

Arkansas State University System

Little Rock, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



ARKANSAS STATE UNIVERSITY SYSTEM
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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
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Rep. Richard Womack
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Rep. DeAnn Vaught
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-24, 96-98, and 99-104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 5, 2020
EDHE12520

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 5, 2020. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc. and the Arkansas State University Red Wolves Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University System Foundation, Inc. and the Arkansas State University Red Wolves Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters


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

We noted certain matters that we reported to management of the University in a separate letter dated November 5, 2020.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 5, 2020

Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

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

Arkansas State University – Mid-South

The University had uninsured and uncollateralized bank deposits totaling \$2,058,182 at June 30, 2020 in noncompliance with Ark. Code Ann. §§ 19-8-201 –19-8-203.

Student Enrollment Data

In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2020, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

| | <u>Summer II Term</u> | <u>Fall Term</u> | <u>Spring Term</u> | <u>Summer I Term</u> |
|----------------------------------|-----------------------|------------------|--------------------|----------------------|
| | <u>2019</u> | <u>2019</u> | <u>2020</u> | <u>2020</u> |
| Student Headcount | 7,039 | 22,723 | 21,553 | 9,410 |
| Student Semester Credit Hours | 28,079 | 220,465 | 202,843 | 46,977 |

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

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

ARKANSAS LEGISLATIVE AUDIT

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 5, 2020

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, 2020. 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, 2019 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has remained stable during the fiscal year.

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

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

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

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

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

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

In May 2020, the GASB issued Statement no. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the following Statements that are relevant to the University due to the COVID-19 pandemic: Statement no. 84 *Fiduciary Activities*, Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement no. 87, *Leases*.

The University's financial statements for the year ended June 30, 2020 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, 2020 and 2019 where appropriate. Due to the merger of the College of the Ouachitas (COTO) into the Arkansas State University System, the 2019 comparative amounts are shown separately for Arkansas State University and the College of the Ouachitas (now named Arkansas State University Three Rivers). The 2019 comparative amounts have been adjusted for the merger to provide a more complete comparison of the two years. Additional information about the merger may be found in Note 20.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Statements Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2020, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed on the following page.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2020:

- Did the University have sufficient assets available to meet its existing obligations and continue operations?
- How much did the University owe to external parties including vendors and lending institutions?
- What resources did the University have available to make future investments and expenditures?

| Condensed Statement of Net Position | | | | | | |
|--|----------------|----------------|---------------|----------------|-------------------------|-------------------|
| | 2020 | 2019 Revised | 2019 COTO | 2019 ASU | Increase/ (Decrease) | Percent Change |
| Assets and Deferred Outflows: | | | | | | |
| Current Assets | \$ 111,379,024 | \$ 97,594,988 | \$ 5,212,002 | \$ 92,382,986 | \$ 13,784,036 | 14.12% |
| Capital Assets, net | 451,051,410 | 466,151,478 | 6,480,272 | 459,671,206 | (15,100,068) | (3.24%) |
| Other Noncurrent Assets | 116,344,371 | 110,627,077 | - | 110,627,077 | 5,717,294 | 5.17% |
| Total Assets | 678,774,805 | 674,373,543 | 11,692,274 | 662,681,269 | 4,401,262 | 0.65% |
| Deferred Outflows | 11,458,921 | 13,588,877 | 1,332,226 | 12,256,651 | (2,129,956) | (15.67%) |
| Total Assets and Deferred Outflows | \$ 690,233,726 | \$ 687,962,420 | \$ 13,024,500 | \$ 674,937,920 | \$ 2,271,306 | 0.33% |
| Liabilities and Deferred Inflows: | | | | | | |
| Current Liabilities | \$ 43,210,925 | \$ 45,084,793 | \$ 962,820 | \$ 44,121,973 | \$ (1,873,868) | (4.16%) |
| Noncurrent Liabilities | 240,200,114 | 265,213,044 | 9,162,188 | 256,050,856 | (25,012,930) | (9.43%) |
| Total Liabilities | 283,411,039 | 310,297,837 | 10,125,008 | 300,172,829 | (26,886,798) | (8.66%) |
| Deferred Inflows | 16,864,441 | 9,854,128 | 1,407,030 | 8,447,098 | 7,010,313 | 71.14% |
| Total Liabilities and Deferred Inflows | 300,275,480 | 320,151,965 | 11,532,038 | 308,619,927 | (19,876,485) | (6.21%) |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 246,952,274 | 250,763,493 | 5,325,287 | 245,438,206 | (3,811,219) | (1.52%) |
| Restricted, Nonexpendable | 16,442,426 | 16,873,717 | - | 16,873,717 | (431,291) | (2.56%) |
| Restricted, Expendable | 9,569,292 | 6,050,735 | 25,281 | 6,025,454 | 3,518,557 | 58.15% |
| Unrestricted | 116,994,254 | 94,122,510 | (3,858,106) | 97,980,616 | 22,871,744 | 24.30% |
| Total Net Position | 389,958,246 | 367,810,455 | 1,492,462 | 366,317,993 | 22,147,791 | 6.02% |
| Total Liabilities and Net Position | \$ 690,233,726 | \$ 687,962,420 | \$ 13,024,500 | \$ 674,937,920 | \$ 2,271,306 | 0.33% |

Assets and Deferred Outflows

Total assets and deferred outflows increased by \$2.3 million.

Current Assets

Current assets increased by \$13.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Cash and Cash Equivalents

Cash and cash equivalents increased by approximately \$72,000. Although the overall total of cash and cash equivalents was trivial; the individual campuses had substantial swings. The Jonesboro campus had a substantial decrease of \$7 million. This was mainly due to the federal drawdown of funds occurring after June 30th. This amount was about \$10 million. This was offset by additional state appropriation received at the end of the year of \$3 million. All of the other campuses had increases for the year. Beebe had a \$4.1 million increase due to the maturity of certificates of deposits that were not reinvested. Newport's \$2 million increase was also the result of the maturity of a certificate of deposit as well as receiving state appropriation funds at the end of the year. The Three Rivers campus had a \$592,000 increase due to the reduction of spending during the pandemic. Mountain Home and Mid-South both had small increases in the amounts of \$300,000 and \$48,000, respectively.

