State University on July 1, 2018 and the Three Rivers campus on December 31, 2019. The Mid-South campus did not participate in this plan.

The University reported payables to APERS in the amount of \$90,636 as of June 30, 2021. This amount has been reported on the Statement of Net Position as a current liability.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

Contributions

Arkansas Teacher Retirement System (Continued)

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 14.50% for the fiscal year ending June 30, 2021. Contributory members are required to contribute 6.50% 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.

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, 2021.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

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

The collective net pension liability of \$8,524,466,425 (\$5,660,881,938 related to ATRS and \$2,863,584,487 related to APERS) was measured as of June 30, 2020, 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, 2021, the University reported a liability of \$27,317,990 (\$14,459,284 related to ATRS and \$12,858,706 related to APERS) for its proportionate share of the net pension liability. At June 30, 2020, the University's proportion of the collective net pension liability was .26% for ATRS and .45% for APERS.

For the year ended June 30, 2021, the University recognized total pension expense of \$2,522,169. \$922,783 of this amount was related to ATRS and \$1,599,386 was related to APERS. At June 30, 2021, 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	\$ 191,683	\$ 116,619
Changes of assumptions	940,839	
Net difference between projected and actual earnings on pension plan investments	2,376,853	
Changes in proportion and differences between employer contributions and proportionate share of contributions	113,168	3,454,558
Contributions subsequent to the measurement date	1,100,000	
Totals	<u>\$ 4,722,543</u>	<u>\$ 3,571,177</u>
APERS		
Differences between expected and actual experience	\$ 170,703	\$ 8,515
Changes of assumptions	161,109	220,317
Net difference between projected and actual earnings on pension plan investments	1,360,616	
Changes in proportion and differences between employer contributions and proportionate share of contributions	262,727	1,406,454
Contributions subsequent to the measurement date	1,215,029	
Totals	<u>\$ 3,170,184</u>	<u>\$ 1,635,286</u>
Totals		
Differences between expected and actual experience	\$ 362,386	\$ 125,134
Changes of assumptions	1,101,948	220,317
Net difference between projected and actual earnings on pension plan investments	3,737,469	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	375,895	4,861,012
Contributions subsequent to the measurement date	2,315,029	
Totals	<u>\$ 7,892,727</u>	<u>\$ 5,206,463</u>

The above amount of \$2,315,029 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

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

Fiscal Year Ending June 30,	ATRS	APERS	Total
2022	\$ (534,682)	\$ (388,882)	\$ (923,564)
2023	10,471	19,497	29,968
2024	294,883	298,040	592,923
2025	366,988	391,214	758,202
2026	(86,294)		(86,294)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2020 for both ATRS and APERS. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees and the APERS Board of Trustees were as follows:

	<u>ATRS</u>	<u>APERS</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years	26 years closed
Asset valuation method	4-year smoothed market for funding purposes; 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% including inflation	3.25 – 9.85%
Investment rate of return	7.50% compounded annually	7.15%*
	* Net of investment and administrative expenses	
Mortality rate table	<u>ATRS</u> RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality headcount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2017 from 2006.	

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

APERS

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

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

The actuarial assumptions used in the June 30, 2020 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, 2020 valuation for APERS were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

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, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Total equity	53%	5.2%
Fixed income	15%	-0.1%
Alternatives	5%	3.5%
Real assets	15%	5.1%
Private equity	12%	7.2%
Cash equivalents	<u>0%</u>	-1.0%
Total	<u>100%</u>	

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

Investment Rate of Return (Continued)

Arkansas Public Employees Retirement System

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 - 2029 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

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

Discount Rate

Arkansas Teacher Retirement System

A single discount rate of 7.50% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 6.25% and 14.25% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in fiscal year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Arkansas Public Employees Retirement System

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: Retirement Plans (Continued)

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

The following presents the proportionate share of the net pension liability using the discount rate, 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%	\$ 21,514,723	7.50%	\$ 14,459,284	8.50%	\$ 8,607,939
APERS	6.15%	\$ 19,584,763	7.15%	\$ 12,858,706	8.15%	\$ 7,308,188

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2021 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self- insurance	Depreciation	Other	Total
Instruction	\$ 91,105,174	\$ 2,364,761	\$ 11,075,017				\$ 104,544,952
Research	4,925,713	462,355	2,730,019				8,118,087
Public service	13,257,271	15,550	4,336,291				17,609,112
Academic support	21,207,412	39,580	6,874,984				28,121,976
Student services	17,733,961	119,924	5,848,950				23,702,835
Institutional support	26,504,974	8,750	11,926,161				38,439,885
Scholarships and fellowships		22,365,147 *					22,365,147
Operations and maintenance of plant	11,311,353		22,468,245				33,779,598
Auxiliary enterprises	10,727,773	6,070,362	17,326,958				34,125,093
Self-insurance				\$ 21,534,101			21,534,101
Depreciation					\$ 31,450,233		31,450,233
Other						\$ 18,570	18,570
Totals	\$ 196,773,631	\$ 31,446,429	\$ 82,586,625	\$ 21,534,101	\$ 31,450,233	\$ 18,570	\$ 363,809,589

*Includes \$1,231,928 of HEERF-CARES direct payments to students and \$9,799,866 of HEERF-CRRSAA direct payments to students due to COVID-19

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2021 as reported in the Statement of Net Position, were as follows:

	Jonesboro		
	Current	Noncurrent	Total
Student receivables, net	\$ 7,616,316		\$ 7,616,316
Grants and contracts	15,706,046		15,706,046
Construction projects	341,905	\$ 403,129	745,034
Travel advances/repayments	8,862		8,862
Auxiliary enterprises	2,318,212		2,318,212
Miscellaneous	4,895,558	56,016	4,951,574
Totals	\$ 30,886,899	\$ 459,145	\$ 31,346,044

	Henderson State University		
	Current	Noncurrent	Total
Student receivables, net	\$ 3,207,324		\$ 3,207,324
Grants and contracts	305,324		305,324
Sales and use tax	20,307		20,307
Construction projects	371,749		371,749
Travel advances/repayments	33,169		33,169
Auxiliary enterprises	28,422		28,422
Miscellaneous	118,791		118,791
Totals	\$ 4,085,086	\$ -	\$ 4,085,086

	Beebe		
	Current	Noncurrent	Total
Student receivables, net	\$ 960,673		\$ 960,673
Grants and contracts	435,774		435,774
Sales and use tax	222,576		222,576
Auxiliary enterprises	279,928		279,928
Totals	\$ 1,898,951	\$ -	\$ 1,898,951

	Mid-South		
	Current	Noncurrent	Total
Student receivables, net	\$ 121,451		\$ 121,451
Grants and contracts	2,124,788		2,124,788
Sales and use tax	7,402		7,402
Miscellaneous	76,596	\$ 1,520,868	1,597,464
Totals	\$ 2,330,237	\$ 1,520,868	\$ 3,851,105

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Receivable and Payable Balances (Continued)

	Mountain Home Current	Noncurrent	Total
Student receivables, net	\$ 167,546		\$ 167,546
Grants and contracts	150,729		150,729
Property tax accrual	903,088		903,088
Miscellaneous	301,995		301,995
Totals	<u>\$ 1,523,358</u>	<u>\$ -</u>	<u>\$ 1,523,358</u>

	Newport Current	Noncurrent	Total
Student receivables, net	\$ 1,402,836		\$ 1,402,836
Grants and contracts	650,873		650,873
Sales and use tax	196,951		196,951
Direct lending	6,055		6,055
Miscellaneous	1,472		1,472
Totals	<u>\$ 2,258,187</u>	<u>\$ -</u>	<u>\$ 2,258,187</u>

	Three Rivers Current	Noncurrent	Total
Student receivables, net	\$ 333,160		\$ 333,160
Grants and contracts	868,973		868,973
Auxiliary enterprises	1,356		1,356
Miscellaneous	291,952		291,952
Totals	<u>\$ 1,495,441</u>	<u>\$ -</u>	<u>\$ 1,495,441</u>

	System Current	Noncurrent	Total
Student receivables, net	\$ 13,809,306		\$ 13,809,306
Grants and contracts	20,242,507		20,242,507
Sales and use tax	447,236		447,236
Construction projects	713,654	\$ 403,129	1,116,783
Travel advances/repayments	42,031		42,031
Property tax accrual	903,088		903,088
Auxiliary enterprises	2,627,918		2,627,918
Direct lending	6,055		6,055
Miscellaneous	5,686,364	1,576,884	7,263,248
Totals	<u>\$ 44,478,159</u>	<u>\$ 1,980,013</u>	<u>\$ 46,458,172</u>

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$9,733,352 at June 30, 2021. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year for vending, bookstore and other types of auxiliaries. Direct lending receivables are federal loans that have been disbursed to students but the University has not yet received the cash.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Receivable and Payable Balances (Continued)

Notes and Deposits Receivable at June 30, 2021 were as follows:

	Jonesboro		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Notes receivable, net	\$ 685,515	\$ 2,377,661	\$ 3,063,176
Deposits receivable	10	5,759	5,769
Totals	<u>\$ 685,525</u>	<u>\$ 2,383,420</u>	<u>\$ 3,068,945</u>

