
ARKANSAS STATE UNIVERSITY SYSTEM



Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

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



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For the Year Ended June 30, 2015

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

Prepared by:

**Arkansas State University-Jonesboro
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Table of Contents

Introductory Section

President’s Letter	1
Vision, Mission and Goals	2
Letter of Transmittal	3
GFOA Certificate of Excellence	7
Board of Trustees	8
Organization Chart	9

Financial Section

Independent Auditor’s Report	12
------------------------------------	----

Management’s Discussion and Analysis (Unaudited)	14
--	----

Basic Financial Statements

Statement of Net Position	28
Statement of Revenues, Expenses, and Changes in Net Position	29
Statement of Cash Flows	30
Statement of Financial Position - ASU Foundation, Inc.	33
Statement of Activities - ASU Foundation, Inc.	34

Notes to Financial Statements	35
-------------------------------------	----

Note 1—Summary of Significant Accounting Principles	35
Note 2—Public Fund Deposits and Investments	39
Note 3—Income Taxes	42
Note 4—Capital Assets	43
Note 5—Long-Term Liabilities	47
Note 6—Capital Leases	52
Note 7—Commitments	53
Note 8—Retirement Plans	54
Note 9—Natural Classifications by Function	60
Note 10—Receivable and Payable Balances	60
Note 11—Museum Collection	61
Note 12—Other Post Employment Benefits	61
Note 13—Self Insurance Program	65
Note 14—Endowment Funds	66
Note 15—Pledged Revenues	67
Note 16—Risk Management	72
Note 17—Financial Statement Restatement	72
Note 18—Optional Voluntary Retirement Incentive Program	73
Note 19—Lease Obligations with Red Wolves Foundation	73
Note 20—Subsequent Events	73

Required Supplementary Information	74
--	----

Supplemental Information

Combining Financial Statements	83
--------------------------------------	----

Statistical Section

Schedule of Changes in Net Position	89
Schedule of Major Sources of Revenue	90
Schedule of Expenses by Use	91
Schedule of Net Position by Component	92
Outstanding Debt per Student	93
Bonds Secured by Pledged Revenues	94
Enrollment and Degree History	95
Enrollment Sources by Campus	95
Annual Tuition and Required Fees	96
Capital Asset Usage	96
Number of Employees by Campus	97
Principal Employers in the State of Arkansas	97
State of Arkansas Demographic and Economic Information	97

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Introductory Section (Unaudited)

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OFFICE OF THE PRESIDENT

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

MESSAGE FROM THE PRESIDENT

December 16, 2015

Fiscal year 2015 was another positive year for the Arkansas State University System. The consolidated annual financial report that follows presents the results of our successes.

Enrollment during Fall 2014 was 21,158 compared to 21,417 for Fall 2013. During fiscal year 2015, 6,975 certificates and degrees were awarded to our students compared to 6,506 during fiscal year 2014.

Each campus is currently involved in creating a better environment for our students, faculty and staff. The Jonesboro campus has completed the Humanities and Social Sciences Building. ASU Beebe completed two new buildings related to the Agricultural Technology/John Deere program. The ASU Mountain Home Technical Center is now open. The Center is a partnership of the University and community in developing technical programs. ASU Newport had record spring enrollment.

State appropriation revenues are expected to increase slightly from the fiscal year 2015 levels. There is some uncertainty in the forecasted appropriations for subsequent fiscal years due to the new performance funding model; however, we remain confident we will be able to maintain our current funding levels, contain costs, and provide a quality education.

We believe the slight improvement in the national economy points to future growth that may provide further opportunities to improve our campuses. We will continue to seek innovative strategies that allow us to provide a diverse educational experience and to serve our state and each of our local communities.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles L. Welch', written over a white background.

Dr. Charles L. Welch
President

Vision, Mission, and Goals

Vision Statement

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

Mission Statement

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

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

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

Goals Statement

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

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

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



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

LETTER OF TRANSMITTAL

December 16, 2015

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

I am pleased to present the Comprehensive Annual Financial Report of the Arkansas State University System for the fiscal year ended June 30, 2015. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, deferred inflows, deferred outflows, net position, and financial activities of the Jonesboro, Beebe, Mountain Home, and Newport campuses of the University. Combining exhibits are presented as supplementary information.

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

Management's discussion and analysis (MD&A) is included in this report preceding the basic financial statements. This section of the Comprehensive Annual Financial Report is intended to assist readers in gaining an understanding of the University's financial activities and position for the fiscal year ended June 30, 2015.

University Profile

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

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

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

Transmittal Letter (Continued)

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

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

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

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

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

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

ASU offers programs at the doctoral, specialist, master's, bachelor's, associate's and certificate levels. During the academic year ended June 30, 2015, the ASU System conferred 1,615 graduate degrees, 1,766 bachelor's degrees, 1,655 associate degrees and 1,937 certificates. Preliminary enrollment across the ASU System for the Fall 2015 semester totals over 23,000.

Highlights, Progress, and Initiatives

- ASU Jonesboro has partnered with the New York Institute of Technology to open a branch campus in Jonesboro for the purpose of offering the Doctorate of Osteopathic Medicine. Dr. Barbara Ross-Lee is the founding Dean of the Osteopathic Medical School. The medical school has a projected cost of \$12.6 million with a targeted opening date of August 2016. A-State will invest \$10 million to renovate and furnish Wilson Hall.
- ASU Jonesboro was approved to proceed with the Northeast Campus Chilled Water Plant capital project. This project will allow the campus will allow the campus to be more efficient and cost effective.
- ASUJ received a transformative gift from the Johnny Allison family to renovate the football stadium.

Transmittal Letter (Continued)

- **With the new admissions standards in place at ASU Jonesboro, remediation rates have been cut in half and persistence rates have increased dramatically over the past five years. Incoming freshmen have an average ACT of 24 which is the highest ever and is above state and national averages.**
- **ASU Mountain Home received a grant for a short-term welding program which trained people to work in the new Ranger boat factory.**
- **ASU Newport now has a Summer Bridge Camp. One group targets at-risk juniors and seniors from high school and another group is for concurrent students who want to pursue a technical degree.**
- **An optional voluntary retirement program was implemented for System employees and at the Mountain Home and Newport campuses. This is intended to reward long-term employees and provide cost savings.**
- **The ASU System approved a resolution to offer in-state tuition rates to veterans and their family members eligible under the Veterans' Access, Choice and Accountability Act.**
- **The John Deere program on the Beebe campus, has 100 freshmen in the fall program which boasts a 98% retention rate with students guaranteed a job upon graduation.**
- **ASU Mountain Home received a \$1.2 donation from the Gotaas estate. The funds will be used to expand Gotaas Hall.**
- **The Promise Scholarship program provided by the Mountain Home Education Foundation pledged funding for 40 technical scholarships for high school seniors and 40 tuition scholarships for Mountain Home high school graduates.**
- **The Red Wolves went to the Go Daddy Bowl for the fourth consecutive year. A new promotion was begun entitled, "Buy a Ticket for A Student". When a ticket was purchased, one was donated back to the school for use by a student.**
- **ASU Jonesboro was honored by the Apple Corporation as a distinguished university program for the iPad initiative.**
- **ASU Mountain Home received an art collection donation of 45 original watercolors depicting the White River by Duane Hada.**
- **ASU Heber Springs received a gift from the Jerry Smith family to build a pavilion which will be named for the family.**
- **The ASU System welcomed new personnel during the year. Brad Phelps now serves as University Counsel and Shane Broadway is now the Vice President for University Relations.**

Transmittal Letter (Continued)

- Mid-South Community College was approved to join the ASU System effective July 1, 2016. This allows us to continue to support and provide education to the Delta region.
- Bonds were issued by the Beebe campus to refund four existing bond issues. These refundings provided significant savings to the campus.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arkansas State University System for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Economic Indicators

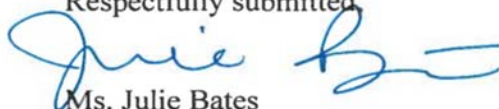
Gross general revenues for the state increased 4.5% for fiscal year 2015. This was a result of increased general collections and lower than expected payouts for income tax refunds and other deductions, as well as one-time collections from the Attorney General's office and the Arkansas Insurance Department. The state's unemployment rate as of June 2015 was 5.7%, a decrease from 6.2% in June 2014. This rate was 0.4% above the national rate. This improvement will increase stability in the state economy.

Financial Highlights

The ASU system continues to seek ways to diversify revenues and contain costs while maintaining a quality educational experience for students. Total Revenues for fiscal year 2015 minimally increased at 0.29%. Total assets and deferred outflows increased by 2.98%, while liabilities and deferred inflows increased by 8.71%. Additional information about these percentages and the overall financial health of the University may be found in management's discussion and analysis contained in this report.

While fiscal year 2015 was a productive year for the ASU System, the University will seek opportunities provided by improving economic conditions and will continue to provide innovative educational experiences for our students.

Respectfully submitted,



Ms. Julie Bates
Executive Vice President

GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Arkansas State University System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in cursive script that reads "Jeffrey R. Emer".

Executive Director/CEO

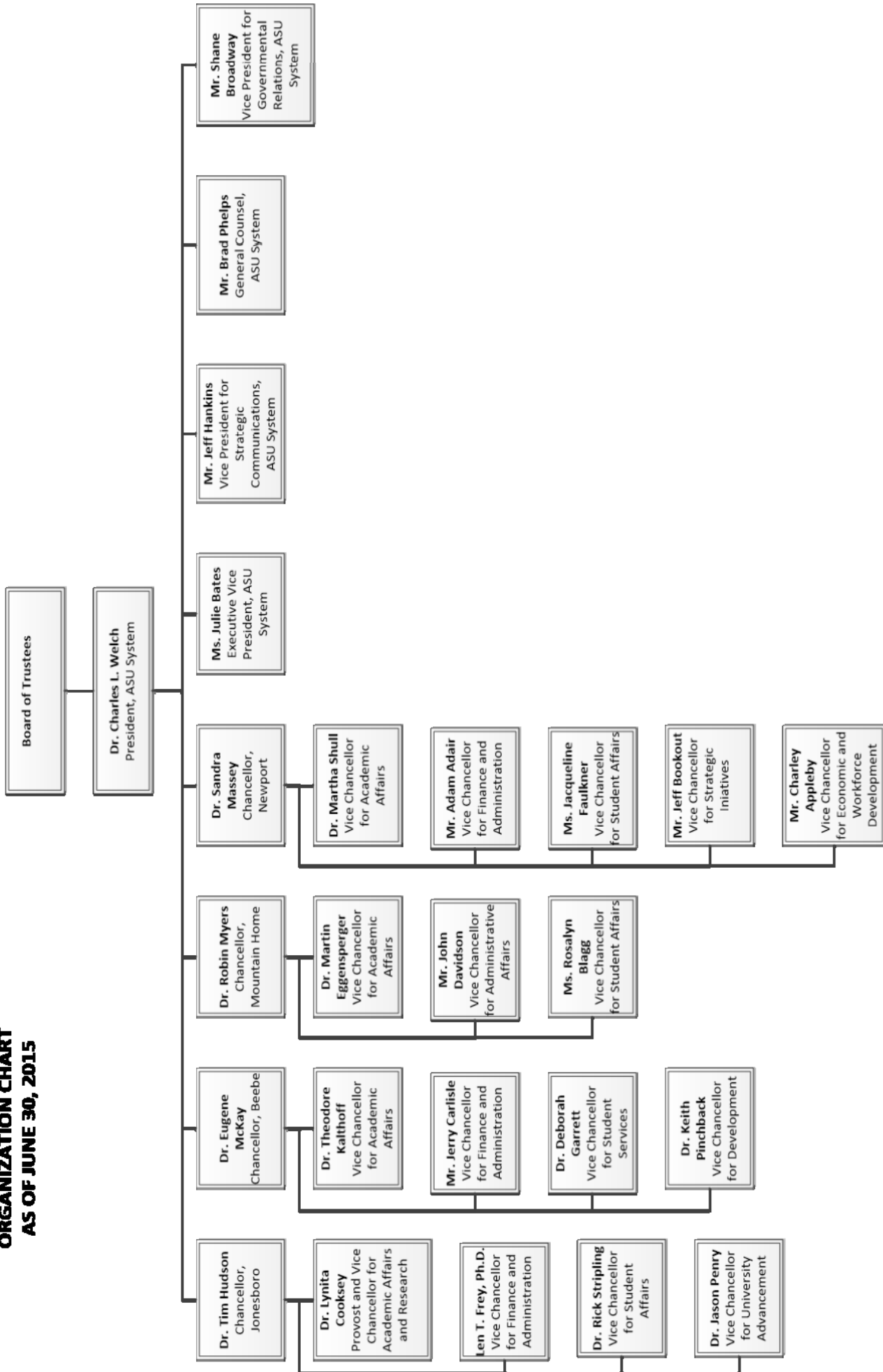
**Governor of the State of Arkansas
Mr. Asa Hutchinson**

**Board of Trustees
As of June 30, 2015**

Mr. Charles Luter, Chair Paragould, Arkansas
Mr. Howard L. Slinkard, Vice Chair Rogers, Arkansas
Mr. Ron Rhodes, Secretary Cherokee Village, Arkansas
Dr. Tim Langford, Member Little Rock, Arkansas
Mr. Niel Crowson, Member Jonesboro, Arkansas



**ARKANSAS STATE UNIVERSITY SYSTEM
ORGANIZATION CHART
AS OF JUNE 30, 2015**



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Financial Section

Independent Auditor's Report

Arkansas



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

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Emphasis of Matter

As discussed in Notes 1 and 17 to the financial statements, the beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to the implementation of GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*, as amended. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 18, 2015
EDHE12515

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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, 2014 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. Due to the impact of GASB no. 68; the University is not presenting comparative financial statements for fiscal year 2015. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

The University's financial statements for the year ended June 30, 2015 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, 2015 and 2014 where appropriate.

Statement Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2015, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and non-current. 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 to the right.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2015:

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2015:

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

Condensed Statement of Net Position				
	<u>2015</u>	<u>2014</u>	<u>Increase/ [Decrease]</u>	<u>Percent Change</u>
Assets and Deferred Outflows:				
Current Assets	\$ 80,068,505	\$ 67,851,002	\$ 12,218,503	18.01%
Capital Assets, net	436,649,294	403,527,792	33,121,492	8.21%
Other Noncurrent Assets	62,117,098	94,502,641	(32,385,543)	(34.27%)
Deferred Outflows	5,483,686	1,552,446	3,931,240	253.23%
Total Assets and Deferred Outflows	<u>\$ 584,319,573</u>	<u>\$ 567,433,881</u>	<u>\$ 16,885,692</u>	<u>2.98%</u>
Liabilities and Deferred Inflows:				
Current Liabilities	\$ 43,433,347	\$ 37,921,486	\$ 5,511,861	14.53%
Noncurrent Liabilities	229,836,119	219,735,337	10,100,782	4.60%
Deferred Inflows	6,821,008	-	6,821,008	n/a
Total Liabilities and Deferred Inflows	<u>280,090,474</u>	<u>257,656,823</u>	<u>22,433,651</u>	<u>8.71%</u>
Net Position:				
Net Investment in Capital Assets	233,385,604	214,836,136	18,549,468	8.63%
Restricted, Nonexpendable	15,489,602	15,057,533	432,069	2.87%
Restricted, Expendable	10,380,124	17,171,213	(6,791,089)	(39.55%)
Unrestricted	44,973,969	62,712,176	(17,738,207)	(28.29%)
Total Net Position	<u>304,229,299</u>	<u>309,777,058</u>	<u>(5,547,759)</u>	<u>(1.79%)</u>
Total Liabilities and Net Position	<u>\$ 584,319,573</u>	<u>\$ 567,433,881</u>	<u>\$ 16,885,692</u>	<u>2.98%</u>

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

- How much did the University owe to external parties including vendors and lending institutions?
- What resources did the University have available to make future investments and expenditures?

Assets and Deferred Outflows

Total assets and deferred outflows increased by \$16.9 million.

Current Assets

Current assets increased by \$12.2 million. Cash and cash equivalents increased by \$5.9 million. The Jonesboro campus had an increase of \$5.8 million. This increase was due to conservative levels of spending during fiscal year 2015. The other campuses had a combined increase of approximately \$66,000. Short-term investments increased by \$5.9 million. This increase was due to reclassifications of investments at the Beebe campus from long-term to short-term. Accounts receivable increased by \$1.8 million. Gross receivables increased by \$1.9 million. Allowances for doubtful accounts increased by \$100,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables declined for the third consecutive year. Inventories increased by \$200,000. The Jonesboro campus had an increase due to year-end adjustments in several inventories including facilities management, IT and print shop. Beebe experienced a slight decrease during the year due to the anticipation of the upcoming fall semester. Deposits with trustees decreased by \$2.7 million. This was due to the completion of the Humanities and Social Sciences building and the final stages of construction on the Student Activities Center which were both funded with bond proceeds at the Jonesboro campus. Unamortized bond insurance showed an increase of approximately \$626,000. This was due to a reclassification of noncurrent unamortized bond insurance to current unamortized bond insurance.

Capital Assets, net

Capital assets, net increased by \$33.1 million. Accumulated depreciation increased from \$283,372,367 in 2014 to \$304,463,308 in 2015. This increase is due to new equipment, additional buildings, and renovations that were added in 2014 and began depreciating in 2015. The increase in accumulated depreciation was offset by the addition of \$59.1 million in capital assets and the retirement of \$4.9 million in capital assets with accumulated depreciation of \$3.9 million. Of the \$59.1 million added to capital assets, \$47.2 million was construction in progress.

Other Assets

Other assets decreased by \$32.4 million. Noncurrent cash decreased by \$6.1 million while restricted cash decreased by \$4.9 million. These decreases were due to construction projects that were completed or nearly completed as of June 30, 2015 at the Jonesboro campus and were funded with general improvement funds. These include: Humanities and Social Sciences building, Delta Heritage restorations and renovations to the System Office. Endowment investments increased by \$169,000. This was due to a slight decrease at the Jonesboro campus in the amount of \$254,000 and an increase at the Beebe campus in the amount of \$423,000 for a new endowment received during fiscal year 2015. Other long-term investments decreased by \$5.2 million. Nearly all of this decrease was attributable to the reclassifications of investments from long-term to short-term at the Beebe campus. Deposits with trustees decreased by \$15.9 million. The Jonesboro campus received nearly all the bond funds on the construction of the Student Activities Center and the Humanities and Social Sciences building.

Deferred Outflows

Deferred outflows increased by \$3.9 million. \$852,000 of this increase was related to amortization of the gain or loss on refunding bonds. The only campus to have an increase for this was the Beebe campus due to the refunding of four bond issues. The remaining amount of increase for deferred outflows is related to pensions and was recognized in fiscal year 2015 in accordance with GASB no. 68.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows increased by \$22.4 million.

Current Liabilities

Current liabilities increased by \$5.5 million. Accounts payable and accrued liabilities increased by \$5.1 million. This increase was due to an increase in amounts due to vendors at the end of the year as well as construction and retainages payable at the Jonesboro campus. Also, bonds, notes, and leases payable decreased by \$204,000 and was attributable to the refunding bond issues at the Beebe campus. Unearned revenues increased by \$1.2 million. This was due to amounts received for tuition and fees for the second summer term that were recorded as unearned revenue at the end of 2015. Also, there was an increase in funds received for grants and contracts that were recorded as unearned revenue the Jonesboro campus.

Noncurrent Liabilities

Noncurrent liabilities increased by \$10.1 million. The University recorded a liability in the amount of \$15.5 million for net pension liability in accordance with the GASB no. 68. Other postemployment benefits increased by \$1.9 million. The estimate of this liability continues to increase each year due to the increasing costs of retirement benefits. Additional information concerning this liability may be found in Note 12. These increases were offset by the decrease in bonds, notes, and leases payable for the current amount due during the upcoming fiscal year.

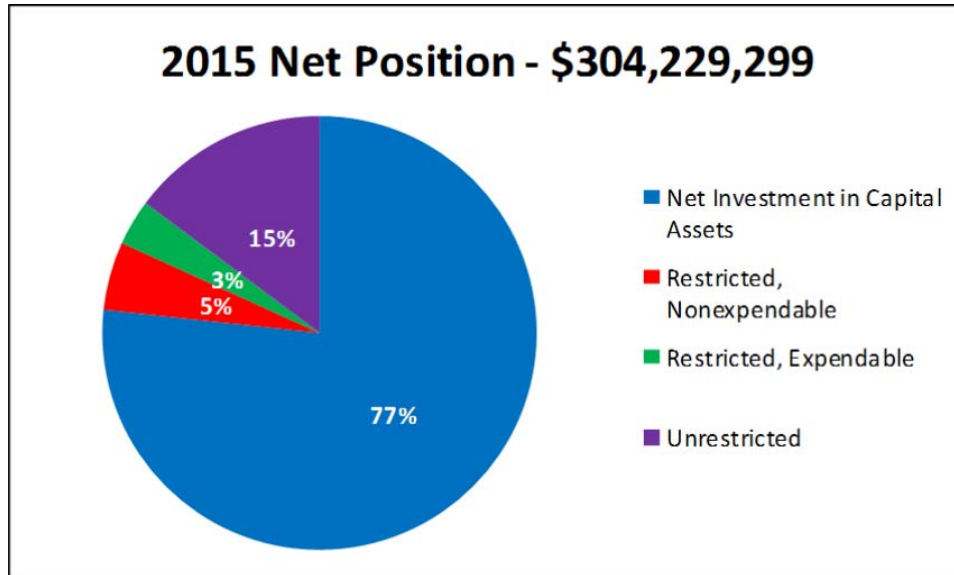
**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Deferred Inflows

Deferred inflows increased by \$6.8 million. This amount is related to pensions and was recognized in fiscal year 2015 in accordance with GASB no. 68.