Short-term Investments

Short-term investments decreased by \$3.6 million. This decrease was due to the maturity of certificate of deposits at the Beebe campus of \$4.2 million. Mountain Home purchased a \$700,000 investment but also renewed a \$2 million investment that matures in 24 months and is shown as long-term. Newport was the only campus to reflect an increase of \$1.9 million due to renewing long-term investments to short term investments. There were no changes at the other campuses.

Accounts Receivable

Accounts receivable increased by approximately \$17.7 million. All campuses had increases. Gross receivables increased by \$17 million. The Jonesboro campus's increase of \$14.7 million was due to the federal drawdown of funds of approximately \$10 million occurring after June 30th; as mentioned above in cash and cash equivalents. In addition to this amount, the campus had recorded a receivable for the Coronavirus Aid, Relief, and Economic Security (CARES) Act for reimbursement of expenses for roughly \$1.8 million. Additionally, the campus had another \$1.3 million for amounts due for construction, additional CARES funds, and the Doctor of Osteopathic (DO) School agreement. The Mid-South campus's increase of \$1.5 million was a result of Federal Pell Grants drawdown of approximately \$840,000 that was not done for the spring term and CARES receivables in the amount of \$800,000. Mountain Home and Newport also had increases totaling \$1.1 million for CARES funds. The Three Rivers campus showed an increase due to a larger number of vendor accounts that were not paid at year end due to COVID. The Beebe campus had a minimal increase in accounts receivable. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables balances are closely monitored and the allowance for doubtful accounts methodology is reviewed and revised. Overall, allowance for doubtful accounts decreased by about \$764,000. Mid-South and Beebe both had large decreases. Mid-South did a write-off of several old accounts and Beebe initiated a policy change of dropping for non-payment. Mountain Home was the only campus to have an increase for allowance for doubtful accounts due to their change in bad debt policy. Of the remaining campuses, Beebe had the largest decrease of \$239,000 due to a change in policy for dropping for non-payments. The other campuses had slight increases due to an increase of accounts receivable balances.

Inventories

Inventories decreased by \$316,000. Of the campuses with inventories, three had decreases and two had increases during the year. The highest change was the decrease at Jonesboro of \$390,000. This was a result of reduction of inventory related to the facilities management division. The two campuses with increases, Newport and Three Rivers, both had increases in their bookstores due to both lower enrollment in the first summer term and the pandemic. Beebe and Mid-South both had slight declines during the year.

Deposits with Trustees

Deposits with trustees increased slightly by \$1,800. All of the campuses, other than Mid-South, had decreases. Mid-South's increase of about \$13,000 is due to their bond agreements. Jonesboro had a decrease of around \$10,500 due to a bond refunding and the elimination of a debt service reserve fund on the refunded issue. Additional information on the bond refunding may be found in Note 5. The remaining campuses, other than Three Rivers, had slight decreases. Three Rivers does not have bonds issued and had no deposits with trustees.

Prepaid Expenses

Prepaid expenses decreased slightly by nearly \$8,700. Of this amount, the Jonesboro campus experienced the biggest decrease in the amount of \$46,000. This was caused by a reductions in prepaid expenses for insurance, postage, and athletic travel. Mid-South also had a decline of \$27,000 due to the elimination of prepaid travel amounts. Beebe showed a slight decrease due to an elimination of prepaid fuel vouchers by a program. The remaining three campuses show increases for the fiscal year due to an increase in the amounts paid in fiscal year 2020 for fiscal year 2021 expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets, net

Capital assets, net decreased by \$15.1 million. Accumulated depreciation increased from \$445,773,380 in 2019 to \$471,287,152 in 2020. This increase, of approximately \$25.5 million, is due to the recording of one additional year of depreciation for assets that have already been depreciating. Additionally, there was new equipment, new buildings, renovations to buildings, and other improvements/infrastructure that were added in 2019 and began depreciating in 2020. The increase in accumulated depreciation was offset by the addition of \$12.7 million in capital assets and the retirement of \$2.3 million in capital assets with accumulated depreciation of \$1.6 million. Of the \$12.7 million added to capital assets, \$3.7 million was construction in progress, \$4.6 million was improvements and infrastructure, and \$3.2 million was equipment. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

Other Noncurrent Assets

Other noncurrent assets increased by \$5.7 million.

Noncurrent Cash

Noncurrent cash increased by \$8 million while restricted cash decreased by \$170,000. The Jonesboro and Mountain Home campuses are the only campus to have a noncurrent cash balance. At Jonesboro, the increase in noncurrent cash of \$6.7 million was a result of additional cash transfers to unexpended plant funds and the accounts receivable related to CARES and a construction project. The annual increase of noncurrent cash by the campus is a strategic effort to increase the University's reserves. The change for Mountain Home was moving cash from restricted to noncurrent cash. The largest portion of the increase in restricted cash was mostly due to the Mid-South campus. Mid-South had an increase for the receipt of restricted cash from their excess millage during fiscal year 2020. The remaining increases in restricted cash were due to the Perkins loan fund at the Jonesboro campus. The decrease was a result of moving the cash from restricted to noncurrent at the Mountain Home campus.

Endowment Investments

Endowment investments decreased slightly by \$274,000. This was due to a decrease in the return rate of the investments compared to previous years.

Other Long-term Investments

Other long-term investments decreased by \$2.3 million. Jonesboro and Newport both had decreases. At Jonesboro, as the investments are maturing; new investments are not being bought. There is a strategic change to move from investments to cash. There was a decrease of \$3.2 million for the year. At Newport, their investment activity has changed from other long-term investments to short-term, noncurrent restricted, and noncurrent unrestricted. The increases at Beebe, Mid-South, and Mountain Home are a result of moving from short-term to long-term investments. Their combined increases totaled \$4.7 million.

Irrevocable Split-Interest Agreement

The Jonesboro campus early implemented GASB no. 81, *Irrevocable Split-Interest Agreements*, which was effective July 1, 2017 during fiscal year 2017. There was an increase of roughly \$20,000 during fiscal year 2020 as the trustee re-appraised the value of the asset.