	Henderson State University		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Notes receivable, net	\$ 114,604	\$ 522,276	\$ 636,880

	System		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Notes receivable, net	\$ 800,119	\$ 2,899,937	\$ 3,700,056
Deposits receivable	10	5,759	5,769
Totals	<u>\$ 800,129</u>	<u>\$ 2,905,696</u>	<u>\$ 3,705,825</u>

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2021 was reduced by an allowance for doubtful accounts of \$117,509 for the current portion and \$407,573 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2021 are detailed below:

	Jonesboro		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 6,318,727		\$ 6,318,727
Health claims	1,543,100		1,543,100
Salaries and other payroll related items	1,941,219		1,941,219
Sales tax and use tax	12,341		12,341
Direct lending	8,736,193		8,736,193
Miscellaneous	36,415		36,415
Totals	<u>\$ 18,587,995</u>	<u>\$ -</u>	<u>\$ 18,587,995</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Receivable and Payable Balances (Continued)

Henderson State University			
	Current	Noncurrent	Total
Vendors	\$ 4,858,603		\$ 4,858,603
Salaries and other payroll related items	855,264	\$ 13,238	868,502
Optional Voluntary Retirement Incentive Program	202,126		202,126
Miscellaneous	10,694		10,694
Totals	\$ 5,926,687	\$ 13,238	\$ 5,939,925

Beebe			
	Current	Noncurrent	Total
Vendors	\$ 310,176		\$ 310,176
Sales tax and use tax	7,844		7,844
Salaries and other payroll related items	23,911		23,911
Miscellaneous	2,272		2,272
Totals	\$ 344,203	\$ -	\$ 344,203

Mid-South			
	Current	Noncurrent	Total
Vendors	\$ 553,092		\$ 553,092
Sales tax and use tax	6,845		6,845
Arkansas Delta Training and Education Consortium	263,417		263,417
Salaries and other payroll related items	523,019		523,019
Miscellaneous	79,798		79,798
Totals	\$ 1,426,171	\$ -	\$ 1,426,171

Mountain Home			
	Current	Noncurrent	Total
Vendors	\$ 44,400		\$ 44,400
Salaries and other payroll related items	100,404		100,404
Totals	\$ 144,804	\$ -	\$ 144,804

Newport			
	Current	Noncurrent	Total
Vendors	\$ 69,496		\$ 69,496
Sales tax and use tax	5,398		5,398
Salaries and other payroll related items	58,496		58,496
Totals	\$ 133,390	\$ -	\$ 133,390

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: Receivable and Payable Balances (Continued)

Three Rivers			
	Current	Noncurrent	Total
Vendors	\$ 83,735		\$ 83,735
Salaries and other payroll related items	231,588		231,588
Totals	\$ 315,323	\$ -	\$ 315,323
System			
	Current	Noncurrent	Total
Vendors	\$ 12,238,229		\$ 12,238,229
Sales tax and use tax	32,428		32,428
Health claims	1,543,100		1,543,100
Arkansas Delta Training and Education Consortium	263,417		263,417
Salaries and other payroll related items	3,733,901	\$ 13,238	3,747,139
Direct lending	8,736,193		8,736,193
Optional Voluntary Retirement Incentive Program	202,126		202,126
Miscellaneous	129,179		129,179
Totals	\$ 26,878,573	\$ 13,238	\$ 26,891,811

NOTE 11: Museum Collection

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

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University)

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 retire 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. Certain retirees from the Mid-South campus are eligible for a life insurance benefit that continues beyond age 65 for the lifetime of the retiree. Dependents of retirees are eligible for a death benefit of \$2,000. Benefits are not payable after the retiree attains age 65.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

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.

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, 2021, the following employees were covered by the benefit terms:

	Medical benefits	Life insurance benefits*
<u>Active employees</u>		
Fully eligible	470	
Not yet fully eligible	1,299	
	1,769	
 <u>Retired employees</u>		
Retirees	90	124
Spouses	24	n/a
Surviving spouses	10	n/a
	124	124
 <u>Totals</u>		
	1,893	124

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

Total OPEB Liability

The University's total OPEB liability of \$11,969,320 was measured as of June 30, 2021 and determined by an actuarial valuation dated January 1, 2021.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.44% for June 30, 2020 measurement date and fiscal 2021 OPEB expense development 2.09% for June 30, 2021 measurement date
Inflation rate	2.00%
Salary increases	1.00% through 2022; 2.50% thereafter
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. Mortality includes a generational projection for future mortality improvements using Scale MP-2020.

Healthcare cost trend rates

Healthcare costs are assumed to increase each year according to the following table:

Year	Medical	Pharmacy	Blended
2021	5.00%	7.50%	5.50%
2022	5.00%	6.90%	5.40%
2023 - 2024	5.00%	6.40%	5.30%
2025 - 2027	4.90%	6.30%	5.20%
2028 - 2030	4.80%	6.10%	5.10%
2031	4.80%	5.70%	5.00%
2032 - 2035	4.80%	5.20%	4.90%
2036 and beyond	4.80%	4.80%	4.80%

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 (SOA) since plan experience alone is not credible.

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

The salary scale was set based on plan sponsor expectations of future payroll increases.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	\$ 17,739,334
Changes for the year:	
Service cost	1,132,078
Interest	457,646
Changes of benefit terms	14,863
Differences between expected and actual experience	(1,755,623)
Changes in assumptions or other inputs*	(5,386,746)
Benefit payments	(232,232)
Net changes	(5,770,014)
Balance, June 30, 2021	\$ 11,969,320

*The discount rate was updated from 2.44% as of June 30, 2020 to 2.09% as of June 30, 2021 to reflect recent high-quality municipal bond rates.

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 2.09%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.09%) or 1 percentage point higher (3.09%) than the current rate:

	1% Decrease (1.09%)	Current Discount Rate (2.09%)	1% Increase (3.09%)
Total OPEB Liability	\$ 12,831,028	\$ 11,969,320	\$ 11,185,105

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

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 5.50% decreasing to 4.80%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50% decreasing to 3.80%) or 1 percentage point higher (6.50% decreasing to 5.80%) than the current rate:

	1% Decrease (4.50% decreasing to 3.80%)	Current Healthcare Cost Trend Rates (5.50% decreasing to 4.80%)	1% Increase (6.50% decreasing to 5.80%)
Total OPEB Liability	\$ 11,045,877	\$ 11,969,320	\$ 13,031,318

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

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

For the year ended June 30, 2021, the University recognized OPEB expense of (\$897,209). At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,738,435	\$ (8,553,834)
Changes of assumptions or other inputs	458,552	(4,629,383)
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
Totals	\$ 2,196,987	\$ (13,183,217)

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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 608,536	\$ (3,110,332)
2023	608,536	(3,110,332)
2024	593,500	(3,110,332)
2025	386,415	(2,828,201)
2026	-	(1,024,020)
Totals	2,196,987	(13,183,217)

Henderson State University

Plan Description

The University's defined benefit OPEB plan, HSU 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 retire 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) one of two fully insured plans offered. The two plan options include a traditional POS plan and a \$2,000 deductible HDHP plan.
- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives up to a maximum of \$20,000. The amount is determined by multiplying the salary upon retirement by 65% and rounding to the next nearest thousand. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

Monthly medical contributions for retirees and spouses are shown below:

Plan	Retiree only contribution	Retiree plus spouse contribution
Traditional POS	\$ 60.12	\$ 492.45
HDHP \$2,000	60.96	499.32

No contributions are required for the life insurance benefit.

Employees hired on or after July 1, 2015 are not eligible to receive these postemployment benefits.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

	<u>Medical benefits</u>
<u>Active employees</u>	
Fully eligible	90
Not yet fully eligible	125
	215
 <u>Retired employees</u>	
Retirees	22
Spouses	5
Surviving spouses	-
	27
 Totals	242

Total OPEB Liability

The University's total OPEB liability of \$5,590,897 was measured as of June 30, 2021 and determined by an actuarial valuation dated January 1, 2020.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.21% for June 30, 2020 measurement date and fiscal 2021 OPEB expense development
	2.16% for June 30, 2021 measurement date
Inflation rate	2.00%
Salary increases	1.00% through 2022; 2.50% thereafter
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees.

Mortality includes a generational projection for future mortality improvements using Scale MP-2020.

Healthcare cost trend rates

Healthcare costs are assumed to increase each year according to the following table:

Year	Rate
2020	27.70%
2021	5.50%
2022	5.40%
2023 - 2024	5.30%
2025 - 2027	5.20%
2028-2030	5.10%
2031	5.00%
2032 - 2035	4.90%
2036 and beyond	4.80%

The discount rate is based on the Bond Buyer 20-Bond GO Index as of the measurement date.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	\$ 4,427,225
Changes for the year:	
Service cost	267,688
Interest	101,637
Changes of benefit terms	22,202
Differences between expected and actual experience	932,539
Changes in assumptions or other inputs*	32,575
Benefit payments	(192,969)
Net changes	1,163,672
Balance, June 30, 2021	\$ 5,590,897

*The discount rate was updated from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021 to reflect recent high-quality municipal bond rates.