Net Position

Total net position decreased by \$5.5 million. The percentage of each net position category is displayed in the chart below.



Net investment in capital assets

Net investment in capital assets increased by \$18.5 million. This increase was mainly attributable to the increase of capital assets recorded as construction in progress at the Jonesboro campus.

Restricted, Nonexpendable

Restricted, nonexpendable net position increased by \$432,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by \$504,000. This was due to the Beebe campus's increase in endowment investments held by the ASU Foundation for scholarship purposes. The campus received a new endowment during fiscal year 2015.
- *Loans*—The restricted, nonexpendable net position for loans increased slightly in the amount of \$38,300. This was due to a small increase in the Perkins Loan activity and the reclassification of Beebe's net position from expendable to nonexpendable.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above decreased by \$111,000. This decrease was due to a decline in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net position decreased by \$6.8 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by \$216,000. As with the nonexpendable portion, this was a result of the new endowment at the Beebe campus and a reflection of the investment earnings on these endowments.
- *Research*—Restricted, expendable net position for research declined by \$43,000. This slight decrease is due to a decline in research awards related to reduced funding at the national, state, and local levels. This decrease is minimal due to the decline of research funding that has occurred over the past few years.
- *Loans*—The restricted, expendable net position for loans decreased by \$20,000. This was due to the reclassification of this balance at the Beebe campus from expendable to nonexpendable.

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

- *Capital Projects*—The restricted, expendable net position for capital projects decreased by \$6.3 million. This was related to the spending and reimbursement of capital appropriations at the Jonesboro campus as discussed previously.
- *Other*—The restricted, expendable net position for other purposes than those listed above decreased by \$212,000. This was caused by a decrease in non-research grant activity as funding for grants and contracts continues to decline due to economic conditions at the federal, state, and local levels.

Unrestricted

Unrestricted net position decreased by \$17.7 million. The majority of this decrease is due to the recognition of the net pension liability, deferred inflows, deferred outflows, and related pension expense.



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, 2015.

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 Uni-

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

versity in exchange for providing the appropriation. A condensed Statement of Revenues, Expenses and Changes in Net Position for fiscal year 2015 compared to fiscal year 2014 is shown below.

Condensed Statement of Revenues, Expenses and Changes in Net Position				
	2015	2014	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 56,312,892	\$ 54,202,184	\$ 2,110,708	3.89%
Grants and Contracts	23,825,840	23,149,541	676,299	2.92%
Auxiliary Enterprises, Net	27,081,631	25,985,508	1,096,123	4.22%
Other	8,221,875	8,013,856	208,019	2.60%
Total Operating Revenues	<u>115,442,238</u>	<u>111,351,089</u>	<u>4,091,149</u>	<u>3.67%</u>
Operating Expenses	263,700,741	265,248,995	(1,548,254)	(0.58%)
Nonoperating Revenues (Expenses)				
Federal Appropriations	594,401	1,175,443	(581,042)	(49.43%)
State Appropriations	94,945,462	94,956,873	(11,411)	(0.01%)
Grants and Contracts	51,753,608	53,132,794	(1,379,186)	(2.60%)
Interest	(7,092,358)	(7,580,770)	488,412	(6.44%)
Other	6,320,744	7,468,686	(1,147,942)	(15.37%)
Total Nonoperating	<u>146,521,857</u>	<u>149,153,026</u>	<u>(2,631,169)</u>	<u>(1.76%)</u>
Income Before Other Revenues, Expenses, Gains or Losses	<u>(1,736,646)</u>	<u>(4,744,880)</u>	<u>3,008,234</u>	<u>(63.40%)</u>
Capital Appropriations	2,326,698	10,259,205	(7,932,507)	(77.32%)
Capital Grants and Gifts	13,486,598	2,647,335	10,839,263	409.44%
Other	592,853	269,873	322,980	119.68%
Total	<u>16,406,149</u>	<u>13,176,413</u>	<u>3,229,736</u>	
Increase (Decrease) in Net Position	<u>\$ 14,669,503</u>	<u>\$ 8,431,533</u>	<u>\$ 6,237,970</u>	<u>73.98%</u>
Net Position, Beginning of Year	\$ 309,777,058	\$ 301,345,525		
Restatement of Prior Year Balance (Note 17)	<u>\$ (20,217,262)</u>			
Net Position, Beginning of Year, Restated	<u>\$ 289,559,796</u>	<u>\$ 301,345,525</u>	\$ (11,785,729)	(3.91%)
Net Position, End of Year	<u>\$ 304,229,299</u>	<u>\$ 309,777,058</u>	<u>\$ (5,547,759)</u>	<u>(1.79%)</u>

Revenues

Total revenues increased by approximately \$800,000.

Operating Revenues

Total operating revenues increased by \$4.1 million.

Tuition and Fees, net

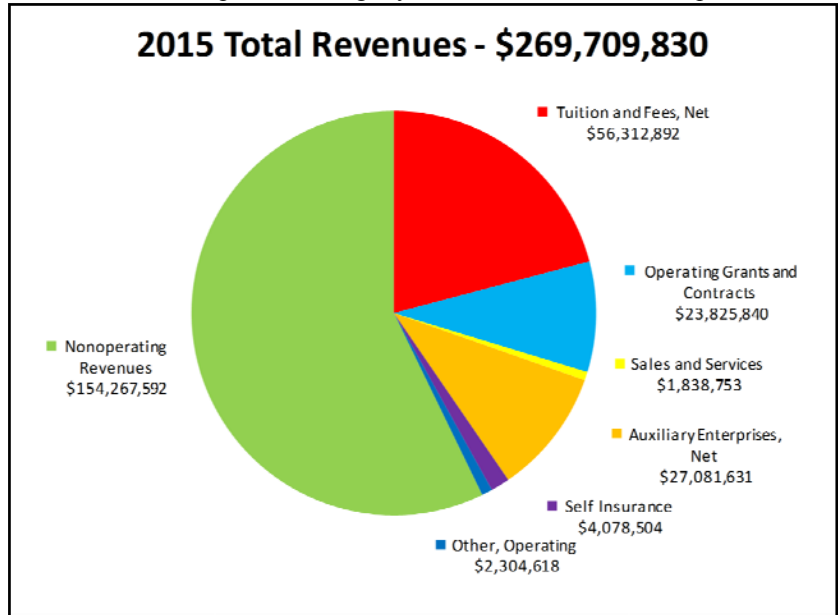
Net tuition and fees increased by \$2.1 million. Gross tuition and fee revenue increased by \$3.2 million. All campuses had a modest tuition increase from 2014 to 2015. Mountain Home was the only campus to have a slight decrease of net tuition and fee revenue in the amount of \$19,000. This was primarily the result of a slight decrease in enrollment. Newport had an increase of \$410,000 due to

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

increased enrollment from 2014 to 2015. Although Jonesboro and Beebe experienced slightly lower enrollment, the campuses saw increases in the amounts of \$1.4 million and \$325,000, respectively. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by \$1.1 million. This increase in scholarship allowances caused a decrease in scholarship expense as noted in the scholarship expense section below.

Grants and Contracts

Operating grants and contracts increased modestly by \$676,000. The Jonesboro and Mountain Home campuses each had increases; while Beebe and Newport had decreases. Jonesboro's and Mountain Home's increases of \$1.5 million and \$332,000 were offset by decreases of \$230,000 at Beebe and \$900,000 at Newport. The increases at the campuses were due to new grants that were received during the fiscal year. As the available grant resources continue to decline; there will continue to be fluctuations in the amount of operating grants and contracts revenue as more colleges and universities compete for these dollars.



Sales and Services

Sales and services decreased by \$86,000. This is comprised of a \$92,000 decrease for the Jonesboro campus and an increase of \$5,600 for the Beebe campus. Both of these amounts are attributable to normal fluctuations in operations between fiscal years.

Auxiliary Enterprises, net

Auxiliary enterprises, net increased by approximately \$1.1 million. The Jonesboro campus experienced an increase of \$925,000. This was the result of increased revenues across several of the auxiliary operations at the Jonesboro campus including athletics, residence life, bookstore, and food services. The Beebe campus saw a decrease of \$43,000, while the Mountain Home and Newport campuses had increases of \$71,000 and \$143,000, respectively.

Self Insurance

Self insurance revenues increased by \$180,000. This is a result of a minimal increase in premiums for both the employee withholding and employer matching amounts that occurred beginning January 1st.

Other

Other operating revenues increased by \$114,000. The Jonesboro campus received funds due to overpayment of sales taxes in prior years. In addition to the Jonesboro campus's increase, the Mountain Home campus also had a small increase of \$48,000. Both Beebe and Newport had decreases in the amounts of approximately \$32,000.

Nonoperating Revenues

Total nonoperating revenues decreased by \$3.3 million.

Federal Appropriations

Federal appropriations decreased by \$581,000. In prior fiscal years, the Jonesboro campus received several federal earmark awards. The campus did not receive any new funds and will continue to see a decrease as these awards are completed.

State Appropriations

State appropriations decreased very slightly by \$11,000. The Jonesboro and Beebe campuses had increases of \$717,000 and \$26,000, respectively. The Mountain Home and Newport campuses showed decreases of \$608,000 and \$147,000, respectively. The increases and decreases at the campuses were due to variances in general appropriation funding.

Stimulus Funds (ARRA)

Nonoperating revenues from stimulus funds (ARRA) increased slightly by \$28,000. The Jonesboro campus is the only campus remaining with ARRA funds. These funds should all be expended in the next fiscal year.

Grants and Contracts

Nonoperating grants and contracts decreased by \$1.4 million. There was a decrease of \$1.5 million on the Jonesboro campus. The decrease was caused from a decline in federal financial aid of \$500,000 as well as state financial aid in the amount of \$1.6 million. This decrease also reduced the amount of financial aid that is processed through Jonesboro and disbursed at Mountain Home. This amount was \$4.4 million during 2014 compared to \$3.9 million in 2015. With the exception of Newport, that experienced an increase of \$823,000, both Beebe and Mountain Home experienced decreases of \$300,000 and \$412,000, respectively. This is a reflection

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

tion of the decline in state and federal financial aid as well as slight declines in enrollment. Newport experienced an increase in enrollment thereby increasing the amount of federal and state financial aid that was received during 2015.

Sales and Use Taxes

Sales and use taxes decreased by nearly \$10,000. This was due to a slight decrease in spending in Jackson and Cleburne Counties.

Property Taxes

Property tax revenues decreased by \$17,000 on the Mountain Home campus, which is the only campus that receives revenue from property taxes.

Gifts

Revenues from gifts increased by \$423,000. Jonesboro had an increase of \$439,000, which was primarily due to a change in reclassification of income from the Red Wolves Foundation for athletics which was previously shown as auxiliary revenues. The Mountain Home campus had an increase of \$23,635, while Newport had a decrease of \$40,075.

Investment Income

Investment income decreased by \$1.7 million. The Jonesboro campus experienced the largest decrease while the other three campuses combined showed an increase of \$4,500. The decrease at Jonesboro was due to declines in investment income on endowments when compared to 2014. The University continues to invest in low-risk investments that will provide a stable source of revenue, such as interest bearing bank accounts and certificates of deposits.

Expenses

Total expenses decreased by \$2.2 million.

Operating Expenses

Total operating expenses decreased by \$1.5 million.

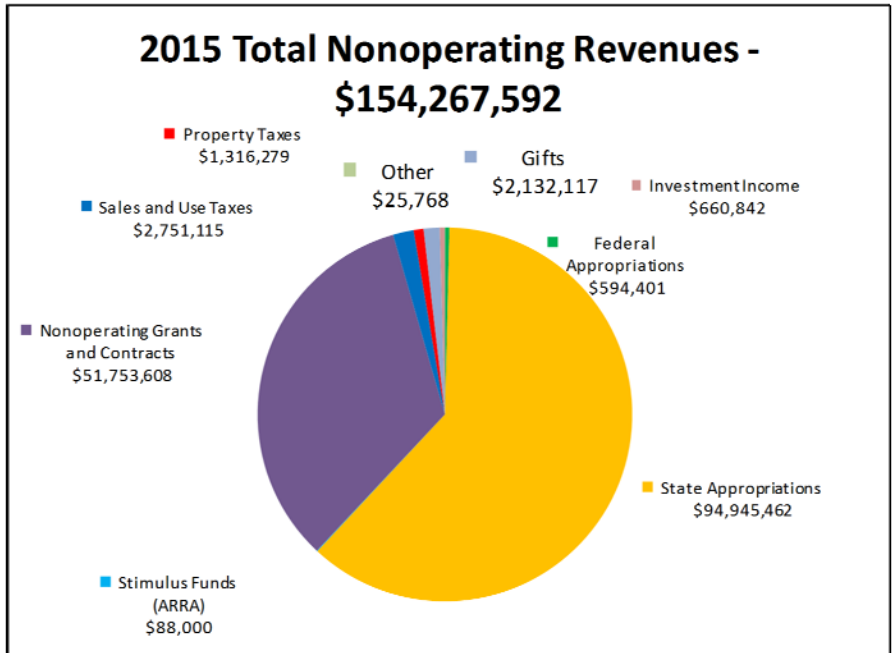
Additional information on operating expenses can be found in the tables and charts that follow.

Personal Services

Personal services decreased by \$1.6 million. Each of the campuses, other than Beebe, experienced increases in personal services. The increases were a result of revising the amount of other postemployment benefits that was previously shown as a consolidation entry and is now more accurately reflected by each campus rather than the overall System. In addition to the previous amount of postemployment benefits; the additional amount was recorded for fiscal year 2015. The total for all campuses increased from \$9.4 million to \$11.3 million. The campuses also implemented GASB no. 68, *Accounting and Financial Reporting for Pensions*. Although, this new pronouncement decreased beginning net position by \$20.2 million, the effect on current year personal services was a decrease in the amount of \$968,000. This decrease is due to the current year effect of the net pension liability, deferred outflows, and deferred inflows related to pensions. This amount will vary each year depending on the campuses' proportionate share of the net pension liability of these pension plans. Additional information may be found in Note 8 and in the Required Supplementary Information. The System Office, Mountain Home campus, and Newport campus implemented an optional voluntary retirement incentive program for fiscal year 2015. In accordance with GASB no. 47, *Accounting for Termination Benefits*, the financial statements reflect the liability and expense in 2015 when the offer was accepted. The amount totaled \$196,773. Additional information about this program may be found in Note 18. Additionally, the campuses were able to provide modest salary increases for faculty and staff which affirms the significance of faculty and staff to the mission of the University.

Scholarships and Fellowships

Scholarships and fellowships decreased by \$935,000. This was partially due to increases in the amount reflected as scholarship allowances rather than scholarship expense; from \$56.8 million in 2014 to \$57.8 million in 2015. While Newport experienced an increase in headcount enrollment from Fall 2013 to Fall 2014; the other campuses experienced a decrease in headcount. The campuses continue to offer competitive institutional scholarships to students as federal and state financial aid declines.



**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Supplies and Services

Supplies and services increased by \$336,000. With the exception of a \$471,000 increase at the Jonesboro campus, all other campuses experienced a decline in expenses for supplies and services. These decreases are due to conservative levels of spending initiated at the system level. In addition, as funds for grant revenues continue to decline; supplies and services expenses for these grants will also decrease.

Self Insurance

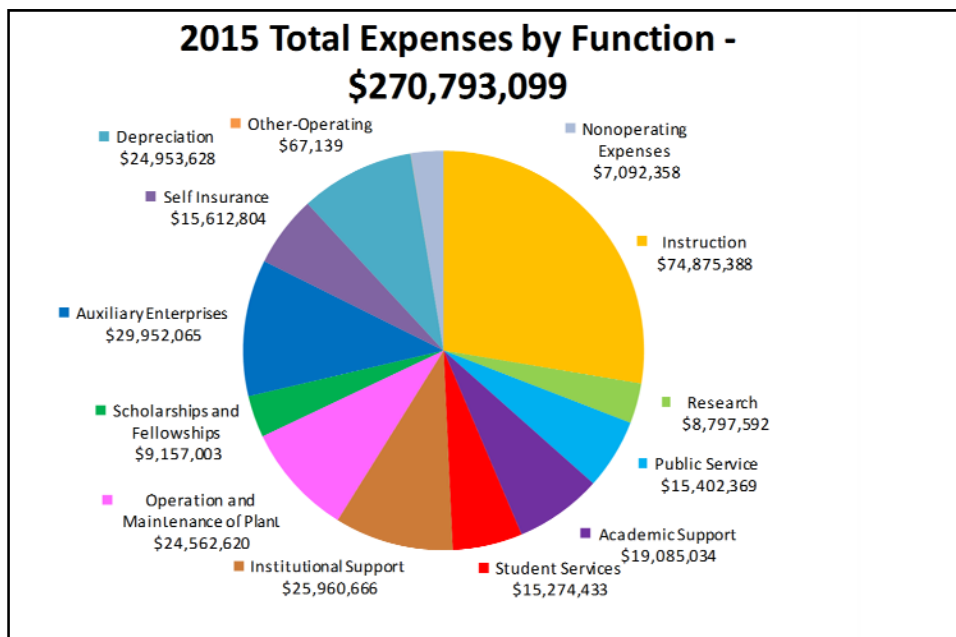
Self insurance expenses decreased by \$470,000. This decrease was due to decreased healthcare costs for medical and pharmacy claims during the fiscal year.

Depreciation

Depreciation expense increased by \$1.1 million. This is due to the amount of new additions or renovations at each campus that were added in 2014 and began depreciating in 2015. Additionally, as new projects were completed in 2015, depreciation expense will increase next year as a result of these. Depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

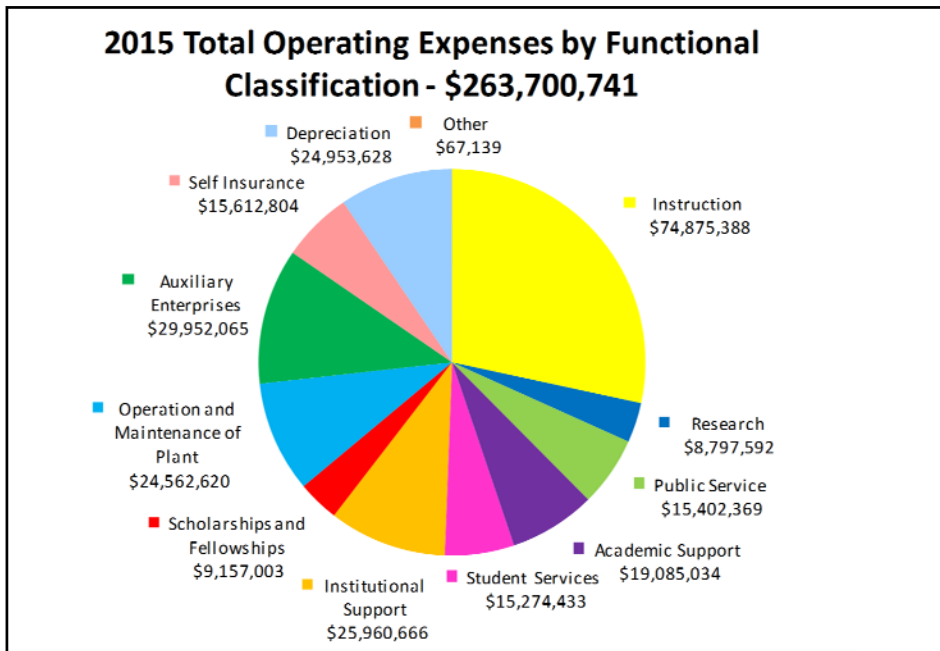
Other

Other operating expenses were essentially the same as in 2014. These expenses are related to the Perkins Loan program on the Jonesboro campus.