Deposits with Trustees

Deposits with trustees decreased slightly by \$218,000. The Jonesboro campus's decrease of \$280,000 was primarily due to the elimination of a debt service reserve fund related to the bond refunding issue. Additional information on the bond refunding may be found in Note 5. Mid-South's increase for the year was due to their bond agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Deferred Outflows

Deferred outflows decreased by approximately \$2.1 million. Roughly \$1.3 million of this decrease was due to an increased amount of deferred outflows related to pensions. All of the campuses had decreases due to the adjustment of deferred outflows related to pensions for the 2020 fiscal year. Additional information about the deferred outflows related to pensions may be found in Note 8 and the Required Supplementary Information. Deferred outflows related to other postemployment benefits (OPEB) declined by about \$711,000. All of the campuses, other than Three Rivers, recorded increases for these in accordance with GASB no. 75. Three Rivers had a slight increase of around \$23,000. Additional information about the deferred outflows related to OPEB may be found in Note 12 and the Required Supplementary Information. Deferred outflows related to the excess of bond reacquisition costs over carrying value decreased by \$82,000. All the campuses, other than Mountain Home, had decreases due to the amortization of these amounts. Jonesboro and Mountain Home both recorded additional amounts for their bond refunding issues. Mountain Home showed an increase overall in this amount of around \$47,000; however, Jonesboro still showed a decrease of nearly \$74,000 due to the amount of amortization exceeding the amount of the new issue being added and the refunded issue being removed. Additional information about the bond issue may be found in the 'Debt Administration' section of this Management's Discussion and Analysis and Note 5.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows decreased by \$19.9 million.

Current Liabilities

Current liabilities decreased by \$1.9 million.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased slightly by \$1 million. Jonesboro had the largest decrease of \$1.2 million. This decrease was a result of the pandemic and resulted in lower travel reimbursements due to the freezing of travel and reductions in spending by departments. The departments managed their budgets effectively and lowered spending during the latter part of the fiscal year. The campus moved to online instruction the latter part of the spring term as well as the first summer term. Additionally, most staff began working from home during the latter part of March through the middle of July. Newport and Three Rivers also had decreases; while Beebe, Mid-South, and Mountain Home had slight increases.

Bonds, Notes, and Leases Payable

Bonds, notes, and leases payable increased slightly by \$518,000. All of the campuses had increases. There were no additional debt issued during the fiscal year; however Jonesboro and Mountain Home did have bond refunding issues. The increases for each campus is due to the additional amount of principal payments due in 2021 compared to 2020.

Unearned Revenues

Unearned revenues decreased by \$1.5 million. This was due to amounts received for tuition and fee for the second summer term and/or fall term that were recorded as unearned revenue at the end of 2020. Furthermore, this is a result of grant awards received in full prior to the spending of the total grant award. As expenses are posted to the grant award; revenue is recognized equal to the amount of the expenses. At the Jonesboro campus, there was a variance of \$1.4 million from 2019 to 2020. This decline was mainly due to a large amount of unearned revenue being recognized during fiscal year 2020. Mountain Home and Three Rivers had slight increases totaling \$12,500 related to grants. The remaining amount of the decline of unearned revenue was related to tuition and fee decreases.

Deposits

Deposits increased by \$141,000. The majority of this decrease was due to more students prepaying for the second summer and fall terms at Mountain Home. At Jonesboro, deposits for international students are allocated between current and noncurrent based on historical data. Although deposits decreased overall at the campus, the current amount increased due to the allocation. Beebe had a slight increase due to property rental.

Other Postemployment Benefits (OPEB) Liability

The current portion of this liability, a reduction of about \$414,000, was recorded during the year in accordance with GASB no. 75. The current portion of this total liability represents the amount that is the expected employer contributions for fiscal year 2021. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Noncurrent Liabilities

Noncurrent liabilities decreased by \$25 million.

Bonds, Notes, and Leases Payable

Bonds, notes and leases payable decreased by \$12 million. All campuses had decreases when compared to 2019. There was no new debt recorded in 2020. The decrease is a reflection of the reduction of principal amounts owed by all the campuses for bonds, notes, and leases payable.

Other Postemployment Benefits (OPEB) Liability

The noncurrent portion of this liability decreased by about \$12.7 million and was recorded during the year in accordance with GASB no. 75. Additional information may be found about OPEB may be found below in the deferred inflows section, in Note 12 and the Required Supplementary Information.

Net Pension Liability

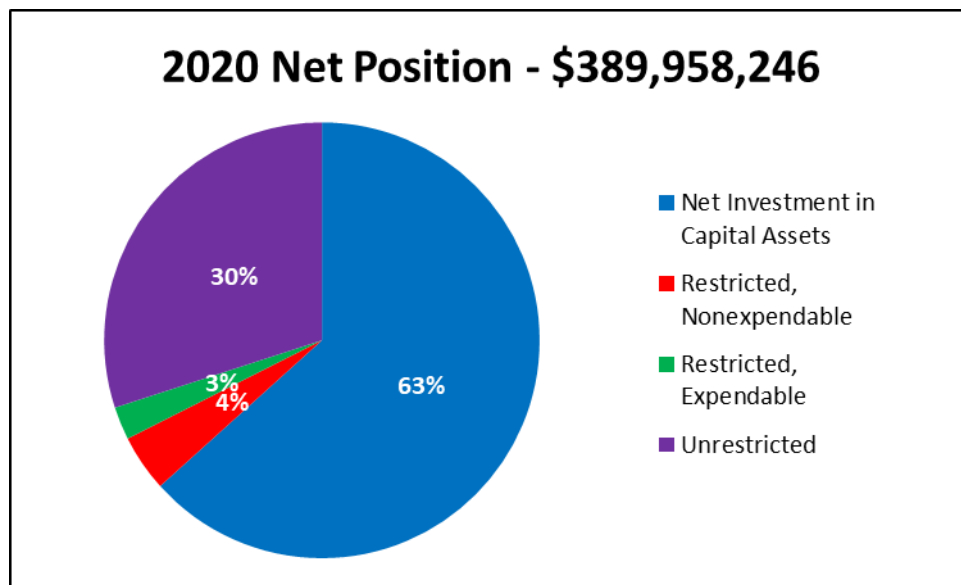
The University's portion of the net pension liability decreased by around \$48,000. These amounts were recorded in accordance with GASB no. 68. Additional information about the net pension liability may be found in Note 8 as well as the Required Supplementary Information.