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 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 5,901,315	\$ 5,590,897	\$ 5,296,490

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

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 5.50% decreasing to 4.80%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50% decreasing to 3.80%) or 1 percentage point higher (6.50% decreasing to 5.80%) than the current rate:

	1% Decrease (4.50% decreasing to 3.80%)	Current Healthcare Cost Trend Rates (5.50% decreasing to 4.80%)	1% Increase (6.50% decreasing to 5.80%)
Total OPEB Liability	\$ 5,121,160	\$ 5,590,897	\$ 6,129,924

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (Continued)

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

For the year ended June 30, 2021, the University recognized OPEB expense of \$385,881. At June 30, 2021, 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	\$ 814,284	\$ (659,989)
Changes of assumptions or other inputs	26,695	(154,064)
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
Totals	\$ 840,979	\$ (814,053)

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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 187,080	\$ (192,726)
2023	187,080	(192,726)
2024	187,080	(192,726)
2025	185,665	(177,502)
2026	94,074	(58,373)
Totals	\$ 840,979	\$ (814,053)

NOTE 13: Self-insurance Program

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

At June 30, 2021, approximately 4,208 active employees, their dependents, former employees and retirees were participating in the program. Effective January 1, 2020, the University offers three health plans: the Classic Plan which uses the Arkansas True-Blue network, the Premium Plan, and the Health Savings Plans which both use the Arkansas True-Blue network and the National Blue Care network. For those participating in single coverage, the University pays 84% of the total premium. The University pays 74% of the total premium for those participating in full family coverage, 70% for those participating in employee & spouse coverage, and 69% for those participating in employee and children coverage. Retirees, 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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13: Self-insurance Program (Continued)

The University estimates its unpaid health claims liability at June 30, 2021 to be \$1,543,100 with Arkansas Blue Advantage Administrators. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by Lockton. Details of this liability are shown below.

Unpaid Claims Liability	
	FY 2021
Unpaid Claims, 7-1-20	\$ 1,457,300
Incurred claims during current year	16,806,084
Current year claims paid	15,262,984
Prior year claims paid	1,457,300
Total payments	16,720,284
Unpaid Claims, 6-30-21	\$ 1,543,100

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

NOTE 14: Endowment Funds

Arkansas State University Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as cash or investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2021 was \$16,685,986. Of this amount, \$15,436,976 was nonexpendable and the remaining \$1,249,010 was expendable.

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

For endowments held by the Arkansas State University Foundation, the University's policy is for annual expenses from the endowment funds not to exceed 4% of the five (5) year average market value as determined at December 31st of the previous year. In periods with no market value appreciation, the University limits the spending to actual income generated by the endowment fund assets.

Arkansas State University Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net assets at June 30, 2021 were \$912,212. Of this amount, \$887,212 was nonexpendable and the remaining \$25,000 was expendable.

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

The University's policy is for any interest earnings to be expensed from the endowment funds for scholarships.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues

The University's pledged revenues at June 30, 2021 are as follows:

Arkansas State University Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2021 Gross Revenue	Amount Issued	2021 Principal Paid	2021 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	\$ 3,098,412	\$ 19,230,000	\$ 1,310,000	\$ 301,750	\$ 4,725,000	\$ 519,750	52.02%
Series 2010B Refunding*	12/7/2010	12/1/2027	Refinance Series 2002-Property Purchases	Gross Tuition and Fees	see below	1,866,624	535,000	14,171	-	-	0.63%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,186,278	3,425,000	110,000	102,731	2,540,000	884,931	17.93%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,186,278	1,500,000	55,000	34,062	1,100,000	317,106	7.51%
Series 2012A Taxable Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and Fees	see below	5,340,000	210,000	154,793	3,520,000	1,196,373	0.42%
Series 2012B Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Refinance Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements	Gross Tuition and Fees	see below	2,775,000	105,000	57,006	1,685,000	412,294	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	4,268,322	28,895,000	1,190,000	807,200	20,235,000	5,740,625	46.79%

*The total amount issued on the Series 2010B Refunding was \$3,435,000. The portion pledged with housing fees was \$1,568,376 had a final maturity date of December 1, 2017. The bonds were paid off early during fiscal year 2021. Of the amounts above, \$475,000 in principal and \$4,388 in interest were due to the early payoff.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2021 Gross Revenue	Amount Issued	2021 Principal Paid	2021 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	\$ 11,130,000	\$ 315,000	\$ 494,529	\$ 9,080,000	\$ 5,309,722	0.92%
Series 2013B Student Fee	12/1/2013	12/1/2043	Construction of Humanities and Social Sciences building	Gross Tuition and Fees	see below	14,685,000	315,000	598,950	12,630,000	8,227,494	1.04%
Series 2016 Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Student Fee-Construction of Recreation Center	Recreation Center Fee	1,484,201	13,870,000	510,000	438,756	11,465,000	3,712,356	63.92%
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	3,075,306	23,150,000	1,250,000	714,713	17,305,000	5,501,925	63.89%
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	1,395,364	11,740,000	520,000	378,575	9,680,000	3,025,219	64.40%
Series 2019 Refunding	12/18/2019	3/1/2030	Refinance Series 2010A Refunding-Track Facility (Series 2001)	Gross Tuition and Fees	see below	1,640,000	145,000	39,244	1,350,000	160,906	0.21%
Series 2019 Taxable Housing Refunding	12/18/2019	3/1/2042	Refinance Series 2012C Taxable Housing-Construction of sorority housing	Housing Fees	860,634	3,750,000	120,000	115,878	3,500,000	1,467,945	27.41%
Series 2012A Taxable Housing	Refunded below		Construction of sorority housing	Housing Fees	860,634	6,510,000	155,000	264,066	-	-	48.69%
Series 2012B Housing	Refunded below		Construction of honors housing	Housing Fees	447,215	6,875,000	185,000	201,798	-	-	86.49%
Series 2012D Housing	Refunded below		Construction of honors housing	Housing Fees	447,215	1,255,000	35,000	32,375	-	-	15.07%
Series 2021 Taxable Housing Refunding	3/15/2021	3/1/2042	Refinance Series 2012A Taxable Housing-Construction of sorority housing and refinance Series 2012B and Series 2012D Housing-construction of honors housing	Housing Fees	1,307,849	11,670,000	-	-	11,670,000	3,310,612	0.00%

Note: Issues with Tuition and Fees pledged, 2021 Gross Revenue--\$87,680,272

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues (Continued)

Henderson State University

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2021 Gross Revenue	Amount Issued	2021 Principal Paid	2021 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2014 Auxiliary Refundin	11/1/2014	11/1/2039	Purchase of an existing apartment complex, construction of two new residence halls, renovation of the football stadium, baseball and softball fields, construction of an intramural field, renovation of residence halls, and construction of parking lots	Auxiliary Revenue	see below	\$ 33,000,000	\$ 970,000	\$ 1,120,481	\$ 28,195,000	\$ 11,544,690	22.48%
Series 2015 Refunding	6/1/2015	6/1/2035	Renovation of Arkansas Hall, Mooney Hall, and Proctor Hall, property purchases, campus chiller replacements, campus lighting, and other capital improvements	Gross Tuition and Fees	see below	3,780,000	230,000	43,433	1,520,000	140,304	1.07%
Series 2016 Refunding	2/3/2016	1/1/2032	Refinance Series 2007- Construction of parking and the student recreation center	Gross Tuition and Fees	see below	6,465,000	405,000	136,733	5,080,000	885,612	2.12%
Series 2017A Auxiliary Refunding	8/15/2017	7/1/2036	Construction of two residence halls	Auxiliary Revenue	see below	7,005,000	325,000	180,568	6,050,000	1,474,715	5.44%
Series 2017B Auxiliary Refunding	8/31/2017	7/1/2036	Construction of a residence hall	Auxiliary Revenue	see below	3,315,000	155,000	84,375	2,860,000	694,075	2.57%
Auxiliary Enterprises Revenue Secured Bond	8/14/2018	8/14/2021	Renovation of Smith Hall residential facilities	Auxiliary Revenue	see below	\$ 1,000,000	-	48,632	1,000,000	43,091	0.52%

Note: Issues with Tuition and Fees pledged, 2021 Gross Revenue--\$25,602,436.
Issues with Auxiliary Revenue pledged, 2021 Revenue--\$9,298,753.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2021 Gross Revenue	Amount Issued	2021 Principal Paid	2021 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus	Gross Tuition and Fees	see below	\$ 1,890,000	\$ 90,000	\$ 34,593	\$ 1,235,000	\$ 224,438	1.51%
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	215,000	23,625	680,000	30,900	2.89%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	\$ 599,935	8,005,000	270,000	223,322	6,465,000	2,330,112	82.23%
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	505,000	369,231	10,110,000	2,876,578	10.59%
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	355,000	274,254	7,100,000	2,274,725	7.63%

Note: Issues with Tuition and Fees pledged, 2021 Gross Revenue-\$8,252,503.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Mid-South