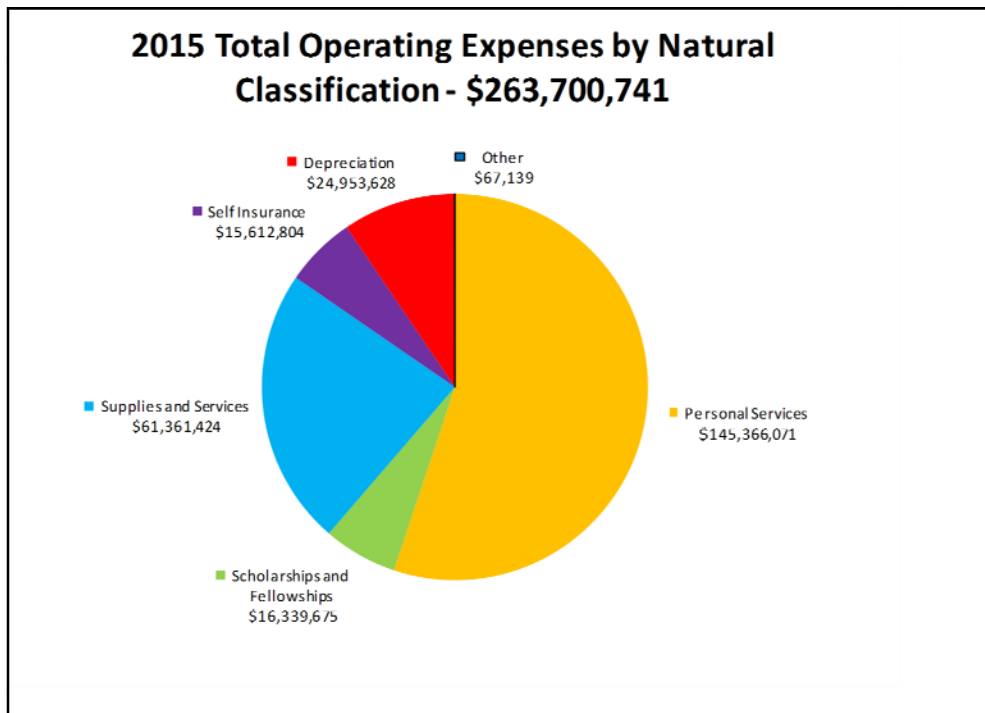
**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Operating Expenses by Function				
	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Instruction	\$ 74,875,388	\$ 75,515,303	\$ (639,915)	(0.85%)
Research	8,797,592	8,719,291	78,301	0.90%
Public Service	15,402,369	16,152,244	(749,875)	(4.64%)
Academic Support	19,085,034	18,694,767	390,267	2.09%
Student Services	15,274,433	15,615,898	(341,465)	(2.19%)
Institutional Support	25,960,666	26,651,815	(691,149)	(2.59%)
Scholarships and Fellowships	9,157,003	10,469,644	(1,312,641)	(12.54%)
Operation and Maintenance of Plant	24,562,620	24,239,061	323,559	1.33%
Auxiliary Enterprises	29,952,065	29,216,186	735,879	2.52%
Self Insurance	15,612,804	16,082,687	(469,883)	(2.92%)
Depreciation	24,953,628	23,824,951	1,128,677	4.74%
Other	67,139	67,148	(9)	(0.01%)
Total Operating Expenses	<u>\$ 263,700,741</u>	<u>\$ 265,248,995</u>	<u>\$ (1,548,254)</u>	<u>(0.58%)</u>



**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Operating Expenses by Natural Classifications				
	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Personal Services	\$ 145,366,071	\$ 146,974,378	\$ (1,608,307)	(1.09%)
Scholarships and Fellowships	16,339,675	17,274,330	(934,655)	(5.41%)
Supplies and Services	61,361,424	61,025,501	335,923	0.55%
Self Insurance	15,612,804	16,082,687	(469,883)	(2.92%)
Depreciation	24,953,628	23,824,951	1,128,677	4.74%
Other	67,139	67,148	(9)	(0.01%)
Total Operating Expenses	<u>\$ 263,700,741</u>	<u>\$ 265,248,995</u>	<u>\$ (1,548,254)</u>	<u>(0.58%)</u>



**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Nonoperating Expenses

Total nonoperating expenses decreased by \$669,000.

Interest

Interest expense decreased by \$488,000. All the campuses, other than Jonesboro, experienced lower interest costs. The majority of the decrease was due to the refunding of four bond issues at the Beebe campus. Beebe's interest showed a \$470,000 decrease from 2014 to 2015. The Jonesboro campus's amount increased slightly by \$5,000 due to the first year repayment on a loan and a new capital lease.

Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a loss of \$135,700 on capital assets compared to a loss of \$431,000 in fiscal year 2014. The Jonesboro campus's statements reflect a loss of \$120,600. This loss is attributable to the sale of a residence with land in the amount of \$174,400, a loss on equipment in the amount of \$70,200 and is offset by a gain from the sale of land in the amount of \$124,000. The Newport campus also experienced a small loss in the amount of \$15,100 which was due to equipment disposals.

Other Changes

Other revenues, expenses, gains and losses totaled \$16.4 million. This amount increased by \$3.2 million.

Capital Appropriations

Capital appropriations decreased by \$7.9 million. The Jonesboro campus received \$7.5 million less in 2014 compared to 2015. This was due to the campus receiving state appropriations for several capital improvement projects in 2014 which included the Humanities and Social Sciences Building. In addition, the Beebe campus also received \$200,000 in state general improvement funds; compared to \$400,000 in 2014. The Newport campus received \$250,000 in 2014, but did not receive any funds in 2015.

Capital Grants and Gifts

Capital grants and gifts increased by \$10.8 million. The Mountain Home campus had a decrease of \$740,000 due to funds received from the ASU Foundation for building costs during 2014. The Jonesboro campus had an increase of \$11.4 million. This was due to receiving funds from the Red Wolves Foundation in the amount of \$11.2 million for the Centennial Stadium expansion project as well as gifts of land and the scoreboard at the stadiums. Beebe and Newport also had increases due to the donation of capital gifts during the fiscal year.

Stimulus Funds (ARRA) for Capital Projects

This funding decreased by \$77,600. The decrease was due to the final year of an ARRA grant in 2014.

Statement of Cash Flows

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

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2015 and June 30, 2014 were as follows:

Capital Assets (net of accumulated depreciation)				
	2015	2014	Increase/ (Decrease)	Percent Change
Land and land improvements	\$ 14,697,580	\$ 13,455,420	\$ 1,242,160	9.23%
Construction in progress	40,238,713	28,737,708	11,501,005	40.02%
Livestock	283,583	296,318	(12,735)	(4.30%)
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	2,720,018	3,108,592	(388,574)	(12.50%)
Buildings	275,789,463	257,072,572	18,716,891	7.28%
Improvements and infrastructure	82,813,504	81,076,423	1,737,081	2.14%
Equipment	15,905,813	15,391,417	514,396	3.34%
Library/audiovisual holdings	1,525,610	1,714,342	(188,732)	(11.01%)
Total	\$ 436,649,284	\$ 403,527,792	\$ 33,121,492	8.21%

Land

The University's value in land and land improvements increased by \$1,242,160 during fiscal year 2015. This increase is primarily attributable to property purchases in the amounts of \$405,000 at the Jonesboro campus, \$780,405 at the Newport campus, and property donated in the amount of \$205,559. Land valued at \$205,559 was received as gifts by the Jonesboro campus. The Jonesboro campus also sold land that had a book value of \$174,529 during fiscal year 2015.

Construction in progress

Construction in progress increased by 40.02%. This increase is mainly attributable to construction projects at the Jonesboro campus. The Jonesboro campus experienced an increase of \$11,537,467 during the year. \$35,610,635 was transferred as completed construction. This was mostly due to the completion of the Humanities and Social Sciences building. The Jonesboro and Newport campuses were the only campuses to reflect a balance in construction in progress at the end of 2015. Jonesboro's balance is \$40,234,278 and Newport's is \$4,435. The balance at the Jonesboro campus is mainly attributable to the construction of the Student Activities Center and Centennial Bank Stadium expansion project.

Livestock

The decrease of 4.30% is attributable to a slight increase of the Jonesboro campus livestock herds of \$766 and a decrease of the Beebe campus's herds in the amount of \$13,501.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2015.

Intangibles-Software

The University's decrease of \$388,574 was the amount of annual depreciation during the fiscal year. No additions to software occurred in fiscal year 2015.

Buildings

The University experienced an increase in the total value of buildings. This is a result of transfers from construction in progress in the amount of \$30,180,149. These buildings include: Humanities and Social Sciences and Soccer/Tennis buildings at the Jonesboro campus as well as the John Deere AgTech shop at the Beebe campus. Also, depreciation expense increased from \$14,431,846 in 2014 to \$14,500,579 in 2015 as a result of additional buildings that were added in 2014 and began depreciating in fiscal year 2015.

Improvements and infrastructure

The 2.14%, or \$1,737,081, increase in improvements and infrastructure is attributable to several projects at the Jonesboro campus being completed during the fiscal year. These include: relocation of the Soccer Field, renovations to the Convocation Center, Dyess Colony restoration project, and an expansion to the chilled water loop.

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Equipment

Equipment increased by 3.34%, or \$514,396, during the year. Equipment additions increased from \$3,687,907 in 2014 to \$4,694,257 in 2015. Of this increase, \$1,256,000 was a gift transfer of a scoreboard for the football stadium at the Jonesboro campus. Equipment purchases remained fairly the same in 2015 as in 2014. Depreciation expense increased from \$3,977,705 in 2014 to \$4,051,717 in 2015. This was due to an increase of additional equipment that was added in 2014 and began depreciating in 2015.

Library/Audiovisual Holdings

The University's decrease of \$188,732, or 11.01%, is due to lower purchases from fiscal year 2014 to fiscal year 2015. Total purchases in 2015 were \$118,337 compared to \$159,833 in 2014. Depreciation expense remained fairly consistent decreasing slightly from \$307,069 in 2015 to \$316,417 in 2014.

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 \$197,334,426 in bonds payable, \$2,737,288 in notes payable and \$32,575 in capital leases payable at June 30, 2015.

The Beebe campus issued refunding bonds. A summary of the bonds and the debt that was refunded is below:

\$1,895,000	2005 Refunding
\$8,005,000	2010 Auxiliary Enterprises
\$12,930,000	2005B Student Fee
\$9,185,000	2006 Student Fee

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

The \$2,737,288 in notes payable consisted of three notes for the Jonesboro campus. These include two notes for IT (Information and Technology Services) infrastructure in the amounts of \$228,426 and \$32,639 and a \$901,075 note for pedestrian improvements. Additionally, the Mountain Home campus has a note payable in the amount of \$291,268 for a land purchase and the Newport cam-

**ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

pus has \$1,283,880 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location. The \$32,575 in capital leases is comprised of a lease for a lawn mower located on the Jonesboro campus.

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

Economic Outlook

The economic outlook of the University remains sound.

Economic conditions at the national and international level remain guarded. While several economic indicators point to moderate economic growth in the U.S., volatility remains a concern. These conditions limit the University's ability to generate favorable returns on its financial assets; however, the lower rates positively affect the ability to strategically manage long-term debt and borrowing costs. The University's strong credit rating of A1 continues to provide favorable financing terms and options.

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

The University continues to proactively manage its enrollment and scholarship administration to strike an appropriate balance between academic standards, demographic and economic changes, and net tuition revenue. In addition, the University is working to develop and appropriately structure its research efforts in response to diminishing and increasingly competitive funding from the federal government and other sources. The University continues to review all of its existing and potential revenue sources and is working to explore and develop new and innovative funding opportunities.

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



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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:	
Cash and cash equivalents	\$ 52,283,990
Short-term investments	6,793,985
Accounts receivable (less allowances of \$1,081,926)	15,361,211
Notes and deposits receivable (less allowances of \$242,093)	934,446
Accrued interest and late charges	124,451
Inventories	3,256,752
Deposits with trustees	34,216
Unamortized bond insurance	661,597
Prepaid expenses	<u>618,857</u>
Total Current Assets	<u>80,069,505</u>

Noncurrent Assets:	
Cash and cash equivalents	19,091,122
Restricted cash and cash equivalents	6,587,735
Endowment investments	14,364,380
Other long-term investments	13,477,146
Accrued interest and late charges	497,337
Deposits with trustees	2,949,081
Accounts receivable	90,000
Notes and deposits receivable (less allowances of \$1,309,458)	5,060,297
Capital assets (net of accumulated depreciation of \$304,463,308)	<u>436,649,284</u>
Total Noncurrent Assets	<u>498,766,382</u>
TOTAL ASSETS	<u>578,835,887</u>

DEFERRED OUTFLOWS OF RESOURCES	
Excess of bond reacquisition costs over carrying value	2,404,057
Pensions	<u>3,079,629</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES **584,319,573**

LIABILITIES

Current Liabilities:	
Accounts payable and accrued liabilities	17,431,123
Bonds, notes, and leases payable	8,682,292
Compensated absences	7,051,544
Unearned revenue	6,676,091
Funds held in trust for others	567,229
Deposits	1,036,023
Interest payable	<u>1,988,845</u>
Total Current Liabilities	<u>43,433,147</u>

Noncurrent Liabilities:	
Accounts payable and accrued liabilities	41,918
Bonds, notes and leases payable	191,421,997
Compensated absences	3,626,516
Accrued other post-employment benefits payable	11,262,160
Net pension liability	15,507,411
Deposits	499,090
Refundable federal advances	<u>7,477,027</u>
Total Noncurrent Liabilities	<u>229,836,119</u>
TOTAL LIABILITIES	<u>273,269,266</u>

DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>6,821,008</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES **280,090,274**

NET POSITION

Net investment in capital assets	233,385,604
Restricted for nonexpendable purposes:	
Scholarships and fellowships	5,617,573
Loans	970,571
Other-College and Department Purposes	8,901,458
Restricted for expendable purposes:	
Scholarships and fellowships	842,785
Capital projects	7,710,691
Other	1,826,648
Unrestricted	<u>44,973,969</u>
TOTAL NET POSITION	<u>\$ 304,229,299</u>

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

**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$48,458,665)	\$ 56,312,892
Grants and contracts	23,825,840
Sales and services of educational departments	1,838,753
Auxiliary enterprises (net of scholarship allowances of \$9,330,712)	27,081,631
Self-insurance	4,078,504
Other operating revenues	2,304,618
TOTAL OPERATING REVENUES	<u>115,442,238</u>
OPERATING EXPENSES	
Personal services	145,366,071
Scholarships and fellowships	16,339,675
Supplies and services	61,361,424
Self-insurance	15,612,804
Depreciation	24,953,628
Other	67,139
TOTAL OPERATING EXPENSES	<u>263,700,741</u>
OPERATING INCOME (LOSS)	<u>(148,258,503)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal appropriations	594,401
State appropriations	94,945,462
Stimulus funds (ARRA)	88,000
Grants and contracts	51,753,608
Sales and use taxes	2,751,115
Property taxes	1,316,279
Gifts	2,132,117
Investment income	660,842
Interest on capital asset - related debt	(7,092,358)
Bond insurance and issuance costs	(468,765)
Gain or loss on disposal on capital assets	(135,721)
Refunds to grantors	(48,891)
Other nonoperating revenues (expenses)	25,768
NET NONOPERATING REVENUES (EXPENSES)	<u>146,521,857</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,736,646)
Capital appropriations	2,326,698
Capital grants and gifts	13,486,598
Additions to endowments	425,546
Adjustments to capital assets	129,517
Capitalization of library holdings at rate per volume	
Livestock additions	20,333
Bond proceeds	766
	16,691
INCREASE (DECREASE) IN NET POSITION	<u>14,669,503</u>
NET POSITION - BEGINNING OF YEAR	309,777,058
RESTATEMENT FOR GASB 68 (NOTE 17)	<u>(20,217,262)</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>289,559,796</u>
NET POSITION - END OF YEAR	<u>\$ 304,229,299</u>

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

**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 55,286,737
Grants and contracts	24,431,800
Auxiliary enterprises revenues	27,084,338
Sales and services of educational departments	1,844,883
Self-insurance program receipts	4,003,636
Collection of principal and interest related to student loans	896,000
Other receipts	2,295,372
Payments to employees	(121,161,995)
Payments for employee benefits	(23,586,414)
Payments to suppliers	(62,284,368)
Scholarships and fellowships	(16,339,675)
Self-insurance program payments	(15,603,442)
Loans issued to students	(1,073,043)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(124,206,171)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	546,074
State appropriations	94,895,327
Stimulus funds (ARRA)	81,235
Grants and contracts	51,803,438
Private gifts and grants	3,016,228
Sales and use taxes	2,741,880
Property taxes	1,311,144
Direct lending, PLUS and FFEL loan receipts	91,815,879
Direct lending, PLUS and FFEL loan payments	(91,340,319)
Agency activity	(363,030)
Refunds to grantors	(47,007)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	154,460,849
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Distributions from trustee of bond proceeds and interest earnings	18,580,638
Capital appropriations	2,326,698
Capital gift and grants	11,595,449
Proceeds from sale of capital assets	864,378
Purchases of capital assets	(50,945,177)
Payments to trustees for bond principal	(7,615,000)
Payments to trustees for bond interest and fees	(8,105,161)
Payments to debt holders for principal (other than bonds)	(1,196,364)
Payments to debt holders for interest and fees (other than bonds)	(75,915)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(34,570,454)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	9,364,392
Interest on investments (net of fees)	465,749
Purchases of investments	(10,591,760)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(761,619)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,077,395)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	83,040,242
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 77,962,847

This statement is continued on the next page.

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

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

Operating income (loss)	\$ (148,258,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	24,953,628
Change in assets and liabilities:	
Receivables, net	(2,189,878)
Inventories	(234,469)
Prepaid expenses	(391,762)
Accounts and salaries payable	(439,503)
Other postemployment benefits payable	1,894,798
Pension obligations	(968,472)
Unearned revenue	1,141,992
Deposits	187,223
Refundable federal advances	54,804
Compensated absences	52,007
Other liabilities	(8,036)
Net cash provided (used) by operating activities	<u>\$ (124,206,171)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and cash equivalents	\$ 52,283,990
Noncurrent Assets:	
Cash and cash equivalents	19,091,122
Restricted cash and cash equivalents	6,587,735
Total cash and cash equivalents - June 30, 2015	<u>\$ 77,962,847</u>

This statement is continued on the next page.

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

STATEMENT OF CASH FLOWS (CONTINUED)

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of \$1,256,000

Land-capital gifts of \$205,559

Capital lease payable-Mower \$42,472

Interest earned on reserve accounts held by trustee-\$324

Interest paid from accounts held by trustee-\$28

Amount earned on endowment investments-\$531,378

Amount of interest earned on CDs reinvested with CDs-\$2,116

Principal paid from remaining unused funds held by lender-\$10,055

BEEBE

Equipment-capital gift of \$88,063

Interest earned on reserve accounts held by trustee-\$2,389

Interest paid from accounts held by trustee-\$2,389

Amount of interest earned on CDs reinvested with CDs-\$19,974

The University issued refunding bonds of \$9,185,000, at a premium of \$143,332. The proceeds of this issue, along with accrued interest of \$2,618, were utilized as follows: \$9,214,527 was remitted to an escrow agent; \$109,112 was used to pay the bond issuance costs; and \$7,311 was remitted to the bond trustee.

The University issued refunding bonds of \$1,895,000, at a premium of \$17,130. The proceeds of this issue, along with accrued interest of \$2,383, were utilized as follows: \$1,862,966 was remitted to an escrow agent; \$43,921 was used to pay the bond issuance costs; and \$7,626 was remitted to the bond trustee.

The University issued refunding bonds of \$8,005,000, at a discount of \$69,049. The proceeds of this issue, along with accrued interest of \$13,543, were utilized as follows: \$7,803,595 was remitted to an escrow agent; \$128,684 was used to pay the bond issuance costs; and \$17,215 was remitted to the bond trustee.

The University issued refunding bonds of \$12,930,000, at a premium of \$243,728. The proceeds of this issue, along with accrued interest of \$5,945, were utilized as follows: \$13,019,057 was remitted to an escrow agent; \$151,588 was used to pay the bond issuance costs; and \$9,028 was remitted to the bond trustee.

NEWPORT

Equipment-capital gift of \$186,385

Interest paid from accounts held by trustee-\$72

Amount of interest earned on CDs reinvested with CDs-\$580

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

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS	
Cash	\$ 536,805
Repurchase agreement	5,543,759
Certificate of deposit	3,713,723
Prepaid expenses	19,468
Unconditional promises to give, net	1,527,983
Short-term investment	83,997
Long-term investments	55,419,584
Cash surrender of life insurance	6,648
Property and equipment, net	985,017
Other assets	107,269
TOTAL ASSETS	<u>\$ 67,944,253</u>
LIABILITIES	
Accounts payable	\$ 92,925
Annuities payable	27,956
Due to ASU campuses	517,256
Amounts held on behalf of Arkansas State University related entities	11,923,085
TOTAL LIABILITIES	<u>12,561,222</u>
NET ASSETS	
Unrestricted	2,458,885
Temporarily restricted	8,159,485
Permanently restricted	44,764,661
TOTAL NET ASSETS	<u>55,383,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,944,253</u>

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT				
SUPPORT AND RECLASSIFICATIONS				
Contributions	\$ 96,996	\$ 2,373,137	\$ 1,892,659	\$ 4,362,792
Contributed services	285,619			285,619
Support from the Arkansas State University Real Estate Foundation			1,981,310	1,981,310
Investment return, net	50,763	1,403,880	(460,867)	993,776
Grant income		74,997		74,997
Other income	533,048	368,528		901,576
Net assets released from restrictions	<u>3,879,005</u>	<u>(3,879,005)</u>		
TOTAL SUPPORT	<u>4,845,431</u>	<u>341,537</u>	<u>3,413,102</u>	<u>8,600,070</u>
EXPENSES AND LOSSES				
PROGRAM SERVICES				
Academic activities	736,947			736,947
Administrative	261,049			261,049
Student activities	66,264			66,264
SUPPORTING SERVICES				
Management and general	488,708			488,708
Fundraising	323,287			323,287
Transfers to Arkansas State University	3,015,738			3,015,738
Change in split-interest agreements			35,458	35,458
TOTAL EXPENSES AND LOSSES	<u>4,891,993</u>	<u>-</u>	<u>35,458</u>	<u>4,927,451</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(46,562)</u>	<u>341,537</u>	<u>3,377,644</u>	<u>3,672,619</u>
NET ASSETS AT BEGINNING OF YEAR	2,519,182	7,867,701	41,980,436	52,367,319
RECLASSIFICATION AND INTERNAL TRANSFERS	(13,735)	(49,753)	63,488	
TRANSFER OF ASSETS TO RED WOLVES FOUNDATION			<u>(656,907)</u>	<u>(656,907)</u>
TOTAL AFTER RECLASSIFICATION AND INTERNAL TRANSFERS	<u>2,505,447</u>	<u>7,817,948</u>	<u>41,387,017</u>	<u>51,710,412</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,458,885</u>	<u>\$ 8,159,485</u>	<u>\$ 44,764,661</u>	<u>\$ 55,383,031</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Jonesboro

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

Beebe

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

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

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

Mountain Home

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

Newport

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

Effective July 1, 2001, Delta Technical Institute was merged to the University to become the Arkansas State University Technical Center. The Technical Center is part of the Newport campus.