Deferred Inflows

Deferred inflows increased by \$7 million. Nearly all of this increase, \$8.5 million, was the amount related to other postemployment benefits. This amount is recorded in accordance with GASB no. 75. and as mentioned previously, the campuses recorded a large decrease of \$12.7 million related to the noncurrent liability portion of OPEB. The overall effect of recording the OPEB amounts showed an increase of \$3.9 million. The largest overall increase was for Three Rivers in the amount of \$4.9 million due to their merger with the Arkansas State University System and joining the System's OPEB plan. In addition to OPEB, there was a \$1.5 million decrease for pensions which was recognized in fiscal year 2020 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows and net pension liability discussed previously. The remaining minimal increase of \$20,000 was recorded as part of the irrevocable split-interest agreement at the Jonesboro campus as previously mentioned in the Noncurrent Asset section.

Net Position

Total net position increased by \$22.1 million. The percentage of each net position category is displayed in the chart below.



Net investment in capital assets

Net investment in capital assets decreased by \$3.8 million. This decrease was mainly attributable to recognition of depreciation expense at all of the campuses. In previous years, there have been large increases of construction projects, primarily at the Jonesboro campus, to offset the amount of depreciation recognized. For 2020, there was \$12.7 million in capital assets additions compared to \$27 million of depreciation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Restricted, Nonexpendable

Restricted, nonexpendable net position decreased by \$431,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships decreased by \$185,000. This was due to the Jonesboro campus's decrease and the Beebe campus's slight increase in the market value of endowment investments held by the ASU Foundation for scholarship purposes.
- *Renewal and Replacement*—The Mid-South campus has restricted, nonexpendable net position for renewal and replacement. There were no changes to the net position during the fiscal year.
- *Loans*—The restricted, nonexpendable net position for loans decreased in the amount of approximately \$185,000. This was due to the federal government requiring a reimbursement of funds related to the Federal Perkins Loan Program during fiscal year 2020. This amount will continue to decrease as the Federal Perkins Loan Program expired on September 30, 2017.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above decreased by about \$62,000. This was due to a decrease in investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net position increased by \$3.5 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships increased by \$529,000. This increase was mostly attributable to around \$369,000 being posted as a receivable for the Arkansas Challenge Lottery. Additionally, the Jonesboro campus received funds in the amount of about \$107,000 from the Kays Trust. These are amounts that would typically be spent during the fiscal year but were not able to be expended for student scholarships in the spring due to COVID.
- *Research*—Restricted, expendable net position for research increased by \$150,000. This slight increase is due to year end balances of restricted grants for research purposes at the Jonesboro campus.
- *Loans*—The restricted, expendable net position for loans did not change for fiscal year 2020. Mid-South and Three Rivers are the only campuses to have a restricted, expendable net position amount for loans.
- *Debt Service*—The restricted, expendable net position for other purposes than those listed above decreased slightly by \$7,200. The Mid-South campus is the only campus to have funds restricted for debt service due to their debt structure for bonds payable.
- *Renewal and Replacement*—The Mid-South campus has restricted, expendable net position for renewal and replacement. There was an increase of \$78,000 due to the bond requirements of these funds.
- *Other*—The restricted, expendable net position for other purposes than those listed above increased by \$2.8 million. Campuses, other than Beebe and Mid-South, experienced declines. Three Rivers does not have a balance for this. The increase of about \$1.5 million at Jonesboro were related to an increase of non-research grant activity balances at year end and the receipt of an athletic gift of \$319,000. The remaining increases were due to the CARES funds. Mid-South showed a decrease of \$101,000 due to a decrease in the expenses related to Southland. The decrease for Beebe was minimal.

Unrestricted

Unrestricted net position increased by \$22.9 million. While the CARES Act attributed to a great deal of the increases; the campuses also showed increases due to reduced spending and efforts to increase reserves. The majority of this increase was a \$10.1 million increase at the Jonesboro campus due to an increased effort to grow the University's reserves balance. In addition, Beebe's unrestricted net position also increased by approximately \$1.6 million. Mid-South had an increase of \$3.1 million. In addition to the items mentioned previously; they also saw an increase in their excess millage by \$1.1 million. Mountain Home and Newport had increases of \$1 million and \$1.3 million, respectively. Three River's showed an increase of \$5.6 million while some of this can be attributed to the above explanations; their increase is largely a result of the merger with the Arkansas State University System. At the end of fiscal year 2019, the campus showed a negative amount of net position of \$3.9 million. This was due to the campus's amount of OPEB that had been recorded. Due to the merger, the campus amount of OPEB was decreased and they now show a positive amount of nearly \$1.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2020.

Generally, revenues from operations are received in exchange for the University providing services or products to students and other constituencies. Operating expenses are those costs paid or incurred in producing those services or products or in carrying out the mission of the University. Nonoperating revenues are financial inflows to the University resulting from nonexchange transactions; that is, the University does not provide a specific service or product in exchange for them. For example, appropriations from the state are considered nonoperating revenue because the legislature does not receive a direct and commensurate benefit from the University in exchange for providing the appropriation. A condensed Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2020 compared to fiscal year 2019 is shown below.

| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | | |
|---|----------------------|----------------------|-------------------|----------------------|-------------------------|----------------|
| | 2020 | 2019 Revised | 2019 COTO | 2019 ASU | Increase/ (Decrease) | Percent Change |
| Operating Revenues | | | | | | |
| Tuition and Fees, Net | \$ 66,221,819 | \$ 66,874,687 | \$ 1,477,058 | \$ 65,397,629 | \$ (652,868) | (0.98%) |
| Grants and Contracts | 35,934,215 | 35,497,470 | 3,652,689 | 31,844,781 | 436,745 | 1.23% |
| Auxiliary Enterprises, Net | 25,807,261 | 28,566,605 | 184,509 | 28,382,096 | (2,759,344) | (9.66%) |
| Other | 11,753,046 | 10,188,339 | 93,616 | 10,094,723 | 1,564,707 | 15.36% |
| Total Operating Revenues | <u>139,716,341</u> | <u>141,127,101</u> | <u>5,407,872</u> | <u>135,719,229</u> | <u>(1,410,760)</u> | <u>(1.00%)</u> |
| Operating Expenses | 303,061,524 | 299,428,708 | 11,991,140 | 287,437,568 | 3,632,816 | 1.21% |
| Nonoperating Revenues (Expenses) | | | | | | |
| State Appropriations | 110,028,373 | 110,285,507 | 4,683,249 | 105,602,258 | (257,134) | (0.23%) |
| Grants and Contracts | 51,532,603 | 53,579,414 | 2,222,621 | 51,356,793 | (2,046,811) | (3.82%) |
| Interest on Capital Asset - Related Debt | (7,891,345) | (8,485,436) | (15,923) | (8,469,513) | 594,091 | (7.00%) |
| Other | 31,587,249 | 14,748,131 | 66,728 | 14,681,403 | 16,839,118 | 114.18% |
| Total Nonoperating Revenues (Expenses) | <u>185,256,880</u> | <u>170,127,616</u> | <u>6,956,675</u> | <u>163,170,941</u> | <u>15,129,264</u> | <u>8.89%</u> |
| Income Before Other Revenues, Expenses, Gains or Losses | <u>21,911,697</u> | <u>11,826,009</u> | <u>373,407</u> | <u>11,452,602</u> | <u>10,085,688</u> | <u>85.28%</u> |
| Capital Appropriations | 98,112 | 79,211 | - | 79,211 | 18,901 | 23.86% |
| Capital Grants and Gifts | 356,598 | 1,017,245 | - | 1,017,245 | (660,647) | (64.94%) |
| Other | (218,616) | (366,859) | (57,373) | (309,486) | 148,243 | (40.41%) |
| Total | <u>236,094</u> | <u>729,597</u> | <u>(57,373)</u> | <u>786,970</u> | <u>(493,503)</u> | |
| Increase (Decrease) in Net Position | <u>\$ 22,147,791</u> | <u>\$ 12,555,606</u> | <u>\$ 316,034</u> | <u>\$ 12,239,572</u> | <u>\$ 9,592,185</u> | <u>76.40%</u> |
| Net Position, Beginning of Year | \$ 367,810,455 | \$ 355,254,849 | \$ 1,176,428 | \$ 354,078,421 | \$ 12,555,606 | 3.53% |
| Net Position, End of Year | \$ 389,958,246 | \$ 367,810,455 | \$ 1,492,462 | \$ 366,317,993 | \$ 22,147,791 | 6.02% |

Revenues

Total revenues increased by approximately \$13.4 million.

Operating Revenues

Total operating revenues decreased by \$1.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Tuition and Fees, net

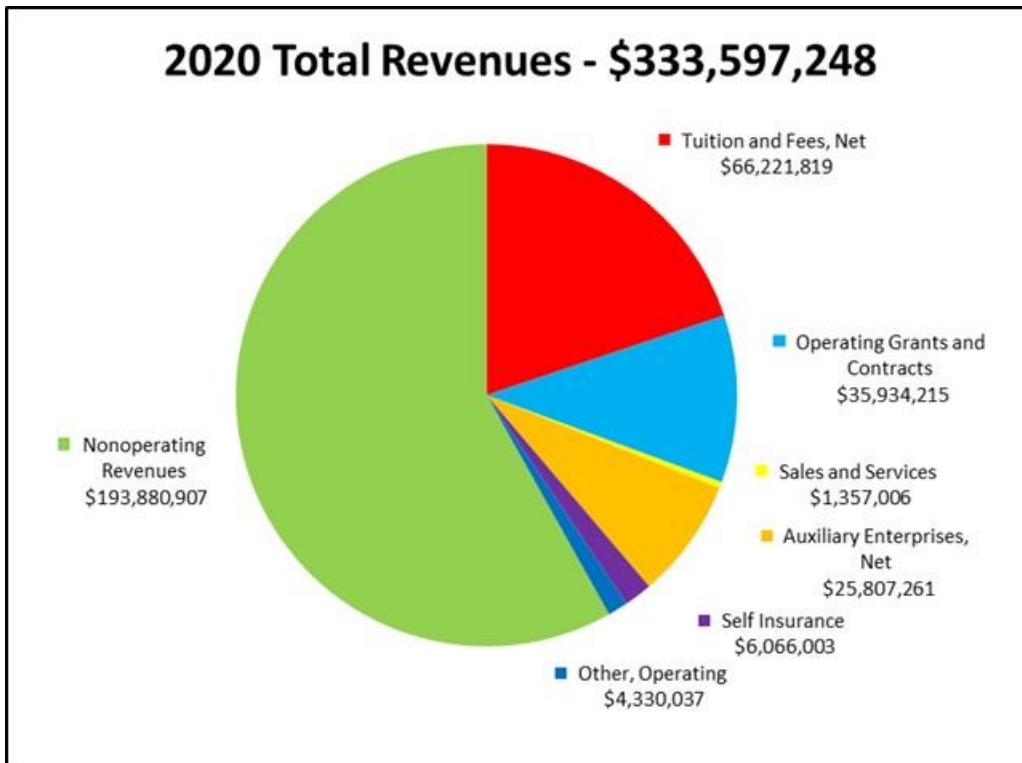
Net tuition and fees decreased a bit by approximately \$650,000. Gross tuition and fee revenue decreased by \$1.8 million. The campuses had modest increases in tuition and fee charges from 2019 to 2020. Beebe, Mountain Home, Newport, and Three Rivers all had decreases of net tuition and fee revenue. The largest decrease was \$1 million at Beebe; the remaining campuses had a combined decrease of \$750,000. All campuses experienced lower enrollment when comparing 2019 to 2020. Although enrollment declined, both Jonesboro and Mid-South managed to have slight increases in net tuition and fee revenue in the combined amount of \$1.1 million. Toward the end of the fiscal year; the campuses also suffered due to the COVID pandemic as classes were moved to online. The decrease in tuition and fee revenue also led to a decrease in scholarship allowances. Scholarship allowances decreased by \$1 million.