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Type of Revenue Pledged</u>	<u>2021 Gross Revenue</u>	<u>Amount Issued</u>	<u>2021 Principal Paid</u>	<u>2021 Interest Paid</u>	<u>Principal Outstanding</u>	<u>Interest Outstanding</u>	<u>Percent of Revenue Pledged</u>
Series 2010 Construction	8/26/2010	2/1/2040	Construction of Facilities	Property Tax Millage	\$ 3,087,368	\$ 5,180,000	\$ 115,000	\$ 181,331	\$ 3,975,000	\$ 2,272,837	9.60%
Series 2012 Construction	8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	3,087,368	18,510,000	460,000	549,658	14,385,000	6,804,378	32.70%

Arkansas State University Mountain Home

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Type of Revenue Pledged</u>	<u>2021 Gross Revenue</u>	<u>Amount Issued</u>	<u>2021 Principal Paid</u>	<u>2021 Interest Paid</u>	<u>Principal Outstanding</u>	<u>Interest Outstanding</u>	<u>Percent of Revenue Pledged</u>
Series 2019 Refunding	12/18/2019	12/1/2032	Refinance Series 2012 Refunding Student Fee-Construction of Community Development Center	Gross Tuition and Fees	\$ 3,805,066	\$ 4,885,000	\$ 370,000	\$ 124,404	\$ 4,515,000	\$ 729,513	12.99%

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2021 Gross Revenue	Amount Issued	2021 Principal Paid	2021 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	\$ 240,000	\$ 73,859	\$ 1,790,000	\$ 270,000	4.70%
Series 2012B Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Building-Construction of Transportation Technology Center building	Gross Tuition and Fees	see below	1,875,000	90,000	34,488	1,230,000	224,384	1.86%

Note: Issues with Tuition and Fees pledged, 2021 Gross Revenue-\$6,683,755

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16: Risk Management

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

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

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

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17: Optional Voluntary Retirement Incentive Program

Henderson

During fiscal year 2021, 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 10 years of continuous full-time employment as of December 31, 2020. Employees will receive 25 percent of their salary plus one-half percent of their salary for each year employed. Employees chose to retire either on March 31, 2021 or June 30, 2021. Employees who chose to retire in March received their payment prior to June 30, 2021. Employees who chose to retire on June 30, 2021 will receive their payment in July. Of the eighteen (18) employees who elected to participate in this program; nine (9) employees retired on June 30, 2021. As of June 30, 2021, the liability totaling \$202,126 has been recorded on the University's financial statements as a current liability.

NOTE 18: Lease Obligations with Red Wolves Foundation

Jonesboro

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

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.

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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 19: Lease Agreements (Continued)

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: GASB 84 Restatement

The University has restated its fiscal year beginning net position and fiscal year beginning cash and cash equivalents in accordance with GASB no. 84, *Fiduciary Activities*. GASB no. 84 states if restatement of all prior periods presented is not practical, the cumulative effect of applying this statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. The University has chosen to restate the FY 21 beginning net position and cash and cash equivalents.

This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom fiduciary relationship exists.

The adoption of GASB no. 84 had the following impact on the financial statements for the year ended June 30, 2021:

FY 20 Ending Net Position (adjusted for the merger with Henderson State University)	\$409,733,155
FY 21 Beginning Net Position	\$409,807,223
FY 20 Ending Cash and Cash Equivalents (adjusted for the merger with Henderson State University)	\$138,284,949
FY 21 Beginning Cash and Cash Equivalents	\$136,931,023

NOTE 21: Merger with Henderson State University

On December 6, 2019, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and Henderson State University. In the merger agreement, Henderson State University became a member of the Arkansas State University System. The ASU System agreed to maintain and oversee operations of Henderson State University. The agreement was entered into so that both parties can provide for sound growth of and sustain Henderson State University as a first-class university according to a plan of transition calling for specific action by the ASU System and Henderson. This agreement was entered into so that Henderson was fully merged into the Arkansas State University System, which is the surviving legal institution and will continue to be governed by the laws of the State of Arkansas with the ASU System receiving and assuming, upon the date of transfer, the assets and liabilities of Henderson. The merger was effective on January 1, 2021.

The ASU System Board of Trustees recognized that the Board should be of an appropriate size and composition to ensure suitable representation of the member campuses. Upon Henderson becoming a member of the ASU System, the ASU System Board of Trustees agreed to expand the size of the Board of Trustees from five members to seven members.

The Henderson Board of Trustees voted to retain the name of Henderson State University. Where appropriate, the name will be followed by language indicating the University is a member of the ASU System.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 21: Merger with Henderson State University (Continued)

As of the last audit date of June 30, 2020, Henderson State University had the following assets, deferred outflows, liabilities, deferred inflows and net position.

Henderson State University
Statement of Net Position
June 30, 2020

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,854,272
Student accounts receivable	4,962,556
Inventories	15,927
Notes and student loans receivable	134,222
Other receivables	654,327
Deposits with trustee	1,428,015
Unamortized bond insurance	42,506
Total Current Assets	<u>13,091,825</u>
Noncurrent Assets:	
Cash and cash equivalents	22,653
Notes and student loans receivable	558,206
Other receivables	143,464
Deposits with trustee	1,756,654
Capital assets (net of accumulated depreciation of \$91,855,082)	107,210,686
Total Noncurrent Assets	<u>109,691,663</u>
TOTAL ASSETS	<u>122,783,488</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferral of pension liability	1,529,524
Deferral of OPEB liability	62,945
Deferral of debt defeasance (net of accumulated amortization of \$137,899)	318,114
TOTAL OUTFLOWS OF RESOURCES	<u>1,910,583</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	5,986,200
Funds held in trust for others	1,285,413
Unearned revenue	776,234
Employee retirement	38,729
Other postemployment benefits	110,585
Compensated absences payable	155,914
Long-term debt	3,344,611
Discount on bonds	(2,784)
Deferral of bond premium	39,189
Total Current Liabilities	<u>11,734,091</u>
Noncurrent Liabilities:	
Refundable advance	814,876
Employee retirement	26,380
Other postemployment benefits	4,316,640
Compensated absences payable	1,063,656
Long-term debt	78,205,268
Pension liability	6,174,372
Discount on bonds (net of accumulated amortization of \$8,682)	(38,238)
Bond and note payable premium-deferred, (net of accumulated amortization of \$216,488)	670,925
Total Noncurrent Liabilities	<u>91,233,879</u>
TOTAL LIABILITIES	<u>102,967,970</u>
DEFERRED INFLOWS OF RESOURCES	
Deferral of pension liability	944,413
Deferral of OPEB liability	1,006,779
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,951,192</u>
NET POSITION	
Invested in capital assets, net of related debt	34,372,244
Restricted for:	
Expendable:	
Capital projects	143,601
Grants and contracts	319,308
Loans	47,738
Debt Service	230,000
Unrestricted	(15,337,982)
TOTAL NET POSITION	<u>\$ 19,774,909</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 22: Deficit Net Position

Henderson State University

The University's unrestricted net position at June 30, 2021, as stated on the Statement of Net Position is \$141,923,286. All the campuses had a positive unrestricted net position with the exception of Henderson State University. Their unrestricted net position totaled (\$10,338,339). Included in this deficit was the effect of the net pension liability and related inflows and outflows of \$5,810,248 and the effect of the other postemployment benefits liability and related inflows and outflows of \$5,563,971. Excluding the above liabilities and related inflows and outflows; the unrestricted net position was \$1,035,880.

NOTE 23: Capital Asset Impairment

Henderson State University

On October 9, 2019, two labs in the Reynolds Science Center were significantly damaged by a chemical spill. The Reynolds Science Center building was constructed in 1971 at a cost of \$1,806,686. There have been three additions to the Reynolds Science Center: in 1979 for \$16,740, in 2001 for \$7,214,410, and in 2017 for \$18,699, which brings the total historical cost of the building to \$9,056,535. The accumulated depreciation on the building is \$6,539,084 and the carrying value is \$2,517,451. Due to safety concerns the building was closed until the labs could be decontaminated. The labs are currently in use as storage space. The building was insured when the spill occurred, however, the insurance carrier has denied the claim using the policy's pollution exclusion. Other avenues for funds to replace the labs are being explored, however, the cost of replacement has not yet been determined. Due to the unknown amounts, an impairment loss or gain could not be determined for the fiscal year ending June 30, 2021.

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

Postemployment Benefits Other Than Pensions (OPEB) (For campuses other than Henderson State University)

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

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Total OPEB Liability*							
Service cost	\$ 1,132,078	\$	1,426,881	\$	1,521,697	\$	1,433,006
Interest	457,646		839,994		743,196		671,522
Changes of benefit terms	14,863		999,479				
Differences between expected and actual experience	(1,755,623)		(10,257,463)		3,151,798		
Changes in assumptions or other inputs	(5,386,746)		(519,149)		594,755		324,555
Benefit payments	(232,232)		(148,694)		(766,360)		(948,092)
	<hr/>						
Net change in total OPEB liability	(5,770,014)		(7,658,952)		5,245,086		1,480,991
Total OPEB liability, beginning of year	17,739,334		25,398,286		20,153,200		18,672,209
	<hr/>						
Total OPEB liability, end of year	\$ 11,969,320	\$	17,739,334	\$	25,398,286	\$	20,153,200
	<hr/>						
Covered-employee payroll	\$ 125,853,377	\$	123,777,641	\$	115,592,428	\$	117,067,546
	<hr/>						
Total OPEB liability as a percentage of covered-employee payroll	9.51%		14.33%		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.