System

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

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

Component Units

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

During the year ended June 30, 2015, the Foundation transferred property, equipment, and funds of \$3,015,738 to the University for academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

Financial Statement Presentation

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

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

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

In June 2012, the GASB issued Statement no. 68, Accounting and Financial Reporting for Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and

NOTES TO FINANCIAL STATEMENTS

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. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

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 four (4) campuses. Other than the receipt and disbursement of student financial aid between the campuses, financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings, and construction in progress are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated fair value. Library holdings are recorded at cost or a stated rate per volume. For the campuses that record library holdings at a stated rate per volume, the additions for the fiscal year are displayed as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. Library holdings that are capitalized do not include periodicals, microfilm, microfiche, and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred. Interest costs incurred are capitalized during the period of construction. During the fiscal year, \$872,885 of interest costs was capitalized for the Jonesboro campus.

Depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, and 3 to 20 years



for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. No depreciation is taken the year of disposal.

Easements are considered intangible assets and are capitalized at either the cost at the date of acquisition or fair market 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, 2015. 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.



NOTES TO FINANCIAL STATEMENTS

Investments

The University accounts for its investments, except for nonparticipating contracts, at fair value in accordance with GASB Statement no. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. 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.

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

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, 2015 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

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

Deposits with Trustees

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

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs and other liabilities that will not be paid within the next fiscal year; (3) estimated amounts for deposits held that will not be paid within the next fiscal year; (4) other postemployment benefits payable (Note 12); (5) the amount of the optional voluntary retirement incentive program (Note 18); (6) net pension liability (Note 8); and (7) the refundable federal portion of the Perkins Loan Program.

Pensions

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

Property Taxes

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

Sales and Use Taxes

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

Funds Held in Trust for Others

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

Net Position

The University's net position is classified as follows:

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



NOTES TO FINANCIAL STATEMENTS

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 discre-

tion 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.



NOTES TO FINANCIAL STATEMENTS

**NOTE 2.
PUBLIC FUND DEPOSITS AND INVESTMENTS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 3,254,693	\$ 3,254,717
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	84,478,729	85,882,620
Uninsured, Uncollateralized		1,711
Total Deposits	<u>\$ 87,733,422</u>	<u>\$ 89,139,048</u>

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 \$5,019,193 and \$78,200 at June 30, 2015, respectively. Also, the above amount does not include \$413,745 in certificates of deposits held by the Foundation for license plate scholarships. The above total deposits include certificates of deposits of \$14,867,922 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$46 reported as deposits with trustees.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. At June 30, 2015, \$1,711 of the University's bank balance of \$89,139,048 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$1,711

Deposits with Trustees

At June 30, 2015, the University's deposits with trustees, excluding money market checking accounts of \$46, of \$2,983,251 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury fund. This fund was rated AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 38 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.

University Investments (Excluding Endowment Funds)

At June 30, 2015, the University's investments, excluding endowment funds, consisted of corporate bonds of \$987,653 and U.S. agencies of \$4,001,811. The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6-10 years	Greater than 10 years	Total
\$ -	\$ 259,360	\$413,001	\$ 315,292	\$ 987,653

NOTES TO FINANCIAL STATEMENTS

The U.S. agencies will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
\$ -	\$ 730,298	\$ 1,679,393	\$ 1,592,120	\$ 4,001,811

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>
\$ -	\$ 93,915	\$ 893,738			\$ 987,653

The credit quality ratings of the U.S. agencies 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>
\$ 3,938,656	\$ -	\$ -	\$ -	\$ 63,155	\$ 4,001,811

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 8.981 years at June 30, 2015. The U.S. agencies had an estimated weighted average maturity of 9.782 years at June 30, 2015. 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.

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. The Jonesboro campus’s portion of the investment pool was 15.73% or \$8,635,748 and consisted of the following types of investments:

<u>Type</u>	<u>Amount</u>
Domestic Equities Mutual Funds	\$ 4,301,397
Bonds/Fixed Income Securities	1,640,539
Alternative Assets	670,369
Cash Equivalents	5,464
Bonds/Fixed Income Mutual Funds	1,143,831
International Equity Mutual Funds	874,148
Total	<u>\$ 8,635,748</u>

NOTES TO FINANCIAL STATEMENTS

The Beebe campus’s portion of the investment pool was 1.08% or \$592,087 and consisted of the following types of investments:

Type	Amount
Domestic Equities Mutual Funds	\$ 295,203
Bonds/Fixed Income Securities	112,479
Alternative Assets	45,963
Cash Equivalents	84
Bonds/Fixed Income Mutual Funds	78,424
International Equity Mutual Funds	59,934
Total	\$ 592,087

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

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,503,126 consisted of the following types of investments held in trust by a third party:

Type	Amount
Mutual Funds	\$ 2,706,878
Corporate Bonds	292,098
Cash Equivalents	206,503
U.S. Agencies	297,647
Total	\$ 3,503,126

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

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
Corporate Bonds	\$ 48,467	\$ 166,339	\$ 36,574	\$ 40,718	\$ 292,098
U.S. Agencies	73,727	54,553	34,376	134,991	297,647
Total	<u>\$ 122,194</u>	<u>\$ 220,892</u>	<u>\$ 70,950</u>	<u>\$ 175,709</u>	<u>\$ 589,745</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	\$ 11,982	\$ 31,613	\$ 121,402	\$ 115,211	\$ 11,890	\$ 292,098
U.S. Agencies	185,089				112,558	297,647
Total	<u>\$ 197,071</u>	<u>\$ 31,613</u>	<u>\$ 121,402</u>	<u>\$ 115,211</u>	<u>\$ 124,448</u>	<u>\$ 589,745</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 6.118 and 11.555 years, respectively, at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

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

The V.C. and Bertie H. Kays Educational Trust of \$1,633,419 consisted of the following types of investments held in trust by a third party:

Type	Amount
Mutual Funds	\$ 904,000
Corporate Bonds	332,781
Cash Equivalents	33,371
U.S. Agencies	363,267
Total	\$ 1,633,419

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	\$ 56,545	\$ 188,590	\$ 42,857	\$ 44,789	\$ 332,781
U.S. Agencies	102,911	62,783	40,766	156,807	363,267
Total	\$ 159,456	\$ 251,373	\$ 83,623	\$ 201,596	\$ 696,048

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

	Aaa	Aa	A	Baa	Ba	Not Rated	Total
Corporate Bonds	\$ 13,978	\$ 34,688	\$ 139,471	\$ 129,781	\$ 14,863		\$ 332,781
U.S. Agencies	232,428					\$ 130,839	363,267
Total	\$ 246,406	\$ 34,688	\$ 139,471	\$ 129,781	\$ 14,863	\$ 130,839	\$ 696,048

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 6.036 and 11.059 years, respectively, at June 30, 2015.

**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.



NOTES TO FINANCIAL STATEMENTS

NOTE 4.
CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2015:

Arkansas State University-Jonesboro					
	Balance				Balance
	July 1, 2014	Additions	Transfers	Retirements	June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 6,541,334	\$ 636,284		\$ (174,529)	\$ 7,003,089
Livestock for educational purposes	162,722	766			163,488
Construction-in-progress	28,696,811	47,199,564	\$ (35,610,635)	(51,462)	40,234,278
Intangibles-Easements	2,675,000				2,675,000
Total nondepreciable capital assets	\$ 38,075,867	\$ 47,836,614	\$ (35,610,635)	\$ (225,991)	\$ 50,075,855
Other capital assets:					
Improvements and infrastructure	\$ 89,390,483	\$ 1,363,904	\$ 5,471,383		\$ 96,225,770
Buildings	322,320,071	2,922,983	30,139,252	\$ (755,610)	354,626,696
Equipment	41,608,543	3,783,680		(3,060,566)	42,331,657
Library/audiovisual holdings	12,217,834			(156,345)	12,061,489
Intangibles-Software	5,828,610				5,828,610
Total other capital assets	471,365,541	8,070,567	35,610,635	(3,972,521)	511,074,222
Less accumulated depreciation/amortization:					
Improvements and infrastructure	21,979,584	4,371,727			26,351,311
Buildings	146,971,855	8,913,489 *		(57,915)	155,827,429
Equipment	29,054,120	3,210,429		(2,954,049)	29,310,500
Library/audiovisual holdings	11,405,931	146,056		(156,345)	11,395,642
Intangibles-Software	2,720,018	388,574			3,108,592
Total accumulated depreciation/amortization	212,131,508	17,030,275	-	(3,168,309)	225,993,474
Other capital assets, net	\$ 259,234,033	\$ (8,959,708)	\$ 35,610,635	\$ (804,212)	\$ 285,080,748
Capital Asset Summary:					
Nondepreciable capital assets	\$ 38,075,867	\$ 47,836,614	\$ (35,610,635)	\$ (225,991)	\$ 50,075,855
Other capital assets, at cost	471,365,541	8,070,567	35,610,635	(3,972,521)	511,074,222
Total cost of capital assets	509,441,408	55,907,181	-	(4,198,512)	561,150,077
Less accumulated depreciation/amortization	212,131,508	17,030,275	-	(3,168,309)	225,993,474
Capital Assets, net	\$ 297,309,900	\$ 38,876,906	\$ -	\$ (1,030,203)	\$ 335,156,603

*Includes \$2,985 for prior year depreciation expense

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe					
	Balance				Balance
	July 1, 2014	Additions	Transfers	Retirements	June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 3,350,508				\$ 3,350,508
Livestock for educational purposes	133,596			\$ (13,501)	120,095
Construction-in-progress	40,897		\$ (40,897)		-
Total nondepreciable capital assets	\$ 3,525,001	\$ -	\$ (40,897)	\$ (13,501)	\$ 3,470,603
Other capital assets:					
Improvements and infrastructure	\$ 15,872,994	\$ 565,493			\$ 16,438,487
Buildings	66,301,410	812,033	\$ 40,897		67,154,340
Equipment	5,638,206	297,846		\$ (614,715)	5,321,337
Library/audiovisual holdings	2,434,542	87,316		(18,813)	2,503,045
Total other capital assets	90,247,152	1,762,688	40,897	(633,528)	91,417,209
Less accumulated depreciation:					
Improvements and infrastructure	4,844,204	1,010,051			5,854,255
Buildings	23,635,270	1,759,566			25,394,836
Equipment	4,477,148	355,233		(616,364)	4,216,017
Library/audiovisual holdings	1,766,686	121,105		(18,813)	1,868,978
Total accumulated depreciation	34,723,308	3,245,955	-	(635,177)	37,334,086
Other capital assets, net	\$ 55,523,844	\$ (1,483,267)	\$ 40,897	\$ 1,649	\$ 54,083,123
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,525,001	\$ -	\$ (40,897)	\$ (13,501)	\$ 3,470,603
Other capital assets, at cost	90,247,152	1,762,688	40,897	(633,528)	91,417,209
Total cost of capital assets	93,772,153	1,762,688	-	(647,029)	94,887,812
Less accumulated depreciation	34,723,308	3,245,955	-	(635,177)	37,334,086
Capital Assets, net	\$ 59,048,845	\$ (1,483,267)	\$ -	\$ (11,852)	\$ 57,553,726

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home					
	Balance				Balance
	July 1, 2014	Additions	Transfers	Retirements	June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Other capital assets:					
Improvements and infrastructure	\$ 2,280,289	\$ 33,057			\$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	1,764,161	135,733			1,899,894
Library/audiovisual holdings	933,202	20,333			953,535
Total other capital assets	43,262,875	189,123	-	-	43,451,998
Less accumulated depreciation:					
Improvements and infrastructure	1,762,367	152,019			1,914,386
Buildings	17,491,522	2,552,348			20,043,870
Equipment	1,215,718	184,237			1,399,955
Library/audiovisual holdings	782,977	25,251			808,228
Total accumulated depreciation	21,252,584	2,913,855	-	-	24,166,439
Other capital assets, net	\$ 22,010,291	\$ (2,724,732)	\$ -	\$ -	\$ 19,285,559
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,934,808		\$ -		\$ 2,934,808
Other capital assets, at cost	43,262,875	\$ 189,123	-	\$ -	43,451,998
Total cost of capital assets	46,197,683	189,123	-	-	46,386,806
Less accumulated depreciation	21,252,584	2,913,855	-	-	24,166,439
Capital Assets, net	\$ 24,945,099	\$ (2,724,732)	\$ -	\$ -	\$ 22,220,367

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport					
	Balance				Balance
	July 1, 2014	Additions	Transfers	Retirements	June 30, 2015
Nondepreciable capital assets:					
Land and improvements	\$ 628,770	\$ 780,405			\$ 1,409,175
Construction-in-progress	-	\$ 4,435			4,435
Total nondepreciable capital assets	\$ 628,770	\$ 784,840	\$ -	\$ -	\$ 1,413,610
Other capital assets:					
Improvements and infrastructure	\$ 2,795,799	\$ 11,918			\$ 2,807,717
Buildings	30,498,084				30,498,084
Equipment	3,150,035	476,998		\$ (83,977)	3,543,056
Library/audiovisual holdings	416,227	10,688		(1,485)	425,430
Total other capital assets	36,860,145	499,604	-	(85,462)	37,274,287
Less accumulated depreciation:					
Improvements and infrastructure	676,987	174,877			851,864
Buildings	12,233,569	1,275,176			13,508,745
Equipment	2,022,542	301,818		(60,701)	2,263,659
Library/audiovisual holdings	331,869	14,657		(1,485)	345,041
Total accumulated depreciation	15,264,967	1,766,528	-	(62,186)	16,969,309
Other capital assets, net	\$ 21,595,178	\$ (1,266,924)	\$ -	\$ (23,276)	\$ 20,304,978
Capital Asset Summary:					
Nondepreciable capital assets	\$ 628,770	\$ 784,840	\$ -	\$ -	\$ 1,413,610
Other capital assets, at cost	36,860,145	499,604	-	(85,462)	37,274,287
Total cost of capital assets	37,488,915	1,284,444	-	(85,462)	38,687,897
Less accumulated depreciation	15,264,967	1,766,528	-	(62,186)	16,969,309
Capital Assets, net	\$ 22,223,948	\$ (482,084)	\$ -	\$ (23,276)	\$ 21,718,588

NOTES TO FINANCIAL STATEMENTS

**NOTE 5.
LONG-TERM LIABILITIES**

The summary of long-term debt is as follows:

Arkansas State University-Jonesboro					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 11,690,000	\$ 7,540,000
6.1/2007	3/1/2037	3.65 - 5%	17,065,000	14,225,000	2,840,000
6.1/2007	3/1/2037	3.65 - 5%	30,300,000	24,530,000	5,770,000
3/19/2009	3/1/2039	3 - 5.1%	9,290,000	8,340,000	950,000
10/8/2010	9/8/2015	0.46%	4,568,514	228,426	4,340,088
12/7/2010	3/1/2031	2 - 4.125%	6,075,000	4,875,000	1,200,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	2,075,000	525,000
12/7/2010	12/1 2027	2 - 4%	3,435,000	1,535,000	1,900,000
1/16/2012	1/16 2016	4.09%	249,803	32,639	217,164
3.1/2012	3/1/2034	0.7 - 4.8%	5,340,000	4,710,000	630,000
3.1/2012	3/1/2034	2 - 3.6%	2,775,000	2,275,000	500,000
3.1/2012	3/1/2042	0.9 - 5.2%	6,510,000	6,240,000	270,000
3.1/2012	3/1/2042	2 - 4%	6,875,000	6,560,000	315,000
3.1/2012	3/1/2037	2 - 4%	3,425,000	3,150,000	275,000
12/1/2012	3/1/2042	0.866 - 4.7%	4,470,000	4,315,000	155,000
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,205,000	50,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,410,000	90,000
3.1/2013	3/1/2034	1 - 5%	28,895,000	26,860,000	2,035,000
8.1/2013	8/1/2023	0.24%	1,000,000	901,075	98,925
12/1/2013	12/1 2038	0.864 - 5.779%	11,130,000	10,850,000	280,000
12/1/2013	12/1 2043	2 - 5%	14,685,000	14,410,000	275,000
9.5/2014	9/18 2017	6.15%	42,472	32,575	9,897
Unamortized discount			(163,516)	(135,325)	(28,191)
Unamortized premium			1,802,007	1,625,718	176,289
Totals			\$ 182,354,280	\$ 151,940,108	\$ 30,414,172

Arkansas State University-Beebe					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
12/1 2012	12/1/2032	1 - 3%	\$ 1,890,000	\$ 1,735,000	\$ 155,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	1,895,000	-
4/1/2015	4/1 2039	1 - 3.625%	8,005,000	8,005,000	-
5/1/2015	12/1/2035	2 - 4%	12,930,000	12,930,000	-
6/1/2015	9/1 2035	2 - 4%	9,185,000	9,185,000	-
Unamortized discount			(91,432)	(87,915)	(3,517)
Unamortized premium			404,190	401,132	3,058
Totals			\$ 34,217,758	\$ 34,063,217	\$ 154,541

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
8/1/1999	4/10/2019	4.80%	\$ 1,032,704	\$ 291,268	\$ 741,436
12/1/2010	12/1/2017	2.2 - 2.6%	2,920,000	1,300,000	1,620,000
12/1/2012	12/1/2032	0.666 - 4.25%	6,995,000	6,385,000	610,000
Unamortized premium			28,993	10,354	18,639
Totals			\$ 10,976,697	\$ 7,986,622	\$ 2,990,075

Arkansas State University-Newport					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities To June 30, 2015
7/23/2012	7.23.2027	3.75%	\$ 1,500,000	\$ 1,283,879	\$ 216,121
12/1/2012	5/1/2028	0.666 - 3.82%	3,740,000	3,125,000	615,000
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,725,000	150,000
Unamortized discount			(22,328)	(19,537)	(2,791)
Totals			\$ 7,092,672	\$ 6,114,342	\$ 978,330

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro					
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 156,371,760		\$ 5,626,367	\$ 150,745,393	\$ 5,781,367
Notes payable	2,206,447		1,044,307 *	1,162,140	360,227
Capital leases payable	6,732	\$ 42,472	16,629	32,575	13,924
Compensated absences	8,047,368	4,693,839	4,624,068	8,117,139	5,462,984
Totals	\$ 166,632,307	\$ 4,736,311	\$ 11,311,371	\$ 160,057,247	\$ 11,618,502

* Includes payment of \$10,055 paid from remaining unused funds held by the lender

Arkansas State University-Beebe					
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 33,724,979	\$ 32,353,033	\$ 32,014,795 *	\$ 34,063,217	\$ 1,351,899
Compensated absences	1,549,007	811,061	917,043	1,443,025	897,251
Totals	\$ 35,273,986	\$ 33,164,094	\$ 32,931,838	\$ 35,506,242	\$ 2,249,150

* Includes refunding of \$1,835,000; \$9,005,000; \$7,785,000 (with an unamortized discount of \$96,425) and advance refunding of \$12,430,000

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home					
	Balance			Balance	Amounts
	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within
					One Year
Bonds payable	\$ 8,419,496		\$ 724,142	\$ 7,695,354	\$ 734,142
Notes payable	355,851		64,583	291,268	67,721
Compensated absences	443,639	\$ 238,636	250,352	431,923	25,915
Totals	\$ 9,218,986	\$ 238,636	\$ 1,039,077	\$ 8,418,545	\$ 827,778

Arkansas State University-Newport					
	Balance			Balance	Amounts
	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within
					One Year
Bonds payable	\$ 5,119,346		\$ 288,884	\$ 4,830,462	\$ 288,884
Notes payable	1,365,088		81,208 *	1,283,880	84,128
Compensated absences	586,039	\$ 751,675	651,741	685,973	665,394
Totals	\$ 7,070,473	\$ 751,675	\$ 1,021,833	\$ 6,800,315	\$ 1,038,406

*Includes prior year adjustment of \$308

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

Arkansas State University-Jonesboro			
Year ended			
June 30,	Principal	Interest	Total
2016	\$ 6,155,518 *	\$ 6,357,441 **	\$ 12,512,959
2017	6,055,573	6,183,026	12,238,599
2018	6,239,851	5,997,404	12,237,255
2019	6,191,245	5,782,321	11,973,566
2020	6,421,485	5,554,488	11,975,973
2021 - 2025	34,274,714	23,599,918	57,874,632
2026 - 2030	30,437,443	16,991,703	47,429,146
2031 - 2035	32,536,136	9,842,240	42,378,376
2036 - 2040	18,197,513	3,339,926	21,537,439
2041 - 2044	5,430,630	476,343	5,906,973
Totals	\$ 151,940,108 ***	\$ 84,124,810	\$ 236,064,918

*Includes discount amortization of \$6,200 and premium amortization of \$82,567.