Grants and Contracts

Operating grants and contracts increased very slightly by \$437,000. Jonesboro, Mid-South, Mountain Home, and Newport all experienced increases in operating grants and contracts revenues due to slight increases of these balances at the end of the year. Overall, the change across the campuses was an increase of 1.23%. 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. Additionally, timing issues of receipts and expenses also plays a role in the ending balances for grants and contracts.

Sales and Services

Sales and services decreased by \$662,000. This decrease is a direct result of the COVID pandemic as the campuses lost revenue due to cancelled events, lost store sales, and reduced admissions due to closed facilities. All of the campuses that show sales and services income showed reductions. These include Jonesboro, Beebe, and Mountain Home. Additionally, the operation of the Health Center at the Jonesboro campus was moved on January 1 to the NYIT (New York Institute of Technology) location on campus.



Auxiliary Enterprises, net

Auxiliary enterprises, net decreased by approximately \$2.8 million. All campuses, other than Newport, experienced declines from 2019 to 2020. The Jonesboro campus experienced the largest decrease of \$2.2 million. The decreases in auxiliary revenues at the campuses were expected due to the declines in enrollment and the pandemic. In addition to the reduced revenues, scholarship allowances related to auxiliaries decreased slightly by \$73,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Self Insurance

Self insurance revenues increased by \$809,000. During fiscal year 2020, there was a minimal increase in premiums beginning in January 2020 for the employee withholding amount.

Other

Other operating revenues increased by \$1.4 million; although Jonesboro and Three Rivers were the only campuses with increases. The largest increase was \$1.9 million at the Jonesboro campus for the partner share of the NYIT College of Osteopathic Medicine location on campus. The increase at Three Rivers was a result of a reclassification of rental income. The reductions for the year included the variance of energy rebates that had been received as one-time payments in 2019 for Beebe and Newport. Mountain Home also showed a decrease due to receiving one-time funds in 2019 for phone company refunds and payments received from the academic excellence trust.

Nonoperating Revenues

Total nonoperating revenues increased by \$14.8 million.



Federal Appropriations

Federal appropriations decreased by about \$77,000. In prior fiscal years, the Jonesboro campus received several federal awards related to grants and contracts. These amounts continue to decrease as available grant resources continue to decline. In 2020, there were two grant awards compared to three in 2019.

State Appropriations

State appropriations decreased by approximately \$257,000; although Beebe was the only campus with a decrease. Their decrease was about \$894,000 and is a nearly a 6% loss from 2019. The other campuses had increases during the year due to general appropriation funding adjustments ranging from 0.19% to 3.46%. The Three Rivers campus had the lowest increase of \$31,000 and Newport had the highest at \$285,000. These ranges are an effect of the productivity-based funding model used. Act 148 of 2017 repealed the needs-based and outcome-centered funding and directed the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in the state.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Grants and Contracts

Nonoperating grants and contracts decreased by \$2 million. There was a decrease of \$2.2 million on the Jonesboro campus. Both federal and state financial aid declined during the year in the amounts of \$1.8 million and \$400,000, respectively. Also, Mid-South and Three Rivers had combined decreases of \$247,000. The other campuses had small increases during the year.

CARES Grants-Related to COVID-19

The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and signed by President Donald Trump on March 27th, 2020. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. The campuses recorded almost \$15.1 million related to this. A portion of these funds (the student portion) stipulated that the amount would be used to provide emergency grants to students. Once those funds had been expended; the institution may then receive the institutional portion of HEERF. The total HEERF award for the student portion and the institutional portion were equal awards to institutions. Additionally, the campuses qualified for SIP (Strengthening Institutions Program) funds. Both the institutional portion of HEERF and the SIP awards were used to provide relief to intuitions for reimbursement items such as, room and board refunds to students, purchases of equipment related to moving to online learning, and additional emergency payments to students.

Sales and Use Taxes

Sales and use taxes increased a bit by \$117,000. Beebe saw an increase of \$123,000 and Newport experienced a decrease of \$6,000.

Property Taxes

Property tax revenues increased by \$143,000 overall. On the Mid-South campus this increase was \$108,000 and on the Mountain Home campus \$35,000.

Gifts

Revenues from gifts decreased by \$202,000. All the campuses experienced declines compared to 2019. Mid-South had the largest decrease of \$112,000 mainly due to a reductions in gifts for scholarships.

Investment Income

Investment income decreased by \$1.2 million. Jonesboro had the highest decrease of \$1.2 million. This was a result of lower investment income in the endowment and bond funds. Beebe was the only other campus with a decline due to a decrease in interest rates. The other campuses showed increases due to having additional investments and for Mid-South, an increase in their excess millage.