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

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

- A \$2,000 life insurance benefit for dependents of retirees was added to the valuation for the first time as of June 30, 2021. While this is not a change in the plan, the increase in the Total OPEB Liability due to the addition of this benefit was treated as a change in benefit terms to be reflected in the 2021 OPEB expense. This resulted in a one-time expense of \$14,863.

B. Changes in assumptions

- The discount rate was updated to reflect the current economic environment.
- The mortality projection scales were updated based on recent research by the Society of Actuaries.
- Healthcare trend rates were updated to reflect anticipated future experience.
- Per capita claim costs and administrative expenses were updated to reflect recent plan experience.
- The medical plan participation assumption was updated from 80% to 75% to reflect recent plan experience.
- Retirement rates, termination rates, spousal assumptions, and the plan selection assumption were updated to reflect recent plan experience.

C. Method and assumptions used in calculations

Valuation date	January 1, 2021
Measurement date	June 30, 2021
Discount rate	2.44% for June 30, 2020 measurement date and fiscal 2021 OPEB expense development 2.09% for June 30, 2021 measurement date
Inflation rate	2.00%
Salary increases	1.00% through 2022; 2.50% thereafter
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. Mortality includes a generational projection for future mortality improvements using Scale MP-2020.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

Year	Medical	Pharmacy	Blended
2021	5.00%	7.50%	5.50%
2022	5.00%	6.90%	5.40%
2023 - 2024	5.00%	6.40%	5.30%
2025 - 2027	4.90%	6.30%	5.20%
2028 - 2030	4.80%	6.10%	5.10%
2031	4.80%	5.70%	5.00%
2032 - 2035	4.80%	5.20%	4.90%
2036 and beyond	4.80%	4.80%	4.80%

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

Postemployment Benefits Other Than Pensions (OPEB) (Henderson State University)

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

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Total OPEB Liability*							
Service cost	\$ 267,688	\$	205,099	\$	408,676	\$	425,068
Interest	101,637		146,819		142,755		146,882
Changes of benefit terms	22,202				(322,074)		
Differences between expected and actual experience	932,539		75,817		(611,793)		(568,658)
Changes in assumptions or other inputs	32,575		(117,395)		(135,703)		(2,899)
Benefit payments	(192,969)		(154,573)		(144,314)		(149,314)
Net change in total OPEB liability	1,163,672		155,767		(662,453)		(148,921)
Total OPEB liability, beginning of year	4,427,225		4,271,458		4,933,911		5,082,832
Total OPEB liability, end of year	<u>\$ 5,590,897</u>	\$	<u>4,427,225</u>	\$	<u>4,271,458</u>	\$	<u>4,933,911</u>
Covered-employee payroll	\$ 13,483,283	\$	13,653,248	\$	13,712,574	\$	20,613,947
Total OPEB liability as a percentage of covered-employee payroll	41.47%		32.43%		31.15%		23.93%

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.

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

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

- A medical plan option was removed as of January 1, 2021. Reflecting this change resulted in an increase in the Total OPEB Liability and was treated as a change in benefit terms to be reflected in the 2021 OPEB expense. This resulted in a one-time expense of \$22,202.

B. Changes in assumptions

- The discount rate was updated to reflect the current economic environment.
- The mortality projection scales were updated based on recent research by the Society of Actuaries.
- Healthcare trend rates were updated to reflect anticipated future experience.
- The plan selection assumption was updated to reflect one of the medical plan options is no longer available.
- Assumptions related to the \$3,000 deductible HDHP plan were removed.

C. Method and assumptions used in calculations

Valuation date	January 1, 2020
Measurement date	June 30, 2021
Discount rate	2.21% for June 30, 2020 measurement date and fiscal 2021 OPEB expense development 2.16% for June 30, 2021 measurement date
Inflation rate	2.00%
Salary increases	1.00% through 2022; 2.50% thereafter
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. Mortality includes a generational projection for future mortality improvements using Scale MP-2020.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the following table:

Year	Rate
2020	27.70%
2021	5.50%
2022	5.40%
2023 - 2024	5.30%
2025 - 2027	5.20%
2028 - 2030	5.10%
2031	5.00%
2032 - 2035	4.90%
2036 and beyond	4.80%

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

Pension Plans

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

Arkansas Teacher Retirement System

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

Schedule of University Contributions

Arkansas Teacher Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,100,000	\$ 1,063,230	\$ 955,533	\$ 1,085,490	\$ 1,211,404	\$ 1,305,613	\$ 1,320,906
Contributions in relation to the contractually required	\$ (1,100,000)	\$ (1,063,230)	\$ (955,533)	\$ (1,085,490)	\$ (1,211,404)	\$ (1,305,613)	\$ (1,320,906)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,157,217	\$ 7,028,649	\$ 6,715,577	\$ 7,547,210	\$ 8,589,558	\$ 9,199,761	\$ 9,404,438
Contributions as a percentage of covered payroll	15.37%	15.13%	14.23%	14.38%	14.10%	14.19%	14.05%

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

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, 2020.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2020.

C. Methods 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 in the year which is one year prior to the beginning of the fiscal year in which contributions are reported.

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor
Projected salary increases	2.75 – 7.75% including inflation
Investment rate of return	7.50% compounded annually
Mortality table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality headcount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2017 from 2006.

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

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

Arkansas Public Employees Retirement System

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2021

Schedule of University Contributions
 Arkansas Public Employees Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,215,029	\$ 778,595	\$ 727,761	\$ 771,954	\$ 858,174	\$ 928,244	\$ 1,027,156
Contributions in relation to the contractually required	\$ (1,215,029)	\$ (778,595)	\$ (727,761)	\$ (771,954)	\$ (858,174)	\$ (928,244)	\$ (1,027,156)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,886,602	\$ 5,009,381	\$ 4,797,303	\$ 5,102,828	\$ 5,769,334	\$ 6,303,819	\$ 6,903,139
Contributions as a percentage of covered payroll	15.41%	15.54%	15.17%	15.13%	14.87%	14.73%	14.88%

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2021

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, 2020.

B. Changes in assumptions

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

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

Valuation date: June 30, 2018

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	26 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%
Mortality table	Based on RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

ARKANSAS STATE UNIVERSITY SYSTEM
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Unaudited)

Schedule 1

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets and Deferred Outflows	\$ 851,753,665	\$ 690,233,726	\$ 674,937,920	\$ 673,645,848	\$ 674,514,758
Total Liabilities and Deferred Inflows	398,066,174	300,275,480	308,619,927	319,567,427	313,211,581
Total Net Position	453,687,491	389,958,246	366,317,993	354,078,421	361,303,177
Total Operating Revenues	148,405,029	139,716,341	135,719,229	137,925,804	135,950,467
Total Operating Expenses	363,809,589	303,061,524	287,437,568	302,102,075	288,886,162
Total Net Non-Operating Revenues	248,086,762	185,256,880	163,170,941	159,618,107	157,704,639
Total Other Revenues, Expenses, Gains or Losses	11,198,066	236,094	786,970	1,950,563	1,737,966



ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2021

Schedule 2

	Jonesboro June 30, 2021	Henderson June 30, 2021	Beebe June 30, 2021	Mid-South June 30, 2021	Mountain Home June 30, 2021	Newport June 30, 2021	Three Rivers June 30, 2021	Total June 30, 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Current Assets:								
Cash and cash equivalents	\$ 40,534,702	\$ 6,141,910	\$ 18,887,092	\$ 5,306,961	5,343,935	\$ 6,346,400	\$ 5,536,500	\$ 88,097,500
Short-term investments	400,000		4,320,641	2,000,000		2,050,000		8,770,641
Accounts receivable (less allowances of \$9,733,352)	30,886,899	4,085,086	1,898,951	2,330,237	1,523,358	2,258,187	1,495,441	44,478,159
Notes and deposits receivable (less allowances of \$117,509)	685,525	114,604						800,129
Accrued interest and late charges	215,605		1,401	844	4,437	1,247		223,534
Inventories	1,293,547	13,453	151,825	21,509		493,681	32,181	2,006,196
Deposits with trustees	6,658	570,940	1,341	890,041		100		1,469,080
Unamortized bond insurance	67,629	40,308	9,240			24,577		141,754
Prepaid expenses	241,674		2,297	185,500	54,149	157,113	76,766	717,499
Total Current Assets	<u>74,332,239</u>	<u>10,966,301</u>	<u>25,272,788</u>	<u>10,735,092</u>	<u>6,925,879</u>	<u>11,331,305</u>	<u>7,140,888</u>	<u>146,704,492</u>
Noncurrent Assets:								
Cash and cash equivalents	79,748,645				2,866,290			82,614,935
Restricted cash and cash equivalents	3,141,594			7,174,106				10,315,700
Restricted investments						143,563		143,563
Endowment investments	17,838,008		912,212					18,750,220
Unrestricted investments						2,261,251		2,261,251
Other long-term investments	2,054,978			8,387,369	3,700,000			14,142,347
Irrevocable split-interest agreement	2,171,390							2,171,390
Accrued interest and late charges	701,709			44,691				746,400
Deposits with trustees	307,345	445,246		1,629,635	1			2,382,227
Accounts receivable	459,145			1,520,868				1,980,013
Notes and deposits receivable (less allowances of \$407,573)	2,383,420	522,276						2,905,696
Capital assets (net of accumulated depreciation of \$590,881,018)	318,041,418	107,865,796	46,965,084	39,401,048	11,191,734	21,931,778	6,126,317	551,523,175
Total Noncurrent Assets	<u>426,847,652</u>	<u>108,833,318</u>	<u>47,877,296</u>	<u>58,157,717</u>	<u>17,758,025</u>	<u>24,336,592</u>	<u>6,126,317</u>	<u>689,936,917</u>
TOTAL ASSETS	<u>501,179,891</u>	<u>119,799,619</u>	<u>73,150,084</u>	<u>68,892,809</u>	<u>24,683,904</u>	<u>35,667,897</u>	<u>13,267,205</u>	<u>836,641,409</u>
DEFERRED OUTFLOWS OF RESOURCES								
Excess of bond reacquisition costs over carrying value	3,078,837	293,482	657,915	52,752	59,389	39,188		4,181,563
Pensions	3,349,826	1,691,001	961,816	154,021	35,524	549,160	1,151,379	7,892,727
Other postemployment benefits (OPEB)	1,457,629	840,979	302,116	104,925	97,170	144,294	90,853	3,037,966
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>509,066,183</u>	<u>122,625,081</u>	<u>75,071,931</u>	<u>69,204,507</u>	<u>24,875,987</u>	<u>36,400,539</u>	<u>14,509,437</u>	<u>851,753,665</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2021

Schedule 2

	Jonesboro June 30, 2021	Henderson June 30, 2021	Beebe June 30, 2021	Mid-South June 30, 2021	Mountain Home June 30, 2021	Newport June 30, 2021	Three Rivers June 30, 2021	Total June 30, 2021
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES								
Current Liabilities:								
Accounts payable and accrued liabilities	18,587,995	5,926,687	344,203	1,426,171	144,804	133,390	315,323	26,878,573
Bonds, notes and leases payable	7,968,127	4,606,503	1,589,752	658,334	375,000	560,010	180,574	15,938,300
Compensated absences	4,260,835	186,954	859,609	39,952	15,581	533,260	36,220	5,932,411
Unearned revenue	11,431,106	529,972	43,376	296,093	172,114	98,749	205,380	12,776,790
Deposits	539,036		3,280	148		154,419		696,883
Interest payable	1,155,428	913,794	286,434	306,088	9,723	93,046	1,723	2,766,236
Other postemployment benefits (OPEB) liability	253,729	118,193	52,589	18,264	16,914	25,117	15,815	500,621
Total Current Liabilities	<u>44,196,256</u>	<u>12,282,103</u>	<u>3,179,243</u>	<u>2,745,050</u>	<u>734,136</u>	<u>1,597,991</u>	<u>755,035</u>	<u>65,489,814</u>
Noncurrent Liabilities:								
Accounts payable and accrued liabilities		13,238						13,238
Bonds, notes and leases payable	121,640,427	73,981,450	28,954,307	19,115,730	4,140,000	6,783,738	624,884	255,240,536
Compensated absences	3,146,896	789,338	421,096	607,867	503,776	462,497	399,737	6,331,207
Other postemployment benefits (OPEB) liability	7,687,521	5,472,704	1,593,358	553,376	512,475	761,006	479,156	17,059,596
Net pension liability	11,829,818	6,535,054	3,472,661	485,933	103,876	1,656,046	3,234,602	27,317,990
Deposits	241,036							241,036
Refundable federal advances	4,240,350	757,284						4,997,634
Total Noncurrent Liabilities	<u>148,786,048</u>	<u>87,549,068</u>	<u>34,441,422</u>	<u>20,762,906</u>	<u>5,260,127</u>	<u>9,663,287</u>	<u>4,738,379</u>	<u>311,201,237</u>
TOTAL LIABILITIES	<u>192,982,304</u>	<u>99,831,171</u>	<u>37,620,665</u>	<u>23,507,956</u>	<u>5,994,263</u>	<u>11,261,278</u>	<u>5,493,414</u>	<u>376,691,051</u>
DEFERRED INFLOWS OF RESOURCES								
Pensions	2,040,176	966,195	863,590	249,310	97,267	506,341	483,584	5,206,463
Other postemployment benefits (OPEB)	8,746,631	814,053	1,812,875	629,614	583,078	865,849	545,170	13,997,270
Irrevocable split-interest agreement	2,171,390							2,171,390
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>205,940,501</u>	<u>101,611,419</u>	<u>40,297,130</u>	<u>24,386,880</u>	<u>6,674,608</u>	<u>12,633,468</u>	<u>6,522,168</u>	<u>398,066,174</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2021

Schedule 2

	Jonesboro June 30, 2021	Henderson June 30, 2021	Beebe June 30, 2021	Mid-South June 30, 2021	Mountain Home June 30, 2021	Newport June 30, 2021	Three Rivers June 30, 2021	Total June 30, 2021
NET POSITION								
Net investment in capital assets	190,347,934	30,601,213	17,078,940	19,679,735	6,736,122	14,651,795	5,333,389	284,429,128
Restricted for:								
Nonexpendable:								
Scholarships and fellowships	6,209,225		887,212				38,803	7,135,240
Renewal and replacement				967,261				967,261
Loans	317,547		20,000				10,000	347,547
Other-College and Department Purposes	11,129,419							11,129,419
Expendable:								
Scholarships and fellowships	844,745		140,398	239,785				1,224,928
Research	1,608	473,411						475,019
Loans		37,377		10,000				47,377
Debt service		240,000		1,757,701				1,997,701
Renewal and replacement				582,651				582,651
Other	1,123,183		96,044	552,419	1,282,290	373,998		3,427,934
Unrestricted	93,152,021	(10,338,339)	16,552,207	21,028,075	10,182,967	8,741,278	2,605,077	141,923,286
TOTAL NET POSITION	\$ 303,125,682	\$ 21,013,662	\$ 34,774,801	\$ 44,817,627	\$ 18,201,379	\$ 23,767,071	\$ 7,987,269	\$ 453,687,491