**Includes interest payable of \$1,770,713 recorded as a current liability at June 30, 2015.

***Total principal of \$151,940,108 includes discount amortization of \$135,325 and premium amortization of \$1,625,718.

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe			
Year ended June 30,	Principal	Interest	Total
2016	\$ 1,351,900 *	\$ 1,018,727 **	\$ 2,370,627
2017	1,331,900	1,040,079	2,371,979
2018	1,351,900	1,017,644	2,369,544
2019	1,366,899	991,010	2,357,909
2020	1,406,900	961,157	2,368,057
2021 - 2025	7,427,999	4,154,700	11,582,699
2026 - 2030	7,714,614	2,877,765	10,592,379
2031 - 2035	8,885,781	1,440,563	10,326,344
2036 - 2039	3,225,324	188,747	3,414,071
Totals	\$ 34,063,217 ***	\$ 13,690,392	\$ 47,753,609

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

**Includes interest payable of \$162,028 recorded as a current liability at June 30, 2015.

***Total principal of \$34,063,217 includes discount amortization of \$87,915 and premium amortization of \$401,132.

Arkansas State University-Mountain Home			
Year ended June 30,	Principal	Interest	Total
2016	\$ 801,863 *	\$ 243,734 **	\$ 1,045,597
2017	825,152	227,401	1,052,553
2018	841,531	208,637	1,050,168
2019	403,076	193,474	596,550
2020	330,000	183,546	513,546
2021 - 2025	1,805,000	764,686	2,569,686
2026 - 2030	2,130,000	407,392	2,537,392
2031 - 2033	850,000	55,250	905,250
Totals	\$ 7,986,622 ***	\$ 2,284,120	\$ 10,270,742

*Includes premium amortization of \$4,142.

**Includes interest payable of \$27,348 recorded as a current liability at June 30, 2015.

***Total principal of \$7,986,622 includes premium amortization of \$10,654.

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport			
Year ended June 30,	Principal	Interest	Total
2016	\$ 373,011 *	\$ 185,604 **	\$ 558,615
2017	381,337	177,907	559,244
2018	384,663	169,809	554,472
2019	398,115	160,508	558,623
2020	411,611	150,154	561,765
2021 - 2025	2,267,142	549,800	2,816,942
2026 - 2030	1,551,258	158,845	1,710,103
2031 - 2033	347,205	15,900	363,105
Totals	\$ 6,114,342 ***	\$ 1,568,527	\$ 7,682,869

*Includes discount amortization of \$1,116.

**Includes interest payable of \$28,756 recorded as a current liability at June 30, 2015.

***Total principal of \$6,114,342 includes discount amortization of \$19,537.

Refunding of Debt

Arkansas State University-Beebe

On April 1, 2015, the University issued \$1,895,000 in taxable refunding bonds for the Beebe campus with interest rates of 1 to 3 percent to refund \$1,835,000 of outstanding bonds dated September 15, 2005 with interest rates of 2.8 to 4.15 percent. Net proceeds of \$1,862,966 after payment of \$43,921 for bond issuance costs and a premium of \$17,130 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of \$5,243 were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$27,966. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2024 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$84,066 over the next nine (9) years and to obtain an economic gain of \$78,255. The University received accrued interest of \$2,383 from the bond issue to apply toward the debt payments of the new issue.

On April 1, 2015, the University issued \$8,005,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 1 to 3.625 percent to refund \$7,785,000 of outstanding bonds, with an unamortized discount of \$96,425, dated April 1, 2010 with interest rates of 2 to 4.65 percent. Net proceeds of \$7,803,595 after payment of \$128,684 for bond issuance costs and a discount of \$69,049 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of \$3,672 were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$115,020. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2039 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$1,107,166 over the next twenty-four (24) years and to obtain an economic gain of \$760,615. The University received accrued interest of \$13,543 from the bond issue to apply toward the debt payments of the new issue.

On May 1, 2015, the University issued \$12,930,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 2 to 4 percent to advance refund \$12,430,000 of outstanding bonds dated December 1, 2005 with interest rates of 3.5 to 5 percent. Net proceeds of \$13,019,057, after payment of \$151,588 for bond issuance costs and a premium of \$243,728 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of \$13,019,057, is pledged for the retirement of these bonds. As a result of this refunding, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on December 1, 2015. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$589,057. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by \$1,876,655 over the next twenty-one (21) years and to obtain an economic gain of \$1,428,278. The University received accrued interest of \$5,945 and an additional \$3,083 from the bond issue to apply toward the debt payments of the new issue.

On June 1, 2015, the University issued \$9,185,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 2 to 4 percent to refund \$9,005,000 of outstanding bonds dated March 1, 2006 with interest rates of 3.25 to 5 percent. Net proceeds of \$9,214,527, after payment of \$109,112 for bond issuance costs and a premium of \$143,332 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of \$9,214,527, is pledged for the retirement of these bonds. As a result of this refunding, the 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$209,528. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$1,179,613 over the next twenty-one (21) years and to obtain an economic gain of \$834,446. The University received accrued interest of \$2,618 and an additional \$4,693 from the bond issue to apply toward the debt payments of the new issue.

NOTES TO FINANCIAL STATEMENTS



**NOTE 6.
CAPITAL LEASES**

The net value of assets held under capital leases totaled \$42,472 at June 30, 2015. The present value of the net minimum lease payments is as follows:

Type of Asset	Asset Amount	Accumulated Depreciation	Net Amount
Lawn Equipment	\$ 42,472	\$ -	\$ 42,472
Total	\$ 42,472	\$ -	\$ 42,472

Fiscal Year Ending June 30,	Amount
2016	\$ 15,540
2017	\$ 15,540
2018	\$ 3,886
Total Minimum Lease Payments	34,966
Less: Amount Representing Interest	2,391
Total Present Value of Net Minimum Lease Payments	\$ 32,575

NOTES TO FINANCIAL STATEMENTS

**NOTE 7.
COMMITMENTS**

The University was contractually obligated for the following at June 30, 2015:

A. Construction Contracts

Project Title	Estimated Completion Date	Contract Balance
Jonesboro		
Humanities and Social Sciences Building	July 2015	\$ 1,104,713
Student Activities Center	July 2015	587,266
Collegiate Park-Building #4	July 2015	142,209
Reng Center Service Area	July 2015	132,886
Aggie Road Overpass	July 2015	89,118
Bookstore Flooring	July 2015	55,940
Central Plant Chiller	July 2015	53,673
Centennial Expansion	August 2015	6,805,545
Convocation Center Seating	August 2015	1,245,200
Childhood Development Center	August 2015	449,435
Occupational Therapy Lab	August 2015	221,417
Nutrition Lab	August 2015	194,139
Sorority Housing	August 2015	173,067
Arkansas Hall Chilled Water Loop	August 2015	146,358
Collegiate Park-Building #3	August 2015	108,435
Keys House	August 2015	108,430
Dyess Theatre	September 2015	439,829
Village ADA Interior	January 2016	1,069,439
Beebe		
Library and ASU Searcy Building Re-roof	August 2015	87,355
Owen Center Fire Alarm Replacement	August 2015	66,613

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

Various leases for office space, laundry services, copiers, computers, and other office equipment with terms ranging from 24 to 120 months

1. Future minimum rental payments (aggregate) at June 30, 2015: \$2,802,034
2. Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

Year Ended June 30,	Amount
2016	\$874,554
2017	543,382
2018	436,078
2019	334,734
2020	307,217
2021 - 2025	306,069

Rental payments for the above operating leases, for the year ended June 30, 2015, were approximately \$931,825.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLANS

Defined Contribution Plans

Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)

Plan Description

The University participates in TIAA/CREF, 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/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas law authorizes participation in the plan.

Funding Policy

Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum contribution is 6%. The University contributes 10% of earnings for all applicable employees. For employees hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later, participants vest after one year. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and returned to the University annually. The University did not receive any forfeited amounts in fiscal year 2015. The University's and participants' contributions for the year ended June 30, 2015 were \$8,174,769 and \$6,554,404, respectively.

Variable Annuity Life Insurance Company (VALIC)

Plan Description

The University contributes to VALIC, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. VALIC provides insurance policies that become the property of the participant when issued.

Funding Policy

Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum percentage is 6%. The University's contributory rate is 10% for all applicable employees. For employees hired prior to January 1, 2014, participants vested immediately. For employees hired January 1, 2014 or later, participants vest after one year. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and returned to the University annually. The University did not receive any forfeited amounts in fiscal year 2015. The participants' and the University's contributions for the year ended June 30, 2015 were \$1,101,956 and \$1,358,319, respectively.

Defined Benefit Pension Plans

Arkansas Teacher Retirement System (ATRS)

Plan Description

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

Benefits Provided

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

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

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

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

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credits. Act 1590 of 1999 allows for participation in the T-DROP after 28 years of credited service with a reduction of 6% for each year under 30 years. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member election to enter T-DROP is irrevocable, and additional service credit cannot be accumulated. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits are the member's normal retirement benefit reduced by 1% for each year of service. For members who entered T-DROP prior to September 1, 2003, the reduction is 1/2 of 1% (.5%) for

NOTES TO FINANCIAL STATEMENTS

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.

As of July 1, 2011, 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.

The University reported payables to ATRS in the amount of \$85,601 as of June 30, 2015. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

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

ATRS's funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. The employer contribution rate was 14% for the fiscal year ending June 30, 2015. Contributory members are required to contribute 6% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

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

The collective net pension liability of \$2,625,006,279 was measured as of June 30, 2014, 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, 2015, the University reported a liability of \$9,331,422 for its proportionate share of the net pension liability. At June 30, 2014, the University's proportion was .36% of the collective net pension liability.

For the year ended June 30, 2015, the University recognized pension expense of \$675,833. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ (301,715)
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		(4,011,878)
Contributions subsequent to the measurement date	\$ 1,320,906	
Totals	<u>\$ 1,320,906</u>	<u>\$ (4,313,593)</u>

\$1,320,906 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$(1,067,464)
2017	(1,067,464)
2018	(1,067,464)
2019	(1,067,464)
2020	(43,737)

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	20%	4.7%
Global Equity	30%	5.0%
Fixed Income	20%	2.0%
Alternatives	5%	5.0%
Real Assets	15%	4.6%
Private Equity	10%	6.6%
Cash Equivalents	0%	1.2%
Total	100%	

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

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

The following presents the proportionate share of the net pension liability using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	\$ 16,694,771	\$ 9,331,422	\$ 3,136,364

Arkansas Public Employees Retirement System

Plan Description

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

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7-1-2005	2.07%
Contributory, on or after 7-1-2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit 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.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member has 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

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

The University reported payables to APERS in the amount of \$1,599 as of June 30, 2015. This amount has been reported on the Statement of Net Position as a current liability.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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

The collective net pension liability of \$1,418,912,236 was measured as of June 30, 2014, 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, 2015, the University reported a liability of \$6,175,989 for its proportionate share of the net pension liability. At June 30, 2014, the University's proportion was .44% of the collective net pension liability.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2015, the University recognized pension expense of \$703,757. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ (78,463)
Changes of assumptions	\$ 731,567	
Net difference between projected and actual earnings on pension plan investments		(2,428,952)
Contributions subsequent to the measurement date	1,027,156	
Totals	\$ 1,758,723	\$ (2,507,415)

\$1,027,156 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2016	\$ (425,678)
2017	(425,678)
2018	(425,678)
2019	(498,814)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (14 years for District Judges New Plan/Paid Off Old Plan and 21 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed marked; 25% corridor (Market Value for Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75 – 10.35% including inflation (3.75% - 7.71% including inflation for District Judges)
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Pro-jection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	9%	0.50%
Fixed Income Defensive	9%	0.80%
Large Cap Domestic Equity	20%	6.65%
Small/Mid Cap Domestic Equity	17%	7.90%
International Equity	12%	7.00%
Emerging Market Equity	12%	9.20%
Private Equity	2.5%	11.30%
Hedge Funds	2.5%	3.19%
Real Estate	16%	5.10%
Total	100%	

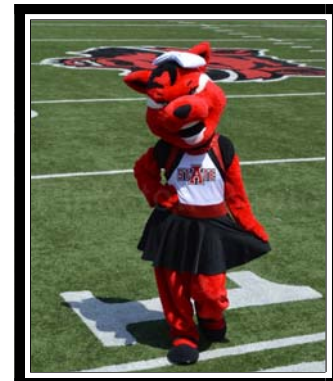
Discount Rate

A single discount rate of 7.75% 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 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$ 11,081,012	\$ 6,175,989	\$ 2,089,234



NOTES TO FINANCIAL STATEMENTS

**NOTE 9.
NATURAL CLASSIFICATIONS BY FUNCTION**

The University's operating expenses by function for the year ended June 30, 2015 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self Insurance	Depreciation	Other	Total
Instruction	\$ 64,828,017	\$ 1,665,365	\$ 8,382,006				\$ 74,875,388
Research	6,200,676	358,298	2,238,618				8,797,592
Public Service	10,674,018	212,037	4,516,314				15,402,369
Academic Support	12,157,104	31,456	6,896,474				19,085,034
Student Services	11,713,574	270,551	3,290,308				15,274,433
Institutional Support	19,238,712		6,721,954				25,960,666
Scholarships and Fellowships		9,157,003					9,157,003
Operations and Maintenance of Plant	10,433,410		14,129,210				24,562,620
Auxiliary Enterprises	10,120,560	4,644,965	15,186,540				29,952,065
Self Insurance				\$ 15,612,804			15,612,804
Depreciation					\$ 24,953,628		24,953,628
Other						\$ 67,139	67,139
Total	<u>\$ 145,366,071</u>	<u>\$ 16,339,675</u>	<u>\$ 61,361,424</u>	<u>\$ 15,612,804</u>	<u>\$ 24,953,628</u>	<u>\$ 67,139</u>	<u>\$ 263,700,741</u>

**NOTE 10.
RECEIVABLE AND PAYABLE BALANCES**

Accounts Receivable at June 30, 2015 as reported in the Statement of Net Position, were as follows:

	Current	Noncurrent	Total
Student receivables, net	\$ 7,400,658		\$ 7,400,658
Grants and contracts	3,315,477		3,315,477
Sales and use tax	481,385		481,385
Construction projects	197,009		197,009
Travel advances	6,241		6,241
Property tax accrual	811,807		811,807
Auxiliary enterprises	502,313	\$ 24,683	526,996
Loan cancellations	1,825,813		1,825,813
Miscellaneous	820,508	65,317	885,825
Totals	<u>\$ 15,361,211</u>	<u>\$ 90,000</u>	<u>\$ 15,451,211</u>

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$1,081,926 at June 30, 2015. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships, and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year-end for vending, bookstore, and other types of auxiliaries. The loan cancellation amount is the amount due from the U.S. Department of Education for cancellations pertaining to the Federal Perkins Loan Program.

Notes and Deposits Receivable at June 30, 2015 were as follows:

	Current	Noncurrent	Total
Notes receivable, net	\$ 934,446	\$ 5,054,332	\$ 5,988,778
Deposits receivable		5,965	5,965
Totals	<u>\$ 934,446</u>	<u>\$ 5,060,297</u>	<u>\$ 5,994,743</u>

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2015 was reduced by an allowance for doubtful accounts of \$242,093 for the current portion and \$1,309,458 for the noncurrent portion.

NOTES TO FINANCIAL STATEMENTS

Accounts Payable and Accrued Liabilities at June 30, 2015 are detailed below:

	Current	Noncurrent	Total
Vendors	\$ 13,123,809		\$ 13,123,809
Students	18,573		18,573
Sales tax and use tax	21,044		21,044
Health claims	926,226		926,226
Salaries and other payroll related items	3,055,394		3,055,394
Optional Voluntary Retirement Incentive Program	154,855	\$ 41,918	196,773
Miscellaneous	131,222		131,222
Totals	\$ 17,431,123	\$ 41,918	\$ 17,473,041

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 POST EMPLOYMENT BENEFITS

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

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

- Medical insurance (including spouse and unmarried dependents, if covered at the time the employee retires or unless a qualifying event occurs) will be provided at one-half of the total cost (one-half of what ASU pays and half of the employee premium).
- Life insurance and accidental death and dismemberment benefits equal to the scheduled amount at the time of the retiree's retirement will continue at no cost to the retiree; and
- Continuing eligibility of the retiree, their spouse and unmarried dependent children for tuition discounts in effect for current university employees.

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

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

The University adopted GASB Statement no. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions during fiscal year 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program, and a preferred care program. The authority under which the Plan's benefit provisions are established or amended is the University Board of Trustees. Recommendations for modifications are brought to the Board by the University's President. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forward by the University's President and approved by the Board of Trustees. In accordance with GASB Statement no. 45, the University accrued an additional \$1,894,798 in retiree healthcare expense during fiscal year 2015. This compares to \$1,880,463 accrued during fiscal year 2014.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Arkansas State University Office of Employee Services, P.O. Box 1500, State University, Arkansas 72467.

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

NOTES TO FINANCIAL STATEMENTS

Determination of Annual Required Contribution (ARC) and End of Year Accrual				
Cost Element	Fiscal Year Ended			
	June 30, 2015		June 30, 2014	
	Amount	Percent of Payroll¹	Amount	Percent of Payroll²
1. Beginning of year unfunded actuarial accrued liability	\$ 16,271,097	15.31%	\$ 15,342,391	14.59%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,507,087		\$ 1,463,191	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
4. Annual Required Contribution (ARC) (2. - 3.)	<u>\$ 2,337,226</u>	2.20%	<u>\$ 2,245,948</u>	2.14%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,507,087		\$ 1,463,191	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
7. Amortization of the beginning of year accrual	(477,916)		(381,976)	
8. Interest on beginning of year accrual	<u>281,021</u>		<u>224,607</u>	
9. Annual OPEB cost (5. - 6. - 7. - 8.)	<u>\$ 2,140,331</u>	2.01%	<u>\$ 2,088,579</u>	1.99%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 9,367,362		\$ 7,486,899	
11. Annual OPEB cost	2,140,331		2,088,579	
12. Employer contribution (benefit payments)	245,533		208,116	
13. End of year accrual (10. - 11. - 12.) ³	<u>\$ 11,262,160</u>	10.60%	<u>\$ 9,367,362</u>	8.91%
¹ Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2014 is \$106,249,782. ² Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638. ³ Actual contributions and administrative fees paid in fiscal year 2015 of \$613,478 less participant contributions of \$367,945; \$518,461 and \$310,345, respectively, in fiscal year 2014. The employer contributed 11.5% of annual OPEB cost during fiscal year 2015, compared to 10.0% during fiscal year 2014.				

NOTES TO FINANCIAL STATEMENTS

Schedule of Employer Contributions			
Fiscal Year Ended	Annual OPEB Cost	Actual Contributions⁴	Percentage Contributed
June 30, 2015	\$2,140,331	\$ 245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%
June 30, 2013	1,832,274	198,835	10.9%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2015, these amounts are \$613,478 and \$367,945, respectively. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively.

Schedule of Funding Progress						
The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.						
Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll⁵ (c)	UAAL as a Percentage of Covered Payroll⁵ [(b) - (a) / (c)]
June 30, 2015	\$ -	\$16,271,097	\$ 16,271,097	0%	\$106,249,782	15.31%
June 30, 2014	-	15,342,391	15,342,391	0%	105,128,638	14.59%
June 30, 2013	-	12,920,854	12,920,854	0%	100,382,429	12.87%

⁵ Payroll as of July 1, 2014. July 1, 2013 and July 1, 2012 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,337,226 for fiscal year 2015 and accrual of \$11,262,160 as of June 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust; \$2,245,948 and \$9,367,362, respectively, as of June 30, 2014; and \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013.

Three-Year Schedule of Percentage of OPEB Cost Contributed			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$2,140,331	11.5%	\$ 11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362
June 30, 2013	1,832,274	10.9%	7,486,899

NOTES TO FINANCIAL STATEMENTS

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2014 – June 30, 2015, rolled forward
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization ⁶
Asset valuation method	N/A

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

Actuarial assumptions:

Discount rate	3.0%
Inflation rate	2.5%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2015.

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

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

Valuation Year	July 1, 2014 – June 30, 2015, rolled forward
Date of Census Data	April 1, 2014
Actuarial Cost Method	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

Retiree Premiums			
Health (monthly rate)	Employee Cost	Employer Cost	Total
Single	\$ 212.77	\$ 212.77	\$ 425.54
Family	516.24	516.24	1,032.48

Annual Health Care Trend Rate	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.
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Discount Rate	3.0% per annum
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Inflation Rate	2.5% per annum
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Spouse Age Difference	Husbands are assumed to be three years older than wives for current and future retirees who are married.
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NOTES TO FINANCIAL STATEMENTS

Mortality

IRS 2013 Combined Static Mortality Table has been used.