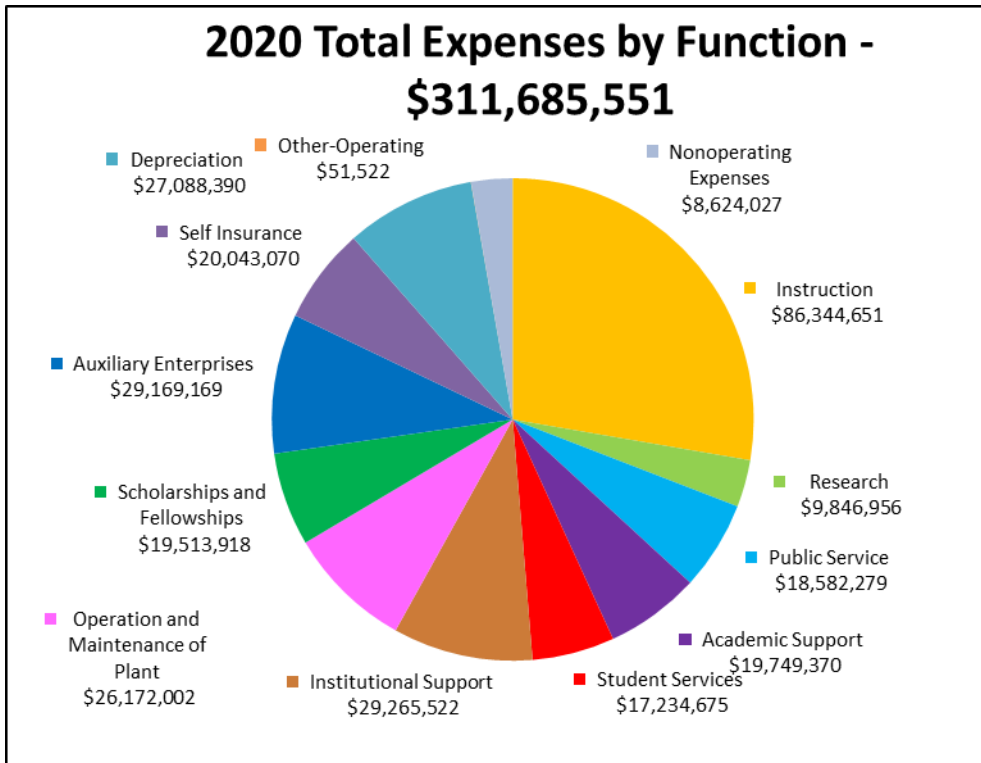
Expenses

Total expenses increased by \$3.2 million.

Operating Expenses

Total operating expenses increased by \$3.6 million.

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



Personal Services

Personal services decreased by approximately \$2.2 million. The Three-Rivers campus experienced the largest decrease, \$5.1 million. The majority of this decrease was to their OPEB plan. The campus joined the System’s OPEB plan as previously mentioned. This provided the campus with a positive effect in recording OPEB plan liabilities from fiscal year 2019 to fiscal year 2020. Additionally, the remaining campuses (other than Jonesboro), had a combined decrease of \$1.1 million. The Jonesboro campus did minimal salary increases from 2019 to 2020. This and the effect of the OPEB liability caused a \$4 million increase in the campus’s personal services. A net amount of \$1 million was recorded by the campuses for other postemployment benefits; other than Three Rivers. The Three Rivers campus recorded a reduction of \$4.9 million. More information on this may be found in Note 12.

Scholarships and Fellowships

Scholarships and fellowships decreased by \$350,000. As previously discussed, there was a decrease in scholarship allowances related to tuition and fees and a decrease in scholarship allowances related to auxiliaries. Gross scholarships and fellowships decreased by \$1.4 million. All of the campuses had declines in enrollment when compared to 2019. Although federal and state financial aid fluctuates throughout the years; the campuses continue to offer competitive institutional scholarships to students. The institutional scholarships continue to increase at each campus and displays the University’s commitment to students.

Supplies and Services

Supplies and services increased by \$4.5 million. With the exception of a \$5.5 million increase at the Jonesboro campus, all other campuses experienced a decrease of expenses for supplies and services. The Jonesboro campus’s increase was a result of the CARES direct payments to students (as detailed in the CARES Grants-Related to COVID-19 section previously). The direct amount of student payments totaled approximately \$4.6 million. This was the full amount of the student portion of the HEERF award. While the campus had reductions in travel and supplies expenses during the latter part of the fiscal year; there was an increase in expenses to prepare classrooms and other areas for online and socially distanced learning. The remaining campuses had a combined decrease of about \$1 million. These decreases were also a result of lower costs due to the pandemic. Some of these campuses also have not expended their full amount of the student portion of the HEERF award as of June 30. The campuses continue to be committed to cost containment efforts and pursue conservative levels of spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Self Insurance

Self insurance expenses decreased by \$883,000. Medical claims during 2020 decreased minimally when compared to 2019. Additionally, there was a very slight increase (\$31,000) in the unpaid claims liability recorded at year end.

Depreciation

Depreciation expense increased by \$2.6 million. All of the campuses, other than Mid-South, experienced increases when compared to 2019. The amount of their decrease was about \$67,000. The increases at the other campuses were a result of new additions or renovations at the campuses that were added in 2019 and began depreciating in 2020. Additionally, as new projects were completed in 2020, depreciation expense will increase next year as a result of these. The amount of completed projects was \$12.7 million when compared to the \$11.4 million in 2019; depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

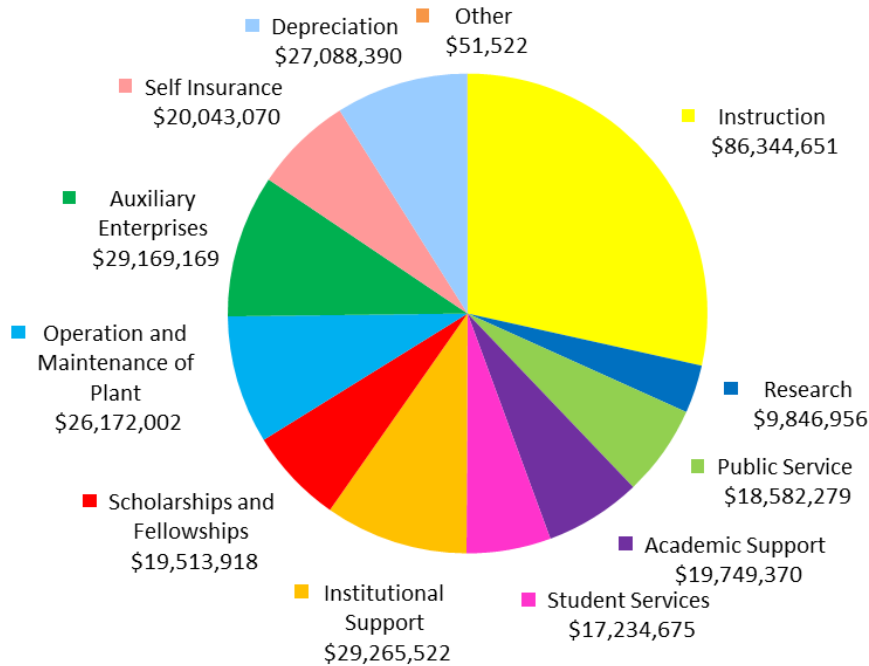
Other

Other operating expenses decreased by \$3,800. These expenses are related to the Federal Perkins Loan program on the Jonesboro campus.