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

	Jonesboro 2021	Henderson 2021	Beebe 2021	Mid-South 2021	Mountain Home 2021	Newport 2021	Three Rivers 2021	Total 2021
OPERATING REVENUES								
Student tuition and fees (net of scholarship allowances of \$66,901,570)	\$ 50,106,463	\$ 8,988,093	\$ 3,520,968	\$ 1,506,775	\$ 1,354,905	\$ 3,618,546	\$ 1,359,656	\$ 70,455,406
Grants and contracts	19,000,186	2,620,827	4,439,530	3,971,937	1,276,568	2,623,555	2,961,652	36,894,255
Sales and services	1,337,132	415,898	58,774		3,712			1,815,516
Auxiliary enterprises (net of scholarship allowances of \$11,403,654)	20,703,001	6,857,966	1,014,399	69,834	106,082	420,776	195,285	29,367,343
Self-insurance	6,383,339							6,383,339
Other operating revenues	2,632,954	230,038	154,868	246,370	72,020	66,307	86,613	3,489,170
TOTAL OPERATING REVENUES	100,163,075	19,112,822	9,188,539	5,794,916	2,813,287	6,729,184	4,603,206	148,405,029
OPERATING EXPENSES								
Personal services	111,545,407	30,768,950	18,187,871	9,233,200	7,349,817	12,107,062	7,581,324	196,773,631
Scholarships and fellowships	16,108,630	3,271,786	4,442,861	2,188,640	1,882,823	2,815,612	736,077	31,446,429
Supplies and services	40,625,110	18,230,422	7,851,936	4,748,175	4,184,156	3,658,639	3,288,187	82,586,625
Self-insurance	21,534,101							21,534,101
Depreciation	16,411,541	4,270,481	3,923,661	1,838,068	1,808,366	2,312,079	886,037	31,450,233
Other	-	18,570						18,570
TOTAL OPERATING EXPENSES	206,224,789	56,560,209	34,406,329	18,008,083	15,225,162	20,893,392	12,491,625	363,809,589
OPERATING INCOME (LOSS)	(106,061,714)	(37,447,387)	(25,217,790)	(12,213,167)	(12,411,875)	(14,164,208)	(7,888,419)	(215,404,560)
NON-OPERATING REVENUES (EXPENSES)								
Federal appropriations	108,763							108,763
State appropriations	74,297,767	21,543,334	14,297,628	7,779,649	4,832,691	8,364,896	4,662,856	135,778,821
Grants and contracts	29,602,593	10,573,183	6,501,992	2,250,035	3,472,408	4,429,093	1,732,140	58,561,444
HEERF Grants-Related to COVID-19	28,900,999	6,481,028	5,181,628	1,257,389	1,594,369	3,486,456	1,659,572	48,561,441
Sales and use taxes			2,292,974			1,189,583		3,482,557
Property taxes				3,087,368	1,592,528			4,679,896
Gifts	2,490,027	247,393		236,653	208,586	4,000		3,186,659
Investment income	4,129,460	20,995	299,499	(49,318)	76,269	53,162	25,873	4,555,940
Interest on capital asset - related debt	(5,077,585)	(2,782,790)	(1,095,682)	(769,846)	(128,971)	(240,913)	(8,462)	(10,104,249)
Gain or loss on disposal of capital assets	267,645	10,844	(3,755)	284		21,860		296,878
Payment of student activity fee to fiduciary accounts	(278,160)							(278,160)
Refund to grantors	(36,824)		(10,568)	(84,412)	(24,625)	(27,890)	(24,225)	(208,544)
Other nonoperating revenues (expenses)	(555,717)	34,108	(6,500)	(4,075)	(1,500)	(1,000)		(534,684)
NET NON-OPERATING REVENUES (EXPENSES)	133,848,968	36,128,095	27,457,216	13,703,727	11,621,755	17,279,247	8,047,754	248,086,762
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	27,787,254	(1,319,292)	2,239,426	1,490,560	(790,120)	3,115,039	159,335	32,682,202
Capital appropriations	561,748						662,121	1,223,869
Capital grants and gifts	6,847,363	1,744,524	25,710	28,200	121,534		81,253	8,848,584
Additions to endowments			100					100
Adjustments to capital assets	320,455	758,762	(48,342)	94,638				1,125,513
INCREASE (DECREASE) IN NET POSITION	35,516,820	1,183,994	2,216,894	1,613,398	(668,586)	3,115,039	902,709	43,880,268
NET POSITION - BEGINNING OF YEAR	267,589,553		32,557,907	43,204,229	18,869,965	20,652,032	7,084,560	389,958,246
MERGER WITH HENDERSON STATE UNIVERSITY (NOTE 21)		19,774,909						19,774,909
RESTATEMENT FOR GASB 84 (NOTE 20)	19,309	54,759						74,068
NET POSITION - BEGINNING OF YEAR, AS RESTATED	267,608,862	19,829,668	32,557,907	43,204,229	18,869,965	20,652,032	7,084,560	409,807,223
NET POSITION - END OF YEAR	\$ 303,125,682	\$ 21,013,662	\$ 34,774,801	\$ 44,817,627	\$ 18,201,379	\$ 23,767,071	\$ 7,987,269	\$ 453,687,491

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 4

	Jonesboro	Henderson	Beebe	Mid-South	Mountain Home	Newport	Three Rivers	Total
	2021	2021	2021	2021	2021	2021	2021	2021
CASH FLOW FROM OPERATING ACTIVITIES								
Student tuition and fees	\$ 51,000,940	\$ 11,275,237	\$ 3,621,709	\$ 1,599,743	\$ 1,448,112	\$ 4,175,027	\$ 1,282,966	\$ 74,403,734
Grants and contracts	20,830,219	1,361,626	4,519,539	3,483,038	1,374,399	2,245,836	2,556,954	36,371,611
Auxiliary enterprises revenues	20,815,465	6,704,545	959,954	66,897	113,346	420,776	195,285	29,276,268
Sales and services	1,337,132	456,686	58,774		3,712			1,856,304
Self-insurance program receipts	6,696,011							6,696,011
Collection of principal and interest related to student loans	528,847	125,963						654,810
Other receipts	2,872,582	192,957	156,800	229,909	72,020	65,184	86,613	3,676,065
Payments to employees	(100,476,973)	(24,133,351)	(13,753,481)	(6,942,965)	(5,589,247)	(9,628,858)	(5,570,946)	(166,095,821)
Payments for employee benefits	(11,695,209)	(7,116,840)	(4,319,658)	(2,356,109)	(2,123,537)	(2,826,725)	(1,860,569)	(32,298,647)
Payments to suppliers	(39,248,850)	(16,837,414)	(7,845,234)	(4,902,206)	(4,301,501)	(3,711,962)	(3,312,561)	(80,159,728)
Scholarships and fellowships	(16,108,630)	(3,164,831)	(4,442,861)	(2,188,640)	(1,882,415)	(2,815,612)	(736,077)	(31,339,066)
Self-insurance program payments	(21,587,045)							(21,587,045)
Other payments	(804,382)							(804,382)
Net cash provided (used) by operating activities	(85,839,893)	(31,135,422)	(21,044,458)	(11,010,333)	(10,885,111)	(12,076,334)	(7,358,335)	(179,349,886)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Federal appropriations	136,013							136,013
State appropriations	70,412,101	21,543,334	14,297,628	6,252,649	4,832,691	8,359,915	4,662,856	130,361,174
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners				1,527,000				1,527,000
Grants and contracts	30,899,520	9,974,152	6,501,992	3,229,345	3,486,056	4,552,320	1,732,140	60,375,525
HEERF Grants-Related to COVID-19	18,684,555	6,481,028	5,181,628	1,221,318	2,255,099	3,822,691	1,659,572	39,305,891
Private gifts and grants	953,896	431,869		386,654	200,069	4,000		1,976,488
Payments to debt holders for loan principal		(170,326)						(170,326)
Payments to debt holders for loan interest		(40,295)						(40,295)
Sales and use taxes			2,224,991			1,190,965		3,415,956
Property taxes				3,039,218	1,566,647			4,605,865
Direct lending, PLUS and FFEL loan receipts	104,210,666	13,685,758	2,103,264		1,284,494	1,642,003	1,405,227	124,331,412
Direct lending, PLUS and FFEL loan payments	(85,593,713)	(13,685,758)	(2,104,184)		(1,284,494)	(1,648,058)	(1,405,227)	(105,721,434)
Payment of student activity fee to fiduciary accounts	(278,160)	(54,759)						(332,919)
Refunds to grantors	(60,308)		(18,542)	(84,414)	(76,877)	(5,701)	(24,225)	(270,067)
Net cash provided (used) by noncapital financing activities	139,364,570	38,165,003	28,186,777	15,571,770	12,263,685	17,918,135	8,030,343	259,500,283
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from capital debt	141,801							141,801
Capital appropriations	561,748						662,121	1,223,869
Capital gifts and grants	560,000	415,213			121,534		63,253	1,160,000
Proceeds from sale of capital assets	411,894	11,719		4,332		21,860		449,805
Purchases of capital assets	(8,392,816)	(778,551)	(1,128,680)	(876,727)	(196,880)	(1,619,470)	(748,224)	(13,741,348)
Payments to trustees for bond principal	(7,065,000)	(2,085,000)	(1,435,000)		(370,000)	(330,000)		(11,285,000)
Payments to trustees for bond interest and fees	(4,779,329)	(1,623,324)	(929,259)		(125,899)	(109,210)		(7,567,021)
Payments to debt holders for principal (other than bonds)	(4,540,464)	(1,089,280)	(112,121)	(59,218)		(344,887)	(176,642)	(6,322,612)
Payments to debt holders for interest and fees (other than bonds)	(525,530)	(1,235,450)	(147,122)	(47,015)		(127,921)	(9,746)	(2,092,784)
Property taxes remitted to bond trustees				(3,039,359)				(3,039,359)
Distribution of excess property taxes from bond trustees				1,671,552				1,671,552
Net cash provided (used) by capital and related financing activities	(23,627,696)	(6,384,673)	(3,752,182)	(2,346,435)	(571,245)	(2,509,628)	(209,238)	(39,401,097)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 4