Participation Rates

Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48-49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53-54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60-61	100%	14%
62	100%	28%
63-64	100%	17%
65	100%	27%
66-74	100%	30%
75 and older	100%	100%

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

Age	Terminate Rate (Male)	Terminate Rate (Female)
25	46.0	47.0
30	43.4	46.6
35	36.4	38.8
40	30.0	27.4
45	24.5	21.2
50	19.0	18.8
55	15.7	16.2
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0
75	0.0	0.0
80	0.0	0.0

**NOTE 13.
SELF INSURANCE PROGRAM**

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

At June 30, 2015, approximately 4,167 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86% of the total premium. The University pays 76% of the total premium for those participating in full family coverage, 71% for those participating in employee and spouse coverage, and 70% for employee and children coverage.

NOTES TO FINANCIAL STATEMENTS

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. Retiree spouse can continue coverage after the retiree becomes eligible for Medicare at a cost of 100% of the single coverage rate until they too are eligible for Medicare.

The University estimates its unpaid health claims liability at June 30, 2015 to be \$926,226 with BlueAdvantage. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

Unpaid Claims Liability	
Fiscal Year 2015	
Unpaid claims, 7-1-2014	\$ 992,450
Incurred claims during current year	10,120,501
Total claims	11,112,951
Current year claims paid	\$ 9,194,275
Prior year claims paid	992,450
Total payments	10,186,725
Unpaid claims, 6-30-2015	\$ 926,226

The University purchases specific reinsurance to reduce its exposure to large claims. Beacon Risk Strategies was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$275,000.

NOTE 14. ENDOWMENT FUNDS

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds, and other managed investments. The endowment net position at June 30, 2015 was \$12,898,935. Of this amount, \$12,028,004 was nonexpendable and the remaining \$870,931 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, 2015 were \$592,087. Of this amount, \$589,359 was nonexpendable and the remaining \$2,728 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 15.
PLEGGED REVENUES

The University's pledged revenues at June 30, 2015 are as follows:

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Student Union	Student Union Fee	\$ 2,687,083	\$ 14,342,625	\$ 727,200	\$ 472,307	\$ 8,718,944	\$ 2,391,556	44.64%
Series 2005 Refunding	9/15/2005	4/1/2025	Refinance Parking Garage	Parking Fees	1,289,208	4,887,375	247,800	160,943	2,971,056	814,944	31.73%
Series 2007 Student Fee	6/1/2007	3/1/2037	Construction of Recreation Center	Recreation Center Fee	1,887,003	17,065,000	380,000	679,880	14,225,000	9,048,131	56.17%
Series 2007 Housing	6/1/2007	3/1/2037	Construction of Honors Hall, Red Wolf Den apartments refinance Collegiate Park	Housing Fees	3,337,508	30,300,000	925,000	1,223,937	24,530,000	14,122,650	64.39%
Series 2009 Housing	3/19/2009	3/1/2039	Construction of Living Learning Community	Housing Fees	368,663	9,290,000	200,000	394,833	8,340,000	5,969,739	100.00%
Series 2010 Refunding	12/7/2010	3/1/2031	Refinance Series 2001-Family Housing Phase I	Housing Fees	1,274,564	6,075,000	250,000	176,456	4,875,000	1,659,192	33.46%
Series 2010A Refunding	12/7/2010	3/1/2031	Refinance Series 2001-Track Facility	Gross Tuition and Fees	see below	2,600,000	110,000	74,655	2,075,000	686,206	0.22%
Series 2010B Refunding	12/7/2010	12/1/2017	Refinance Series 2002-Renovation of Kays Hall and Towers	Housing Fees	1,547,279	1,568,376	224,998	21,492	684,817	29,555	15.93%
Series 2010B Refunding	12/7/2010	12/1/2027	Refinance Series 2002-Construction of Fowler Center and property purchases	Gross Tuition and Fees	see below	1,866,624	60,002	23,783	850,183	197,082	0.10%
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	690,641	6,510,000	195,000	282,892	6,240,000	5,066,946	60.07%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees	690,641	4,470,000	100,000	177,761	4,315,000	3,140,674	39.93%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees	447,590	6,875,000	160,000	226,035	6,560,000	3,846,505	65.43%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees	447,590	1,255,000	30,000	35,844	1,205,000	611,087	14.57%

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Jonesboro (continued)

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Keys Hall	Housing Fees	\$ 1,547,279	\$ 3,425,000	\$ 95,000	\$ 120,506	\$ 3,150,000	\$ 1,556,844	13.93%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Keys Hall	Housing Fees	1,547,279	1,500,000	50,000	39,418	1,410,000	536,825	5.78%
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	185,000	177,845	4,710,000	2,193,058	0.43%
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	90,000	70,719	2,275,000	792,631	0.19%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quad's residence hall	Housing Fees	3,841,799	22,521,103	798,897	760,803	20,935,000	8,656,791	40.60%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Family Housing Phase II	Housing Fees	1,274,564	6,373,897	226,103	215,322	5,925,000	2,450,034	34.63%
Series 2013A Student Fee	12/1/2013	12/1/2038	Construction of Student Activities Center	Gross Tuition and Fees	see below	11,130,000	280,000	532,293	10,650,000	8,395,491	0.97%
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	275,000	641,100	14,410,000	11,943,595	1.09%

Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue—\$84,014,522

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2005 Refunding	Refunded below		Refinance Student Center	Gross Tuition and Fees	see below	\$ 3,330,000	\$ 170,000	\$ 39,059	\$ -	\$ -	2.03%
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	-	7,150	1,895,000	235,300	0.07%
Series 2005B Student Fee	Refunded below		Construction of academic and administrative buildings at the Heber Springs campus	Gross Tuition and Fees	see below	15,170,000	355,000	301,629	-	-	6.36%
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	-	-	12,930,000	5,306,408	0.00%
Series 2006 Student Fee	Refunded below		Construction of math and science building	Gross Tuition and Fees	see below	11,000,000	255,000	424,155	-	-	6.58%
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	-	-	9,185,000	3,953,008	0.00%
Series 2010 Auxiliary Enterprises	Refunded below		Construction of new residence halls	Housing Fees	\$ 828,651	9,125,000	195,000	339,482	-	-	64.50%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	828,651	8,005,000			8,005,000	3,739,697	0.00%
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus	Gross Tuition and Fees	see below	1,890,000	80,000	42,974	1,735,000	455,981	1.19%

9 Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue—\$10,320,437

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2010 Refunding	12/1/2010	12/1/2017	Refinance Series 2002 Refunding-Construction of the Mountain Home campus	Gross Tuition and Fees and Ad Valorem Tax	\$ 5,577,072	\$ 2,920,000	\$ 415,000	\$ 32,805	\$ 1,300,000	\$ 45,485	8.03%
Series 2012 Refunding	12/1/2012	12/1/2032	Refinance Series 2008 Student Fee-Construction of Community Development Center	Gross Tuition and Fees	4,260,793	6,995,000	305,000	209,137	6,385,000	2,206,310	12.07%

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2015 Gross Revenue	Amount Issued	2015 Principal Paid	2015 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Refunding	12/1/2012	5/1/2028	Refinance Series 2008 Building- Construction of Student Community Building	Gross Tuition and Fees	see below	\$ 3,740,000	\$ 215,000	\$ 98,387	\$ 3,125,000	\$ 789,762	5.07%
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	75,000	42,594	1,725,000	455,119	1.90%

Note: Issues with Tuition and Fees pledged, 2015 Gross Revenue—\$6,175,805

NOTES TO FINANCIAL STATEMENTS

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 \$250,000 with a \$2,500 deductible. Beginning July 1, 2015, the loss will be limited to \$300,000. Premiums for coverage are remitted by the Arkansas Department of Finance and Administration from funds deducted from the University's state treasury funds.

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

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

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

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

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

NOTE 17. FINANCIAL STATEMENT RESTATEMENT

The University has restated its fiscal year beginning net position in accordance with GASB no. 68, Accounting and Financial Reporting for Pensions. GASB no. 68 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 15 beginning net position and to display only the FY 15 financial statements rather than comparative statements.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of GASB no. 68 had the following impact on the financial statements for the year ended June 30, 2015:

FY 2014 Ending Net Position	\$309,777,058
FY 2015 Beginning Net Position	\$289,559,796

NOTES TO FINANCIAL STATEMENTS

NOTE 18. OPTIONAL VOLUNTARY RETIREMENT INCENTIVE PROGRAM

System Office

During fiscal year 2015, the campus offered an optional voluntary retirement incentive program to certain employees. To be eligible, an employee must have been 55 years of age as of December 31, 2014. Employees will receive one-half of their salary for a period of two years. An annual payment will be paid to the employee's retirement fund on December 31, 2014 and again on December 31, 2015. The University has accrued the payable for the four (4) employees who elected to participate in this program. As of June 30, 2015, the liability totaling \$112,936 has been recorded on the University's financial statements as a current liability.

Mountain Home

During fiscal year 2015, the campus offered an optional voluntary incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2015. Employees will receive one-half of their salary for a period of two years. An annual payment will be paid to the employee's retirement fund in July 2015 and again in July 2016. The University has accrued the payable for the one (1) employee who elected to participate in this program. As of June 30, 2015, the liability totaling \$25,419 has been recorded on the University's financial statements with \$12,710 recorded as a current liability and the remaining \$12,709 as a noncurrent liability.

Newport

During fiscal year 2015, the campus offered an optional voluntary incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2015. Employees will receive one-fourth of their base salary for 2014 plus 1% of their salary for each year of continuous full-time employment with the University. The maximum payment to an employee is limited to one-half of their annual base salary for 2014. An annual payment will be paid to the employee's retirement fund on July 1, 2015 and again on July 1, 2016. The University has accrued the payable for the three (3) employees who elected to participate in this program. As of June 30, 2015, the liability totaling \$58,418 has been recorded on the University's financial statements with \$29,209 recorded as a current liability and the remaining \$29,209 as a noncurrent liability.

NOTE 19. LEASE OBLIGATIONS WITH RED WOLVES FOUNDATION

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

NOTE 20. SUBSEQUENT EVENTS

System

On January 9, 2015, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and Mid-South Community College. The merger will be effective on July 1, 2015 and Mid-South Community College will become Arkansas State University Mid-South.

Jonesboro

On August 27, 2015, the Board of Trustees approved the Wilson Hall renovation project and related financing. The renovation project includes the reconfiguration of the building infrastructure for new laboratories and learning environments, plus life and safety, technology and ADA improvements. The New York Institute of Technology (NYIT) will lease Wilson Hall to provide appropriate space for the new Doctor of Osteopathy Program. The cost of the project is projected to be \$12.6 million.

On November 5, 2015, the University borrowed \$8 million at an interest rate of 2.97% for a term of 8 years. The University will make semi-annual payments beginning in May 2016.

The University has entered into contracts after June 30 for these renovations. The current balance of these commitments is \$8,813,895.

On August 27, 2015, the lease agreement with the Red Wolves Foundation (Note 19) was modified to secure additional financing for the Centennial Bank Stadium project. The amount has been increased from 13 million to 17 million.

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefits

Determination of Annual Required Contribution (ARC) and End of Year Accrual				
Cost Element	Fiscal Year Ended			
	June 30, 2015		June 30, 2014	
	Amount	Percent of Payroll¹	Amount	Percent of Payroll²
1. Beginning of year unfunded actuarial accrued liability	\$ 16,271,097	15.31%	\$ 15,342,391	14.59%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,507,087		\$ 1,463,191	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
4. Annual Required Contribution (ARC) (2. - 3.)	<u>\$ 2,337,226</u>	2.20%	<u>\$ 2,245,948</u>	2.14%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,507,087		\$ 1,463,191	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	830,139		782,757	
7. Amortization of the beginning of year accrual	(477,916)		(381,976)	
8. Interest on beginning of year accrual	281,021		224,607	
9. Annual OPEB cost (5. - 6. - 7. - 8.)	<u>\$ 2,140,331</u>	2.01%	<u>\$ 2,088,579</u>	1.99%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 9,367,362		\$ 7,486,899	
11. Annual OPEB cost	2,140,331		2,088,579	
12. Employer contribution (benefit payments)	245,533		208,116	
13. End of year accrual (10. - 11. - 12.) ³	<u>\$ 11,262,160</u>	10.60%	<u>\$ 9,367,362</u>	8.91%
¹ Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2014 is \$106,249,782. ² Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638. ³ Actual contributions and administrative fees paid in fiscal year 2015 of \$613,478 less participant contributions of \$367,945; \$518,461 and \$310,345, respectively, in fiscal year 2014. The employer contributed 11.5% of annual OPEB cost during fiscal year 2015, compared to 10.0% during fiscal year 2014.				

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions			
Fiscal Year Ended	Annual OPEB Cost	Actual Contributions⁴	Percentage Contributed
June 30, 2015	\$2,140,331	\$ 245,533	11.5%
June 30, 2014	2,088,579	208,116	10.0%
June 30, 2013	1,832,274	198,835	10.9%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2015, these amounts are \$613,478 and \$367,945, respectively. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively.

Schedule of Funding Progress						
The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.						
Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll⁵ (c)	UAAL as a Percentage of Covered Payroll⁵ [(b) - (a) / (c)]
June 30, 2015	\$ -	\$16,271,097	\$ 16,271,097	0%	\$106,249,782	15.31%
June 30, 2014	-	15,342,391	15,342,391	0%	105,128,638	14.59%
June 30, 2013	-	12,920,854	12,920,854	0%	100,382,429	12.87%

⁵ Payroll as of July 1, 2014, July 1, 2013 and July 1, 2012 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,337,226 for fiscal year 2015 and accrual of \$11,262,160 as of June 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust; \$2,245,948 and \$9,367,362, respectively, as of June 30, 2014; and \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013.

Three-Year Schedule of Percentage of OPEB Cost Contributed			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$2,140,331	11.5%	\$ 11,262,160
June 30, 2014	2,088,579	10.0%	9,367,362
June 30, 2013	1,832,274	10.9%	7,486,899

REQUIRED SUPPLEMENTARY INFORMATION

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2014 – June 30, 2015, rolled forward
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization ⁶
Asset valuation method	N/A

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

Actuarial assumptions:

Discount rate	3.0%
Inflation rate	2.5%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2015.

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

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

Valuation Year	July 1, 2014 – June 30, 2015, rolled forward
Date of Census Data	April 1, 2014
Actuarial Cost Method	Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

Retiree Premiums			
Health (monthly rate)	Employee Cost	Employer Cost	Total
Single	\$ 212.77	\$ 212.77	\$ 425.54
Family	516.24	516.24	1,032.48

Annual Health Care Trend Rate	Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached.
Discount Rate	3.0% per annum
Inflation Rate	2.5% per annum
Spouse Age Difference	Husbands are assumed to be three years older than wives for current and future retirees who are married.
Mortality	IRS 2013 Combined Static Mortality Table has been used.
Participation Rates	Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.

REQUIRED SUPPLEMENTARY INFORMATION

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48-49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53-54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60-61	100%	14%
62	100%	28%
63-64	100%	17%
65	100%	27%
66-74	100%	30%
75 and older	100%	100%

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

Age	Terminate Rate (Male)	Terminate Rate (Female)
25	46.0	47.0
30	43.4	46.6
35	36.4	38.8
40	30.0	27.4
45	24.5	21.2
50	19.0	18.8
55	15.7	16.2
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0
75	0.0	0.0
80	0.0	0.0

REQUIRED SUPPLEMENTARY INFORMATION

Pension Plans

Schedule of the University's Proportionate Share of the Net Pension Liability	
Arkansas Teacher Retirement System	
	<u>2015*</u>
Proportion of the net pension liability (asset)	0.36%
Proportionate share of the net pension liability (asset)	\$ 9,331,442
Covered employee payroll	\$ 10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	92.26%
Plan fiduciary net position as a percentage of the total pension liability	84.98%

* The amounts presented were determined as of June 30, 2014.
 Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

Schedule of the University Contributions	
Arkansas Teacher Retirement System	
	<u>2015</u>
Contractually required contributions	\$ 1,320,906
Contributions in relation to the contractually required contribution	\$ (1,320,906)
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 9,404,438
Contributions as a percentage of covered employee payroll	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.

REQUIRED SUPPLEMENTARY INFORMATION

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 was a benefit change recognized during the year reflecting an increase in the T-DROP reduction factor from 0.6% to 1.0%.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2014.

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

Valuation date June 30, 2014

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Net Pension Liability	
Arkansas Public Employees Retirement System	
	2015*
Proportion of the net pension liability (asset)	0.44%
Proportionate share of the net pension liability (asset)	\$ 6,175,989
Covered employee payroll	\$ 7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	81.54%
Plan fiduciary net position as a percentage of the total pension liability	84.15%

* The amounts presented were determined as of June 30, 2014.
 Note: This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, only years for which information is available will be displayed.

Schedule of the University Contributions	
Arkansas Public Employees Retirement System	
	2015
Contractually required contributions	\$ 1,027,156
Contributions in relation to the contractually required contribution	\$ (1,027,156)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 6,903,139
Contributions as a percentage of covered employee payroll	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.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

Pensions Plans

Arkansas Public Employees Retirement System

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

A. Changes in benefit terms

There were no significant changes in benefit terms for the year ended June 30, 2014.

B. Changes in assumptions

Amounts reflect a change in economic assumptions used in the June 30, 2014, valuation. The investment return assumption used was 7.75% and the wage inflation assumption was 3.75%.

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

Valuation date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (14 years for District Judges New Plan/Paid Off Old Plan and 21 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed marked; 25% corridor (Market Value for Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75 – 10.35% including inflation (3.75% - 7.71% including inflation for District Judges)
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

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Supplemental Information (Unaudited)

**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2015**

	Jonasboro	Beabe	Mountain Home	Newport	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets:					
Cash and cash equivalents	\$ 37,743,375	\$ 5,765,010	\$ 6,114,227	\$ 2,661,378	\$ 52,283,990
Short-term investments	413,746	6,264,682		115,557	6,793,985
Accounts receivable (less allowances of \$1,081,926)	11,386,180	833,426	1,779,853	1,361,772	15,361,211
Notes and deposits receivable (less allowances of \$242,093)	934,446				934,446
Accrued interest and late charges	121,082	2,101		1,268	124,451
Inventories	2,913,435	339,914		3,403	3,256,752
Deposits with trustee	87	34,103		46	34,218
Unamortized bond insurance	451,796	101,759	65,483	42,559	661,597
Prepaid expenses	576,965	17,956	18,847	3,089	616,857
Total Current Assets	54,543,072	13,358,951	7,978,410	4,189,072	80,069,505
Noncurrent Assets:					
Cash and cash equivalents	19,091,122				19,091,122
Restricted cash and cash equivalents	5,780,509		807,226		6,587,735
Endowment investments	13,772,293	592,087			14,364,380
Other long-term investments	6,796,586	1,605,445		5,075,115	13,477,146
Accrued interest and late charges	497,337				497,337
Deposits with trustee	2,949,081				2,949,081
Accounts receivable	90,000				90,000
Notes and deposits receivable (less allowances of \$1,309,458)	5,060,297				5,060,297
Capital assets (net of accumulated depreciation of \$304,463,306)	315,156,603	57,553,726	22,220,367	21,718,568	436,649,264
Total Noncurrent Assets	389,193,828	59,751,258	23,027,593	28,793,703	498,766,382
TOTAL ASSETS	443,736,900	73,110,209	31,006,003	30,982,775	578,835,887
DEFERRED OUTFLOWS OF RESOURCES					
Excess of bond reacquisition costs over carrying value	1382,833	842,884	28,434	70,885	2,404,036
Pensions	2,092,471	684,993	35,773	206,392	3,079,629
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	447,193,304	74,738,096	31,068,200	31,319,973	584,319,573
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	16,392,175	465,806	141,990	431,152	17,431,123
Bonds, notes and leases payable	6,155,518	1,351,899	801,863	373,012	8,682,292
Compensated absences	5,442,984	897,251	25,915	665,394	7,031,544
Unearned revenue	6,293,886	123,549	194,540	84,316	6,676,091
Funds held in trust for others	438,867	1,539	35,279	91,544	567,229
Deposits	996,977	37,703		1,341	1,036,023
Interest payable	1,770,713	162,028	27,346	28,756	1,988,845
Total Current Liabilities	37,510,920	3,039,777	1,226,935	1,655,515	43,433,147
Noncurrent Liabilities:					
Accounts payable and accrued liabilities			2,700	28,209	41,918
Bonds, notes and leases payable	145,784,590	32,711,318	7,184,759	5,741,330	191,421,997
Compensated absences	2,854,155	543,774	406,008	20,579	3,828,516
Accrued other postemployment benefits payable	8,277,687	1,655,537	506,798	822,138	11,262,160
Net pension liability	10,222,825	3,560,851	368,749	1,355,186	15,507,611
Deposits	499,090				499,090
Refrundable advances	7,477,027				7,477,027
Total Noncurrent Liabilities	174,915,174	38,473,480	8,479,023	7,968,442	229,836,119
TOTAL LIABILITIES	212,426,094	41,513,257	9,705,958	9,623,957	273,269,268
DEFERRED INFLOWS OF RESOURCES					
Pensions	4,476,062	1,566,293	170,338	608,355	6,821,008
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	216,902,156	43,079,550	9,876,296	10,232,312	280,090,274
NET POSITION					
Net investment in capital assets	178,908,938	24,433,483	14,325,852	15,717,811	233,385,804
Restricted for nonexpendable purposes:					
Scholarships and fellowships	5,026,214	589,359			5,617,573
Loans	950,571	20,000			970,571
Other	8,901,458				8,901,458
Restricted for expendable purposes:					
Scholarships and fellowships	589,159	241,125	32,501		842,785
Capital projects	2,322,525	5,394,902	53,264		7,710,691
Other	529,602	136,689	971,461	188,896	1,826,648
Unrestricted	33,080,681	903,108	5,809,026	5,181,154	44,973,969
TOTAL NET POSITION	\$ 230,791,148	\$ 31,658,586	\$ 21,191,904	\$ 21,067,661	\$ 304,729,299

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2015

	Jonesboro	Beebe	Mountain Home	Newport	Consolidation Entries	Total
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$48,458,665)	\$ 45,735,587	\$ 5,783,908	\$ 1,312,333	\$ 3,481,064		\$ 56,312,892
Grants and contracts	18,111,375	3,550,669	1,180,848	982,948		23,825,840
Sales and services of educational departments	1,707,907	130,846				1,838,753
Auxiliary enterprises (net of scholarship allowances of \$9,330,712)	24,537,445	2,137,712	209,191	197,283		27,081,631
Self-insurance	4,078,504					4,078,504
Other operating revenues	1,662,604	297,903	263,871	80,240		2,304,618
TOTAL OPERATING REVENUES	95,833,422	11,901,038	2,966,243	4,741,535		115,442,238
OPERATING EXPENSES						
Personal services	111,058,142	20,447,713	7,474,848	11,096,495	\$ (4,711,127)	145,366,071
Scholarships and fellowships	9,092,884	3,203,185	1,587,835	2,455,771		16,339,675
Supplies and services	46,316,269	7,068,850	3,617,631	4,358,674		61,361,424
Self-insurance	16,605,254				(992,450)	15,612,804
Depreciation	17,027,290	3,245,955	2,913,855	1,766,528		24,953,628
Other	67,139					67,139
TOTAL OPERATING EXPENSES	200,166,978	33,965,703	15,594,169	19,677,468	(5,703,577)	263,700,741
OPERATING INCOME (LOSS)	(104,333,556)	(22,064,665)	(12,627,926)	(14,935,933)	5,703,577	(148,258,503)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	594,401					594,401
State appropriations	68,499,323	14,098,177	4,788,921	7,559,041		94,945,462
Stimulus funds (ARRA)	88,000					88,000
Grants and contracts	35,240,573	7,126,752	4,486,494	4,899,789		51,753,608
Sales and use taxes		1,754,305		996,810		2,751,115
Property taxes			1,316,279			1,316,279
Gifts	1,850,311		185,999	95,807		2,132,117
Investment income	545,112	85,180	1,372	29,178		660,842
Interest on capital asset - related debt	(5,598,823)	(1,041,808)	(254,433)	(197,294)		(7,092,358)
Bond insurance and issuance costs	(21,279)	(437,686)	(6,803)	(2,997)		(468,765)
Gain or loss on disposal of capital assets	(120,631)			(15,090)		(135,721)
Refund to grantors	(46,029)	(2,862)				(48,891)
Other nonoperating revenues (expenses)	(41,179)	(10,677)	78,624	(1,000)		25,768
NET NON-OPERATING REVENUES (EXPENSES)	100,989,779	21,571,381	10,596,453	13,364,244	-	146,521,857
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(3,343,777)	(493,284)	(2,031,473)	(1,571,689)	5,703,577	(1,736,646)
Capital appropriations	2,126,698	200,000				2,326,698
Capital grants and gifts	13,212,150	88,063		186,385		13,486,598
Additions to endowments		425,546				425,546
Adjustments to capital assets	(7,036)	136,553				129,517
Capitalization of library holdings at rate per volume			20,333			20,333
Livestock additions	766					766
Bond proceeds		16,691				16,691
INCREASE (DECREASE) IN NET POSITION	11,988,801	373,569	(2,011,140)	(1,385,304)	5,703,577	14,669,503
NET POSITION - BEGINNING OF YEAR	231,551,322	35,927,341	23,715,078	24,286,894	(5,703,577)	309,777,058
Adjustment due to GASB 68	(13,248,975)	(4,642,324)	(512,034)	(1,813,929)		(20,217,262)
NET POSITIONS - BEGINNING OF YEAR, RESTATED	218,302,347	31,285,017	23,203,044	22,472,965	(5,703,577)	289,559,796
NET POSITION - END OF YEAR	\$ 230,291,148	\$ 31,658,586	\$ 21,191,904	\$ 21,087,661	\$ -	\$ 304,229,299

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

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

	Jonesboro	Beebe	Mountain Home	Newport	Consolidation Entries	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Student tuition and fees	\$ 44,851,800	\$ 5,800,447	\$ 1,291,494	\$ 3,342,996		\$ 55,286,737
Grants and contracts	18,628,765	3,589,278	1,122,046	1,091,771		24,431,860
Auxiliary enterprises revenues	24,579,299	2,123,460	200,452	281,127		27,184,338
Sales and services of educational departments	1,714,037	130,846				1,844,883
Self-insurance program receipts	4,003,636					4,003,636
Collection of principal and interest related to student loans	896,000					896,000
Other receipts	1,655,555	295,705	263,672	80,240		2,295,172
Payments to employees	(92,142,423)	(15,300,165)	(5,488,314)	(8,231,048)		(121,161,950)
Payments for employee benefits	(15,104,595)	(1,448,763)	(1,674,661)	(2,358,195)		(20,586,214)
Payments to suppliers	(47,315,199)	(5,953,423)	(3,626,374)	(4,359,372)		(61,254,368)
Scholarships and fellowships	(9,092,884)	(3,203,185)	(1,587,835)	(2,455,771)		(16,339,675)
Self-insurance program payments	(15,603,442)					(15,603,442)
Loans issued to students	(1,073,043)					(1,073,043)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(84,032,559)	(17,963,800)	(9,499,520)	(12,708,292)		(124,206,171)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Federal appropriations	546,074					546,074
State appropriations	58,499,323	1,098,177	4,788,921	7,508,906		67,895,327
Stimulus (ARRA) funds	81,235					81,235
Grants and contracts	39,103,636	7,126,192	571,330	5,002,280		51,803,438
Private gifts and grants	2,308,876	425,546	185,999	95,607		3,016,228
Payments to other campus for financial aid distribution	(3,915,164)				\$ 3,915,164	-
Payment from ASU for financial aid distribution			3,915,164		(3,915,164)	-
Sales and lease taxes		1,770,306		971,574		2,741,880
Property taxes			1,311,144			1,311,144
Direct lending, PLUS and FFE loan receipts	87,601,750	2,407,087		1,807,042		91,815,879
Direct lending, PLUS and FFE loan payments	(67,164,668)	(2,397,343)		(1,778,308)		(71,340,319)
Agency activity	(455,411)	(2,955)	52,436	42,900		(363,030)
Rebills to grantors	(156,029)	(878)				(156,907)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	106,559,622	23,426,032	10,824,994	13,650,291		154,460,949
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Distributions from trustee of bond proceeds and interest earnings	18,580,638					18,580,638
Capital appropriations	2,126,698	200,000				2,326,698
Capital gifts and grants	11,595,459					11,595,459
Proceeds from sale of capital assets	858,109			6,259		864,378
Purchases of capital assets	(48,171,845)	(1,506,482)	(168,790)	(1,098,059)		(50,945,176)
Payments to trustees for bond principal	(5,550,009)	(1,055,000)	(720,000)	(290,000)		(7,615,009)
Payments to trustees for bond interest and fees	(6,558,497)	(1,162,741)	(241,942)	(241,981)		(8,105,161)
Payments to debtholders for principal (other than bonds)	(1,050,881)		(64,583)	(80,900)		(1,196,364)
Payments to debtholders for interest and fees (other than bonds)	(20,731)		(16,315)	(48,859)		(75,915)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(28,181,061)	(3,521,223)	(1,211,630)	(1,653,540)		(34,570,454)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	1,799,109	7,565,283				9,364,392
Interest on investments	395,510	39,291	1,372	29,576		465,749
Purchases of investments	(2,106,134)	(7,975,546)		(510,080)		(10,591,760)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(88,465)	(370,972)	1,372	(480,504)		(761,619)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,555,513)	1,565,037	115,216	(1,592,135)		(5,377,395)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	58,180,519	1,199,973	6,806,237	3,853,513		64,040,242
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 52,625,006	\$ 2,765,010	\$ 6,921,453	\$ 2,261,378		\$ 64,572,847
Operating income/loss	\$ (104,333,555)	\$(22,061,665)	\$(12,627,926)	\$(14,935,933)	\$ 5,703,577	\$(148,258,503)
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities						
Depreciation expense	17,027,290	3,245,955	2,913,655	1,766,528		24,953,428
Change in assets and liabilities:						
Receivables, net	(1,961,365)	35,194	(185,058)	(78,649)		(2,189,878)
Inventories	(292,737)	58,268				(234,469)
Prepaid expenses	(357,179)	6,905	(4,313)	2,825		(391,762)
Accounts and salaries payable	323,005	125,529	31,534	72,878		553,946
Other post-employment benefits payable	4,898,698	945,787	300,879	(50,561)	(4,711,127)	1,894,798
Pension obligations	(61,759)	(200,213)	(8,720)	(16,760)		(287,452)
Unearned revenue	1,029,885	(2,208)	91,945	21,379		1,141,992
Deposits	191,583	(3,334)		(1,026)		187,223
Reimbursable/advance	54,803					54,804
Compassionate absences	29,771	(103,982)	(11,716)	99,934		20,007
Other liabilities		15,036				15,036
Net cash provided (used) by operating activities	\$(84,032,559)	\$(17,963,800)	\$(9,499,520)	\$(12,708,292)		\$(124,206,171)

Reconciliation of Cash and Cash Equivalents

Current Assets:						
Cash and Cash Equivalents	\$ 37,743,375	\$ 5,765,010	\$ 6,114,227	\$ 2,661,378		\$ 52,283,990
Noncurrent Assets:						
Cash and Cash Equivalents	19,091,122					\$ 19,091,122
Restricted Cash and Cash Equivalents	5,780,509		807,226			\$ 6,587,735
Total	\$ 62,615,006	\$ 5,765,010	\$ 6,921,453	\$ 2,661,378		\$ 77,962,847

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



Statistical Section (Unaudited)

**Statistical Section
(Unaudited)**

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

Contents	Page
Financial Trends	89

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

Debt Capacity	93
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These schedules contain information to assess the University’s current debt levels as well as the ability to issue debt in the future.

Operating Information	95
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These schedules present capital asset data to understand how the University’s financial report relates to the services provided and activities performed.

Demographic and Economic Information	97
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These schedules provide demographic and economic indicators to better understand the environment in which the University’s and the State of Arkansas’s financial activities occur.

Schedule of Changes in Net Position

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Operating Revenues	\$ 56,312,892	\$ 54,202,184	\$ 54,188,183	\$ 53,179,741	\$ 50,458,050	\$ 49,599,394	\$ 46,395,525	\$ 41,233,852	\$ 37,712,037	\$ 34,385,605
Tuition and Fees, net	23,825,840	23,149,541	27,839,857	30,928,513	33,399,265	32,927,442	28,873,222	34,511,806	45,210,978	41,238,822
Grants and Contracts	1,838,753	1,924,664	1,871,794	1,096,266	984,531	886,927	785,520	822,233	762,381	716,885
Sales and Services	27,081,631	25,985,508	24,706,113	23,506,128	21,252,473	23,313,170	23,161,155	22,017,670	20,614,548	19,049,122
Auxiliary Enterprises, net	4,078,504	3,898,570	3,740,368	3,453,786	3,205,048	3,074,210	2,816,292	2,718,232	2,264,258	9,736,456
Self Insurance	2,304,618	2,190,622	1,968,538	1,880,486	2,988,151	3,525,323	1,474,721	1,303,743	1,511,340	1,728,935
Other	115,442,258	111,351,089	114,344,793	114,404,920	112,267,518	113,326,466	103,486,435	102,607,336	108,075,323	107,865,825
Total Operating Revenues	145,366,071	146,974,378	143,666,551	142,306,694	141,193,089	131,923,161	125,112,683	118,371,034	110,428,777	112,242,519
Expenses										
Operating Expenses	16,389,675	17,274,330	19,175,308	19,753,286	25,837,301	28,413,213	12,440,439	10,684,615	9,520,889	7,787,131
Personal Services	61,361,424	61,025,501	63,347,443	62,165,018	59,173,498	59,735,964	56,501,323	53,872,766	50,312,948	44,506,401
Scholarships and Fellowships	15,612,804	16,082,687	15,164,210	14,774,378	14,397,856	11,270,220	12,414,970	11,925,924	11,113,482	9,710,449
Supplies and Services	24,953,628	23,824,951	22,500,636	22,208,187	19,138,033	17,488,556	15,785,543	15,351,238	12,054,714	10,471,072
Self Insurance	67,139	67,148	61,381	49,850	92,507	78,102	104,774	146,476	81,152	72,220
Other	263,700,741	269,248,955	263,915,529	261,877,339	259,832,294	238,909,216	222,339,732	210,552,053	193,511,912	184,739,792
Total Operating Expenses	(148,238,503)	(153,897,906)	(148,570,759)	(146,822,478)	(147,564,776)	(125,982,750)	(118,873,297)	(107,944,717)	(85,436,589)	(76,689,967)
Operating Loss	594,401	1,175,443	3,578,588	5,580,251	91,995,057	91,402,392	776,366	35,299	183,101	504,267
Nonoperating Revenues (Expenses)	94,945,462	94,958,873	92,408,687	93,460,349	91,995,057	91,402,392	90,818,135	92,164,251	83,983,682	79,543,930
Federal Appropriations	88,000	59,738	162,094	241,189	2,042,785	1,695,457	-	-	-	-
State Appropriations	51,753,608	53,132,794	53,786,731	53,629,309	55,310,240	40,410,638	29,297,438	15,665,730	-	-
Scholarship Funds (ARRA)	2,751,115	2,760,987	2,821,506	2,775,286	2,710,217	2,595,140	2,780,722	2,697,782	2,259,112	2,149,978
Grants and Contracts	1,316,279	1,333,345	1,285,901	1,338,678	1,260,788	1,180,217	1,117,495	1,074,144	1,021,466	956,465
Sales and Use Taxes	2,132,117	1,709,564	1,159,225	1,313,548	1,639,038	2,866,816	1,745,463	2,811,013	1,045,309	1,151,048
Property Taxes	660,842	2,341,189	1,487,484	804,634	2,130,476	2,588,860	(1,004,048)	1,988,031	4,617,945	3,266,446
Gifts	(7,092,358)	(334,781)	(625,586)	(46,465)	(32,506)	(11,684)	-	(400,121)	(656,479)	(382,184)
Investment Income	(135,721)	(431,058)	234,147	(842,348)	744,391	(350,187)	(441,908)	(389,780)	1,321,904	51,190
Interest on Capital Asset Related Debt	(48,891)	(67,997)	(88,010)	(290,916)	(94,297)	(74,323)	(68,288)	(233,212)	(23,212)	(29,597)
Bond Insurance and Issuance Costs	25,768	97,699	(403,254)	(111,538)	2,446	(1,714,609)	7,542,082	6,870,537	(413,060)	(1,120,298)
Gain or Loss on Disposal of Capital Assets	146,521,857	140,153,026	148,356,757	150,286,052	150,239,478	139,714,567	124,289,497	116,548,513	94,960,884	83,047,008
Refunds to Grantors	(1,796,646)	(4,744,880)	(1,213,979)	3,363,854	2,674,702	14,131,817	5,026,200	8,598,796	5,524,305	6,139,041
Other	2,326,688	13,486,598	13,486,598	7,826,005	10,722,718	2,923,156	8,028,625	3,002,314	1,726,787	3,224,043
Net Nonoperating Revenues (Expenses)	13,486,598	2,724,929	1,660,000	940,473	6,810,236	4,781,955	17,636,054	6,199,054	895,893	352,013
Income Before Other Revenues, Expenses, Gain or Losses	425,546	129,517	20,333	766	16,891	1,111,340	1,111,340	1,111,340	1,111,340	1,111,340
Capital Appropriations	129,517	15,304	205,822	26,739	333,485	412,965	(1,430,577)	133,910	(2,806,274)	1,093,699
Capital Grants and Gifts	20,333	48,842	105,109	153,659	175,735	247,905	190,680	238,820	229,250	181,825
Additions to Endowments	766	123,422	205	205	1,775	1,450	-	9,755	-	3,815
Adjustments to Capital Assets	16,681	-	86,746	28,463	-	-	-	-	-	-
Capitalization of Library Holdings	-	-	-	-	-	-	-	-	-	-
Livestock Additions	-	-	-	-	-	-	-	-	-	-
Bond Proceeds/Accrued Interest	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	\$ 14,689,903	\$ 8,431,533	\$ 3,254,291	\$ 13,787,289	\$ 20,747,104	\$ 22,487,798	\$ 30,252,432	\$ 18,162,649	\$ 5,571,961	\$ 10,988,356

Source: Controller's Office

Schedule of Major Sources of Revenue

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues										
Tuition and Fees, net	\$ 56,312,892	\$ 54,202,184	\$ 54,188,183	\$ 53,179,741	\$ 50,458,050	\$ 49,599,394	\$ 46,395,525	\$ 41,233,852	\$ 37,712,087	\$ 34,385,605
Grants and Contracts	23,825,840	23,149,541	27,839,857	30,928,513	33,399,265	32,927,442	28,873,222	34,511,606	45,210,978	42,238,822
Sales and Services	1,838,753	1,924,664	1,871,734	1,036,266	964,531	886,927	765,520	822,233	762,381	716,885
Auxiliary Enterprises, net	27,081,631	25,985,508	24,706,113	23,926,128	21,252,473	23,313,170	23,161,155	22,017,670	20,614,549	19,049,122
Self Insurance	4,078,504	3,898,570	3,740,368	3,453,786	3,205,048	3,074,210	2,816,292	2,718,232	2,264,238	9,736,456
Other	2,304,618	2,190,622	1,998,538	1,880,486	2,988,151	3,525,323	1,474,721	1,303,743	1,511,140	1,728,985
Total Operating Revenues	115,442,238	111,351,089	114,344,793	114,404,920	112,267,518	113,326,466	103,488,435	102,607,336	108,073,323	107,853,823
Nonoperating Revenues and Other Changes										
Federal Appropriations	594,401	1,175,443	3,579,588	5,580,251	-	3,544,193	776,366	35,399	183,101	504,267
State Appropriations	94,945,462	94,956,873	92,408,687	93,460,349	91,995,057	91,402,392	90,818,135	92,164,251	83,983,692	79,543,950
Stimulus Funds (ARRA)	88,000	59,738	202,399	241,189	2,042,785	1,695,457	-	-	-	-
Grants and Contracts	51,753,608	53,132,794	53,786,731	53,629,309	55,310,240	40,410,638	29,297,438	15,665,730	-	-
Sales and Use Taxes	2,751,115	2,760,987	2,821,506	2,775,286	2,710,217	2,595,140	2,760,722	2,697,782	2,259,112	2,149,978
Property Taxes	1,316,219	1,333,345	1,285,901	1,338,678	1,260,788	1,180,217	1,117,495	1,074,144	1,021,436	956,465
Gifts	2,132,117	1,709,564	1,159,225	1,313,548	1,639,038	2,866,816	1,145,463	2,811,013	1,045,309	1,152,048
Investment Income	660,842	2,341,189	1,487,484	804,604	2,130,476	2,588,860	(1,014,048)	1,998,031	4,617,945	3,266,446
Capital Appropriations	2,326,698	10,259,205	2,409,353	7,826,005	10,722,718	2,923,156	8,428,625	3,002,314	1,728,787	3,224,043
Capital Grants and Gifts	13,486,598	2,724,929	1,619,695	940,473	6,810,236	4,781,955	17,636,054	6,199,054	895,893	352,013
Net Gain on Disposal of Capital Assets	129,517	(431,058)	234,147	(642,348)	744,391	(350,187)	(441,908)	(389,780)	1,321,904	51,190
Capitalization of Library Holdings	20,333	49,842	105,109	153,639	175,735	247,905	190,680	218,820	229,250	181,825
Livestock Additions	766	123,422	205		1,775	-	1,450	9,755	-	3,815
Net Other Nonoperating Revenues	447,237	116,714	87,781	1,476,859	30,909	(1,714,609)	7,547,082	6,870,537	(413,060)	(1,170,798)
Total Nonoperating Revenues and Other Changes	170,647,973	170,312,987	161,187,811	168,897,842	175,574,365	152,171,933	158,258,554	132,357,050	96,873,369	90,265,742
Total Revenues and Other Changes	\$ 286,090,211	\$ 281,664,076	\$ 275,532,604	\$ 283,302,762	\$ 287,841,883	\$ 265,498,399	\$ 261,744,989	\$ 234,964,386	\$ 204,946,692	\$ 198,119,565