	Jonesboro 2021	Henderson 2021	Beebe 2021	Mid-South 2021	Mountain Home 2021	Newport 2021	Three Rivers 2021	Total 2021
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturities of investments	\$ 1,309,043		\$ 7,334,073	\$ 1,400,000				\$ 10,043,116
Interest on investments (net of fees)	517,578	37,098	123,459	155,809	76,309	61,200	25,873	997,326
Purchases of investments			(5,600,000)	(1,092,630)		(1,000,000)		(7,692,630)
Net cash provided (used) by investing activities	1,826,621	37,098	1,857,532	463,179	76,309	(938,800)	25,873	3,347,812
Net increase (decrease) in cash and cash equivalents	31,723,602	682,006	5,247,669	2,678,181	883,638	2,393,373	488,643	44,097,112
Cash and cash equivalents - beginning of year	92,417,327		13,699,128	9,837,100	7,360,173	3,982,913	5,111,383	132,408,024
Merger with Henderson State University (Note 21) Restatement for GASB 84 (Note 20)	(715,988)	5,876,925 (417,021)	(59,705)	(34,214)	(33,586)	(29,886)	(63,526)	5,876,925 (1,353,926)
Cash and cash equivalents - beginning of year, restated	91,701,339	5,459,904	13,639,423	9,802,886	7,326,587	3,953,027	5,047,857	136,931,023
Cash and cash equivalents - end of year	<u>\$ 123,424,941</u>	<u>\$ 6,141,910</u>	<u>\$ 18,887,092</u>	<u>\$ 12,481,067</u>	<u>\$ 8,210,225</u>	<u>\$ 6,346,400</u>	<u>\$ 5,536,500</u>	<u>\$ 181,028,135</u>
 Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (106,061,714)	\$ (37,447,387)	\$ (25,217,790)	\$ (12,213,167)	\$ (12,411,875)	\$ (14,164,208)	\$ (7,888,419)	\$ (215,404,560)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	16,411,541	4,270,481	3,923,661	1,838,068	1,808,366	2,312,079	886,037	31,450,233
Change in assets and liabilities:								
Receivables, net	782,664	1,253,740	88,084	(713,083)	88,980	112,713	(678,289)	934,809
Inventories	308,455	2,474	66,595	(6,066)		30,179	(5,610)	396,027
Prepaid expenses	4,811		14,505	(27,493)	(17,462)	(95,274)	68,809	(52,104)
Accounts and salaries payable	1,175,702	918,503	(27,203)	(87,909)	(190,243)	(227)	(87,573)	1,701,050
Other postemployment benefits (OPEB)	(765,480)	192,912	149,102	(9,839)	(161,708)	(221,718)	(120,198)	(936,929)
Pension obligations	(24,772)	220,987	(79,244)	(70,981)	(57,922)	(35,015)	254,087	207,140
Unearned revenue	2,263,087	(246,262)	23,003	226,770	84,663	8,753	196,901	2,556,915
Deposits	74,385		500	(1,937)		59,660		132,608
Refundable federal advances	307,628	(57,592)						250,036
Compensated absences	(316,200)	(243,278)	14,329	55,304	(27,910)	(83,276)	15,920	(585,111)
Net cash provided (used) by operating activities	<u>\$ (85,839,893)</u>	<u>\$ (31,135,422)</u>	<u>\$ (21,044,458)</u>	<u>\$ (11,010,333)</u>	<u>\$ (10,885,111)</u>	<u>\$ (12,076,334)</u>	<u>\$ (7,358,335)</u>	<u>\$ (179,349,886)</u>
 Reconciliation of Cash and Cash Equivalents								
Current Assets:								
Cash and Cash Equivalents	40,534,702	6,141,910	18,887,092	5,306,961	5,343,935	6,346,400	5,536,500	88,097,500
Noncurrent Assets:								
Cash and Cash Equivalents	79,748,645				2,866,290			82,614,935
Restricted Cash and Cash Equivalents	3,141,594			7,174,106				10,315,700
Total cash and cash equivalents	<u>\$ 123,424,941</u>	<u>\$ 6,141,910</u>	<u>\$ 18,887,092</u>	<u>\$ 12,481,067</u>	<u>\$ 8,210,225</u>	<u>\$ 6,346,400</u>	<u>\$ 5,536,500</u>	<u>\$ 181,028,135</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 4

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$11,670,000. The proceeds of this issue were utilized as follows: \$11,472,240 was remitted to an escrow agent and \$197,760 was used to pay the bond issuance costs.

Building-capital gift of \$6,656,055

Equipment-capital gift of \$6,841

Value of equipment received from vendor discounts-\$100,602

Interest earned on reserve accounts held by trustee-\$591

Interest paid from accounts held by trustee-\$12,068

Amount earned on investments-\$3,647,734

Amount of PPE received from the state through CARES funds-\$738,402

HENDERSON

Building improvement-capital gift of \$1,372,775

Construction expenses paid by trustee-\$1,865,354

Principal payment on loan withheld from state appropriations-\$250,000

Amount of PPE received from the state through CARES funds-\$213,798

BEEBE

Equipment-capital gift of \$25,710

Interest earned on reserve accounts held by trustee-\$21

Interest paid from accounts held by trustee-\$516

Amount of PPE received from the state through CARES funds-\$51,119

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 4

NONCASH TRANSACTIONS

MID-SOUTH

Equipment-capital gift of \$28,200

Interest earned on reserve accounts held by trustee-\$142

Trustee payments for retirement of bond principal-\$575,000

Trustee payment for bond interest-\$730,989

Trustee payment for bond fees-\$4,075

Unrealized loss on investments-\$171,732

Amount of PPE received from the state through CARES funds-\$46,323

Amount of interest earned on CD's reinvested with CD's-\$2,746

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-\$6

Interest paid from accounts held by trustee-\$5

Amount of PPE received from the state through CARES funds-\$14,535

NEWPORT

Interest earned on reserve accounts held by trustee-\$128

Interest paid from accounts held by trustee-\$137

Amount of interest earned on CD's reinvested with CD's-\$1,357

Amount of PPE received from the state through CARES funds-\$96,716

THREE RIVERS

Equipment-capital gift of \$18,000

Amount of PPE received from the state through CARES funds-\$28,134

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION BY CAMPUS
JUNE 30, 2021

Schedule 5

	Jonesboro June 30, <u>2021</u>	Henderson June 30, <u>2021</u>	Beebe June 30, <u>2021</u>	Mid-South June 30, <u>2021</u>	Mountain Home June 30, <u>2021</u>	Newport June 30, <u>2021</u>	Three Rivers June 30, <u>2021</u>	Total June 30, <u>2021</u>
ASSETS								
Cash and cash equivalents	\$ 729,766	\$ 721,763	\$ 57,287	\$ 45,299	\$ 36,645	\$ 51,998	\$ 68,037	\$ 1,710,795
Accounts receivable					\$ 311			311
TOTAL ASSETS	<u>729,766</u>	<u>721,763</u>	<u>57,287</u>	<u>45,299</u>	<u>36,956</u>	<u>51,998</u>	<u>68,037</u>	<u>1,711,106</u>
LIABILITIES								
Accounts payable	<u>1,160</u>				<u>25</u>			<u>1,185</u>
TOTAL LIABILITIES	<u>1,160</u>				<u>25</u>			<u>1,185</u>
NET POSITION								
Restricted for:								
Individuals and organizations	<u>728,606</u>	<u>721,763</u>	<u>57,287</u>	<u>45,299</u>	<u>36,931</u>	<u>51,998</u>	<u>68,037</u>	<u>1,709,921</u>
TOTAL NET POSITION	<u>\$ 728,606</u>	<u>\$ 721,763</u>	<u>\$ 57,287</u>	<u>\$ 45,299</u>	<u>\$ 36,931</u>	<u>\$ 51,998</u>	<u>\$ 68,037</u>	<u>\$ 1,709,921</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION BY CAMPUS
JUNE 30, 2021

Schedule 6

	Jonesboro June 30, 2021	Henderson June 30, 2021	Beebe June 30, 2021	Mid-South June 30, 2021	Mountain Home June 30, 2021	Newport June 30, 2021	Three Rivers June 30, 2021	Total June 30, 2021
ADDITIONS								
Gifts	\$ 4,823	\$ 21,388	\$ 19,202	\$ 20,741	\$ 6,505	\$ 32,243	\$ 14,313	\$ 119,215
Contributions	1,960,469	20,000		3,417		405,870		2,389,756
Transfer from Student Activity Fee	278,160	54,759						332,919
TOTAL ADDITIONS	<u>2,243,452</u>	<u>96,147</u>	<u>19,202</u>	<u>24,158</u>	<u>6,505</u>	<u>438,113</u>	<u>14,313</u>	<u>2,841,890</u>
DEDUCTIONS								
Supplies	\$ 382,385	\$ 265,430	\$ 21,620	\$ 6,046	\$ 3,160	\$ 3,470	\$ 9,802	\$ 691,913
Travel	338			543				881
Scholarships	1,840,567			2,600		412,531		2,255,698
Transfer to Mid-South Community College Foundation				3,884				3,884
TOTAL DEDUCTIONS	<u>2,223,290</u>	<u>265,430</u>	<u>21,620</u>	<u>13,073</u>	<u>3,160</u>	<u>416,001</u>	<u>9,802</u>	<u>2,952,376</u>
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>20,162</u>	<u>(169,283)</u>	<u>(2,418)</u>	<u>11,085</u>	<u>3,345</u>	<u>22,112</u>	<u>4,511</u>	<u>(110,486)</u>
NET POSITION-BEGINNING OF YEAR								
RESTATEMENT FOR GASB 84 (NOTE 20)	\$ 708,444	\$ 891,046	\$ 59,705	\$ 34,214	\$ 33,586	\$ 29,886	\$ 63,526	\$ 1,820,407
NET POSITION-BEGINNING OF YEAR, RESTATED	<u>708,444</u>	<u>891,046</u>	<u>59,705</u>	<u>34,214</u>	<u>33,586</u>	<u>29,886</u>	<u>63,526</u>	<u>1,820,407</u>
NET POSITION- END OF YEAR	<u>\$ 728,606</u>	<u>\$ 721,763</u>	<u>\$ 57,287</u>	<u>\$ 45,299</u>	<u>\$ 36,931</u>	<u>\$ 51,998</u>	<u>\$ 68,037</u>	<u>\$ 1,709,921</u>