By Percent of Total Revenues

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues										
Tuition and Fees, net	19.68%	19.24%	19.67%	18.77%	17.53%	18.68%	17.73%	17.55%	18.40%	17.36%
Grants and Contracts	8.33%	8.22%	10.10%	10.92%	11.60%	12.40%	11.03%	14.69%	22.06%	21.32%
Sales and Services	0.64%	0.68%	0.68%	0.37%	0.34%	0.33%	0.29%	0.35%	0.37%	0.36%
Auxiliary Enterprises, net	9.47%	9.23%	8.97%	8.45%	7.38%	8.78%	8.85%	9.37%	10.06%	9.61%
Self Insurance	1.43%	1.38%	1.36%	1.22%	1.11%	1.16%	1.08%	1.16%	1.10%	4.91%
Other	0.81%	0.78%	0.73%	0.66%	1.04%	1.33%	0.56%	0.55%	0.74%	0.87%
Total Operating Revenues	40.35%	39.53%	41.50%	40.38%	39.00%	42.68%	39.54%	43.67%	52.73%	54.44%
Nonoperating Revenues and Other Changes										
Federal Appropriations	0.21%	0.42%	1.30%	1.97%	0.00%	1.33%	0.30%	0.02%	0.09%	0.25%
State Appropriations	33.19%	33.71%	33.54%	32.99%	31.96%	34.43%	34.70%	39.22%	40.98%	40.15%
Stimulus Funds (ARRA)	0.03%	0.02%	0.07%	0.09%	0.71%	0.64%	0.00%	0.00%	0.00%	0.00%
Grants and Contracts	18.05%	18.86%	19.52%	18.93%	19.22%	15.22%	11.19%	6.67%	0.00%	0.00%
Sales and Use Taxes	0.96%	0.98%	1.02%	0.98%	0.94%	0.98%	1.05%	1.15%	1.10%	1.09%
Property Taxes	0.46%	0.47%	0.47%	0.47%	0.44%	0.44%	0.43%	0.46%	0.50%	0.48%
Gifts	0.75%	0.61%	0.42%	0.46%	0.57%	1.08%	0.44%	1.20%	0.51%	0.58%
Investment Income	0.23%	0.83%	0.54%	0.28%	0.74%	0.98%	-0.39%	0.85%	2.25%	1.65%
Capital Appropriations	0.81%	3.64%	0.87%	2.76%	3.73%	1.10%	3.22%	1.28%	0.84%	1.63%
Capital Grants and Gifts	4.71%	0.97%	0.59%	0.33%	2.37%	1.80%	6.74%	2.64%	0.44%	0.18%
Net Gain on Disposal of Capital Assets	0.05%	-0.15%	0.08%	-0.23%	0.26%	-0.13%	-0.17%	-0.17%	0.64%	0.03%
Capitalization of Library Holdings	0.01%	0.02%	0.04%	0.05%	0.06%	0.09%	0.07%	0.09%	0.11%	0.09%
Livestock Additions	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Other Nonoperating Revenues	0.15%	0.04%	0.03%	0.52%	0.01%	-0.65%	2.88%	2.92%	-0.20%	-0.57%
Total Nonoperating Revenues and Other Changes	59.65%	60.47%	58.50%	59.62%	61.00%	57.32%	60.46%	56.33%	47.27%	45.56%
Total Revenues and Other Changes	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Controller's Office

Schedule of Expenses by Use

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Expenses										
Personal Services	\$ 145,866,071	\$ 146,974,378	\$ 143,666,551	\$ 142,396,694	\$ 141,199,099	\$ 131,923,161	\$ 125,112,689	\$ 118,371,034	\$ 110,428,777	\$ 112,242,519
Scholarships and Fellowships	16,339,675	17,274,330	19,175,308	19,733,286	25,837,301	18,413,213	12,440,439	10,684,615	9,520,839	7,737,131
Supplies and Services	61,361,424	61,025,501	63,347,443	62,165,009	59,179,498	59,735,964	56,501,323	53,872,766	50,312,948	44,506,401
Self Insurance	15,612,804	16,082,687	15,164,210	14,774,378	14,397,856	11,270,220	12,414,970	11,925,924	11,113,482	9,710,449
Depreciation	24,953,628	23,824,951	22,500,636	22,208,187	19,138,033	17,488,556	15,785,543	15,551,238	12,054,714	10,471,072
Other	67,139	67,148	61,381	49,850	92,507	78,102	104,774	146,476	81,152	72,220
Total Operating Expenses	269,700,741	265,248,995	268,915,528	261,927,398	259,832,294	258,909,216	222,959,732	210,552,063	195,511,912	184,789,792
Nonoperating Expenses and Other Changes										
Interest on Capital Asset Related Debt	7,092,358	7,580,770	7,451,756	7,765,915	7,469,157	4,217,414	7,627,925	5,915,185	2,168,854	3,075,257
Net Adjustments to Capital Assets	135,721	(15,304)	(205,822)	(26,739)	(338,485)	(412,965)	1,430,577	(183,910)	2,806,274	(1,098,659)
Refunds to Grantors	48,891	67,987	88,010	290,916	94,297	275,252	74,323	68,288	233,212	29,597
Bond Insurance and Issuance Costs	468,765	394,781	625,586	46,465	32,506	11,684	-	400,121	656,479	382,184
Other	-	-	403,254	111,538	-	-	-	-	-	-
Total Nonoperating Expenses and Other Changes	7,746,735	7,968,244	8,362,784	8,188,085	7,262,475	4,091,385	9,132,825	6,249,684	5,864,819	2,383,379
Total Expenses and Other Changes	\$ 277,446,476	\$ 273,217,239	\$ 277,278,313	\$ 269,515,483	\$ 267,094,769	\$ 243,000,601	\$ 232,192,557	\$ 216,801,747	\$ 199,376,731	\$ 187,139,171
<i>By Percentage of Total Expenses</i>										
Operating Expenses										
Personal Services	53.55%	53.79%	52.76%	52.83%	52.86%	54.29%	54.05%	54.60%	55.39%	59.98%
Scholarships and Fellowships	6.02%	6.32%	7.04%	7.32%	9.67%	7.58%	5.37%	4.93%	4.78%	4.13%
Supplies and Services	22.61%	22.34%	23.27%	23.07%	22.15%	24.98%	24.41%	24.85%	25.24%	23.78%
Self Insurance	5.75%	5.89%	5.57%	5.48%	5.39%	4.64%	5.36%	5.50%	5.57%	5.19%
Depreciation	9.19%	8.72%	8.28%	8.24%	7.17%	7.20%	6.82%	7.17%	6.05%	5.60%
Other	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%	0.05%	0.07%	0.04%	0.04%
Total Operating Expenses	97.15%	97.08%	96.93%	96.96%	97.28%	98.32%	96.06%	97.12%	97.06%	98.72%
Nonoperating Expenses and Other Changes										
Interest on Capital Asset Related Debt	2.61%	2.77%	2.74%	2.88%	2.80%	1.74%	3.30%	2.73%	1.09%	1.64%
Net Adjustments to Prior Year Capital Assets	0.05%	-0.01%	-0.08%	-0.01%	-0.12%	-0.17%	0.62%	-0.06%	1.41%	-0.58%
Refunds to Grantors	0.02%	0.02%	0.03%	0.11%	0.04%	0.11%	0.03%	0.03%	0.12%	0.02%
Bond Issuance Costs	0.17%	0.12%	0.23%	0.02%	0.01%	0.00%	0.00%	0.18%	0.33%	0.20%
Other	0.00%	0.00%	0.15%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Nonoperating Expenses and Other Changes	2.85%	2.92%	3.07%	3.04%	2.72%	1.68%	3.95%	2.86%	2.94%	1.28%
Total Expenses and Other Changes	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Controller's Office

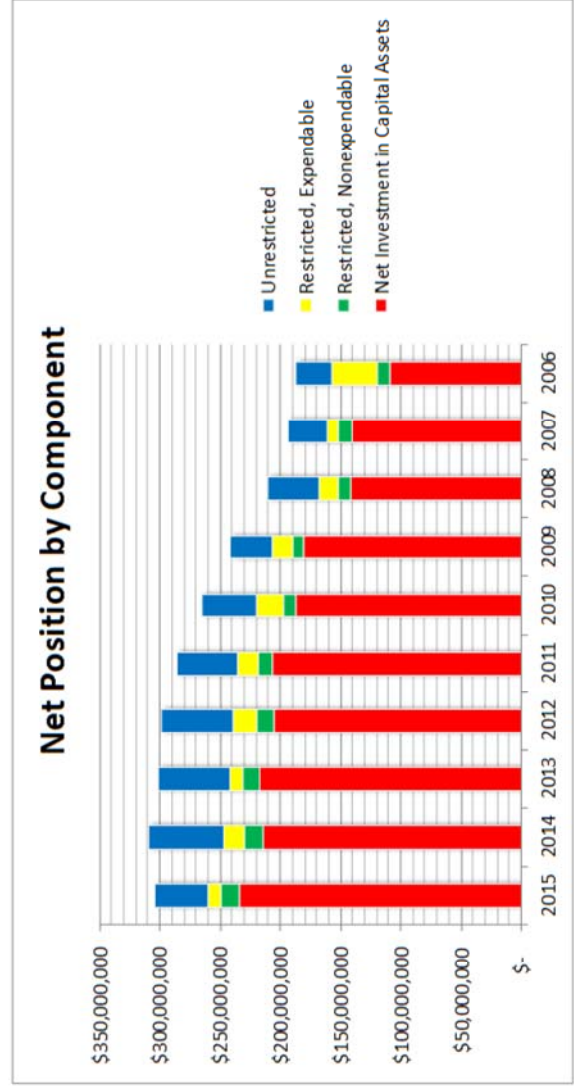
Schedule of Net Position by Component

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in Capital Assets	\$ 233,385,604	\$ 214,836,136	\$ 216,938,842	\$ 205,872,011	\$ 206,297,618	\$ 186,931,513	\$ 180,153,062	\$ 142,234,133	\$ 140,318,054	\$ 109,319,863
Restricted, Nonexpendable	15,489,602	15,057,533	13,782,556	13,097,190	11,957,122	11,025,202	10,182,498	10,429,210	11,222,923	9,957,681
Restricted, Expendable	10,380,124	17,171,213	11,092,834	20,096,584	16,396,814	21,749,103	16,640,890	14,917,284	9,647,464	38,126,940
Unrestricted	44,973,969	62,712,176	59,531,293	60,059,056	50,686,018	44,884,640	34,433,459	43,576,850	31,806,387	30,018,383
Total Net Position	\$ 304,229,299	\$ 309,777,058	\$ 301,345,525	\$ 299,124,841	\$ 285,337,572	\$ 264,590,458	\$ 241,409,909	\$ 211,157,477	\$ 192,994,828	\$ 187,422,867

Net Position Components by Percent of Total

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in Capital Assets	76.71%	69.35%	71.99%	68.82%	72.30%	70.65%	74.63%	67.36%	72.71%	58.33%
Restricted, Nonexpendable	5.09%	4.86%	4.57%	4.38%	4.19%	4.17%	4.22%	4.94%	5.82%	5.31%
Restricted, Expendable	3.41%	5.54%	3.68%	6.72%	5.75%	8.22%	6.89%	7.06%	5.00%	20.34%
Unrestricted	14.78%	20.24%	19.76%	20.08%	17.76%	16.96%	14.26%	20.64%	16.48%	16.02%
Total Net Position	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Controller's Office



Outstanding Debt per Student											
As of June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Revenue Bonds	\$197,354,426	\$203,635,581	\$183,186,590	\$180,089,269	\$169,000,285	\$174,167,092	\$170,463,943	\$166,175,000	\$161,505,000	\$125,835,000	
Notes	2,737,288	3,927,386	4,011,621	5,910,524	6,830,588	3,072,181	2,556,173	3,959,772	5,268,592	6,007,604	
Capital Leases	32,575	6,732	88,444	118,486	-	10,335	19,905	725,402	1,150,352	1,547,697	
Total Outstanding Debt	\$200,104,289	\$207,569,699	\$187,286,655	\$186,128,279	\$175,830,873	\$177,249,608	\$173,040,021	\$170,860,174	\$167,923,944	\$133,390,301	
Student FTE	14,953	15,272	15,453	15,466	15,469	14,752	13,983	13,331	12,935	12,447	
Total Debt per Student	\$ 13,382	\$ 13,592	\$ 12,120	\$ 12,035	\$ 11,367	\$ 12,015	\$ 12,375	\$ 12,817	\$ 12,982	\$ 10,717	

Sources: Office of Institutional Research and Planning; Controller's Office

Bonds Secured by Pledged Revenues

Educational & General Bonds

Debt Service Requirements

Fiscal Year Ended June 30,	Total Revenue Available for Debt Service			Debt Service Requirements			Coverage Ratio
	Tuition and Fees	Property Taxes	Service	Principal	Interest	Total	
2015	\$ 105,658,560	\$ 1,311,144	\$ 107,969,704	\$ 3,250,002	\$ 3,397,965	\$ 6,647,967	16.24
2014	101,583,101	1,333,345	102,916,446	2,890,613	3,146,736	6,037,349	17.05
2013	100,195,774	1,285,901	101,481,675	2,931,372	2,615,167	5,546,539	18.30
2012	98,514,698	1,338,678	99,853,376	2,849,454	2,937,709	5,787,163	17.25
2011	94,499,066	1,260,788	95,759,854	2,660,000	3,056,750	5,716,750	16.75
2010	85,290,759	1,180,217	86,470,976	2,545,000	3,252,088	5,797,088	14.92
2009	77,465,017	1,117,495	78,582,512	2,495,000	3,234,441	5,729,441	13.72
2008	65,045,464	1,074,144	66,119,608	2,485,000	2,545,794	5,030,794	13.14
2007	62,234,099	1,021,436	63,255,535	1,965,000	2,346,021	4,311,021	14.67
2006	57,231,049	956,465	58,187,514	1,623,835	1,884,376	3,508,211	16.59

Auxiliary Bonds

Debt Service Requirements

Fiscal Year Ended June 30,	Net Revenue Available for Debt Service		Debt Service Requirements		Coverage Ratio	
	Revenues	Operating Expenses	Principal	Interest		
2015	\$ 20,980,605	\$ 8,142,370	\$ 12,838,235	\$ 4,364,998	\$ 9,013,029	1.42
2014	19,865,171	8,512,141	11,353,029	4,174,387	4,830,488	1.26
2013	18,800,928	8,349,112	10,451,817	4,068,628	4,495,800	1.22
2012	17,957,702	7,776,904	10,180,798	3,275,546	4,522,009	1.31
2011	16,666,814	7,197,473	9,469,341	2,960,000	4,537,205	1.26
2010	15,389,208	6,275,919	9,113,289	2,635,000	3,501,975	1.48
2009	14,417,264	6,430,792	7,986,472	2,255,000	2,888,363	1.55
2008	13,798,183	6,600,579	7,197,604	1,860,000	2,776,193	1.55
2007	12,735,135	5,680,928	7,054,207	2,105,000	2,533,734	1.52
2006	11,044,011	5,131,758	5,912,253	780,000	1,144,237	3.07

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

Source: Controller's Office

Enrollment and Degree History

Certificates and Degrees Awarded

Enrollment Information

Year	Enrollment (fall term)		FTE (fall term)		Undergraduate Students		Graduate Students		Certificates		Associate Degrees		Bachelor's Degrees		Graduate Degrees	
	Enrollment	(fall term)	FTE	(fall term)	Students	Students	Students	Students	Certificates	Associate Degrees	Bachelor's Degrees	Graduate Degrees				

2014-15	21,158	14,953	17,871	3,287	1,937	1,655	1,766	1,615
2013-14	21,417	15,272	17,963	3,454	1,651	1,479	1,824	1,552
2012-13	21,976	15,453	18,267	3,709	1,685	1,603	1,721	1,739
2011-12	22,065	15,466	18,278	3,787	1,378	1,619	1,641	1,892
2010-11	21,783	15,469	18,419	3,364	1,429	1,572	1,582	1,363
2009-10	20,201	14,752	18,069	2,132	1,314	1,244	1,552	725
2008-09	18,947	13,983	17,221	1,726	1,656	1,120	1,414	472
2007-08	17,795	13,331	16,311	1,484	1,694	924	1,362	461
2006-07	17,274	12,935	15,887	1,387	1,447	960	1,438	422
2005-06	16,698	12,447	15,422	1,276	1,537	850	1,508	435

Source: Office of Institutional Research and Planning

Enrollment Sources by Campus

Arkansas

Out of State

International

Mountain

Home

Mountain

Home

Home

Beebe

Beebe

Jonesboro

Jonesboro

Newport

Newport

Mountain

Home

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Newport

Newport

2014-15	10,146	4,068	1,295	2,454	2,252	57	98	22	746	15	0	5
2013-14	10,437	4,300	1,359	2,004	2,308	27	87	24	807	53	0	11
2012-13	10,708	4,543	1,329	2,000	2,311	49	84	27	868	51	0	16
2011-12	10,698	4,566	1,376	1,975	2,414	61	95	19	788	62	0	10
2010-11	10,761	4,628	1,480	2,057	2,079	44	103	36	575	11	0	9
2009-10	10,474	4,425	1,411	2,023	1,263	52	105	14	419	14	1	0
2008-09	9,998	4,381	1,217	1,625	1,170	63	77	77	322	15	2	0
2007-08	9,500	4,238	1,160	1,311	1,237	60	18	124	132	13	1	1
2006-07	9,459	3,992	1,115	1,230	1,141	66	66	58	127	15	1	4
2005-06	9,165	3,910	1,136	1,265	1,113	41	82	61	136	25	1	2

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

Annual Tuition and Required Fees

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Undergraduate*										
Resident										
Jonesboro	\$7,720	\$7,510	\$7,180	\$6,934	\$6,640	\$6,370	\$6,370	\$6,010	\$5,710	\$5,440
Beebe	3,270	3,120	2,970	2,850	2,790	2,670	2,670	2,550	2,460	2,280
Mountain Home	3,330	3,240	3,150	3,030	2,910	2,760	2,760	2,370	2,370	2,280
Newport	3,150	3,000	2,850	2,700	2,550	2,400	2,400	2,340	2,280	2,190
Nonresident										
Jonesboro	13,480	13,120	12,610	12,238	14,860	14,290	14,290	13,390	12,760	12,145
Beebe	5,310	5,040	4,830	4,650	4,530	4,350	4,350	4,140	3,990	3,750
Mountain Home	5,250	5,100	4,950	4,770	4,560	4,410	4,410	3,900	3,900	3,750
Newport	4,860	4,680	4,500	4,290	4,140	3,930	3,930	3,930	3,810	3,660
Graduate**										
Resident										
Jonesboro	5,576	5,432	5,198	5,030	4,820	4,640	4,640	4,370	4,145	3,947
Nonresident										
Jonesboro	9,968	9,716	9,338	9,073	10,850	10,436	10,436	9,770	9,329	8,879

*Undergraduate rates are based on a 15 hour load

**Graduate rates are based on a 9 hour load

Source: Office of Institutional Research and Planning

Capital Asset Usage

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Academic and Administrative Buildings	151	149	143	142	143	137	136	140	138	138
Auxiliary Buildings	165	163	158	164	182	180	178	186	191	185
Total	316	312	301	306	325	317	314	326	329	323

Source: Campus Financial Offices

Number of Employees by Campus					
Year	Jonesboro	Beebe	Mountain Home	Newport	Total
2014-15	1,566	344	119	149	2,178
2013-14	1,603	347	119	144	2,213
2012-13	1,582	342	120	149	2,193
2011-12	1,550	333	124	151	2,158
2010-11	1,519	344	123	149	2,135
2009-10	1,521	343	114	147	2,125
2008-09	1,435	339	108	152	2,034
2007-08	1,434	332	105	145	2,016
2006-07	1,370	309	74	148	1,901
2005-06	1,342	298	91	140	1,871

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

Principal Employers in the State of Arkansas Current Fiscal Year as Compared to 2006		
Rank	2015	2006
1	State of Arkansas	State of Arkansas
2	Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.
3	Tyson Foods, Inc.	Tyson Foods, Inc.
4	Federal Government	Federal Government
5	Baptist Health, Inc.	Baptist Health, Inc.
6	J.B. Hunt Transport Services, Inc.	Sisters of Mercy Health System
7	Community Health Systems, Inc.	Triad Hospitals
8	Arkansas Children's Hospital	Whirlpool Corp.
9	Chi St. Vincent	Pilgrim's Pride Corp.
10	The Kroger Company	Arkansas Children's Hospital

Note: 2015 numbers are based on the first quarter of 2014.

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

Source: Arkansas Economic Development Commission

State of Arkansas Demographic and Economic Information				
Year	Total Population (in 000's)	Per Capita Personal Income	State Unemployment Rate	National Unemployment Rate
2015	2,966	38,376	5.7%	5.3%
2014	2,971	37,036	6.2%	6.1%
2013	2,963	35,480	7.2%	7.6%
2012	2,951	34,769	7.3%	8.2%
2011	2,940	33,722	7.9%	9.1%
2010	2,924	32,346	7.9%	9.4%
2009	2,900	31,651	7.5%	9.5%
2008	2,877	32,832	5.4%	5.6%
2007	2,852	31,316	5.3%	4.6%
2006	2,824	29,358	5.3%	4.6%

Source: Arkansas Department of Finance and Administration