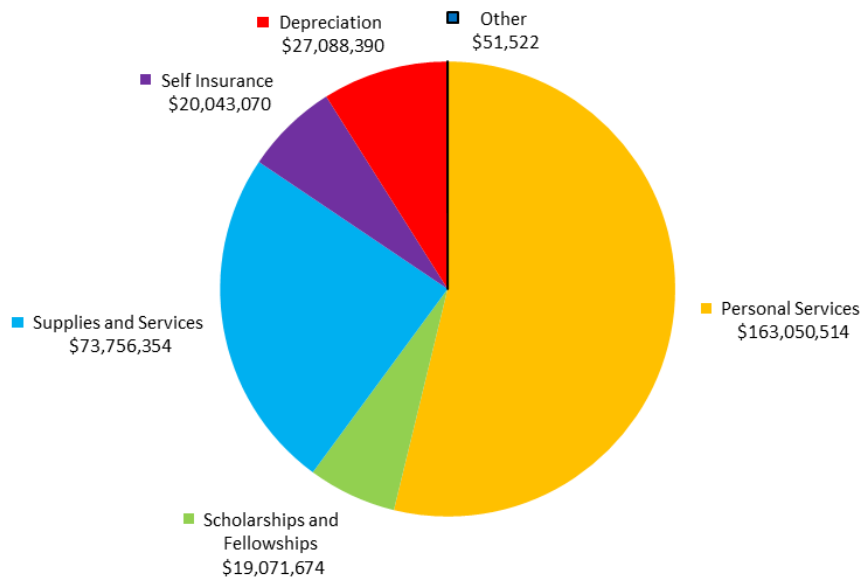
| Operating Expenses by Function | | | | | | |
|------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|-------------------|
| | 2020 | 2019 Revised | 2019 COTO | 2019 ASU | Increase/ (Decrease) | Percent Change |
| Instruction | \$ 86,344,651 | \$ 89,513,025 | \$ 5,652,144 | \$ 83,860,881 | \$ (3,168,374) | (3.54%) |
| Research | 9,846,956 | 8,955,702 | | 8,955,702 | 891,254 | 9.95% |
| Public Service | 18,582,279 | 19,158,790 | | 19,158,790 | (576,511) | (3.01%) |
| Academic Support | 19,749,370 | 19,323,947 | 797,273 | 18,526,674 | 425,423 | 2.20% |
| Student Services | 17,234,675 | 20,320,637 | 1,498,055 | 18,822,582 | (3,085,962) | (15.19%) |
| Institutional Support | 29,265,522 | 30,948,866 | 1,647,185 | 29,301,681 | (1,683,344) | (5.44%) |
| Scholarships and Fellowships | 19,513,918 | 10,015,573 | 480,495 | 9,535,078 | 9,498,345 | 94.84% |
| Operation and Maintenance of Plant | 26,172,002 | 23,256,453 | 980,105 | 22,276,348 | 2,915,549 | 12.54% |
| Auxiliary Enterprises | 29,169,169 | 32,297,634 | 396,320 | 31,901,314 | (3,128,465) | (9.69%) |
| Self Insurance | 20,043,070 | 20,926,524 | | 20,926,524 | (883,454) | (4.22%) |
| Depreciation | 27,088,390 | 24,524,788 | 408,151 | 24,116,637 | 2,563,602 | 10.45% |
| Other | 51,522 | 186,769 | 131,412 | 55,357 | (135,247) | (72.41%) |
| Total Operating Expenses | <u>\$ 303,061,524</u> | <u>\$ 299,428,708</u> | <u>\$ 11,991,140</u> | <u>\$ 287,437,568</u> | <u>\$ 3,632,816</u> | 1.21% |

| Operating Expenses by Natural Classifications | | | | | | |
|---|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|-------------------|
| | 2020 | 2019 Revised | 2019 COTO | 2019 ASU | Increase/ (Decrease) | Percent Change |
| Personal Services | \$ 163,050,514 | \$ 165,318,718 | \$ 7,922,190 | \$ 157,396,528 | \$ (2,268,204) | (1.37%) |
| Scholarships and Fellowships | 19,071,674 | 19,421,293 | 480,495 | 18,940,798 | (349,619) | (1.80%) |
| Supplies and Services | 73,756,354 | 69,182,028 | 3,180,304 | 66,001,724 | 4,574,326 | 6.61% |
| Self Insurance | 20,043,070 | 20,926,524 | | 20,926,524 | (883,454) | (4.22%) |
| Depreciation | 27,088,390 | 24,524,788 | 408,151 | 24,116,637 | 2,563,602 | 10.45% |
| Other | 51,522 | 55,357 | | 55,357 | (3,835) | (6.93%) |
| Total Operating Expenses | <u>\$ 303,061,524</u> | <u>\$ 299,428,708</u> | <u>\$ 11,991,140</u> | <u>\$ 287,437,568</u> | <u>\$ 3,632,816</u> | 1.21% |

2020 Total Operating Expenses by Functional Classification - \$303,061,524



2020 Total Operating Expenses by Natural Classification - \$303,061,524



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Nonoperating Expenses

Total nonoperating expenses decreased by \$355,000.

Interest

Interest expense decreased by \$594,000. While all the campuses showed decreases; Jonesboro experienced the largest decrease of \$414,000. The campuses did not incur any new debt during fiscal year 2020. There were two bond refunding issues at Jonesboro and one bond refunding issue at Mountain Home. The lower interest expense is expected due to no additional debt with interest being added and the fact that more of the payments are being applied to principal rather than interest. Additional information on debt administration may be found in the Debt Administration section that follows.

Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a loss of \$397,000 on capital assets compared to a loss of \$243,000 in fiscal year 2019. The Jonesboro campus had a loss of about \$390,000. This was mainly a result of disposing of renovated space for the IT Store that was not fully depreciated. The area is now part of the space that NYIT uses for the DO School. Additionally, Mid-South also disposed of an asset that was not fully depreciated which accounted for their loss of \$8,500. Newport was the only campus to show a gain of about \$1,100.

Other Changes

Other revenues, expenses, gains and losses totaled \$236,000. This amount decreased by \$551,000.

Capital Appropriations

Capital appropriations increased by \$19,000. The Jonesboro campus was the only campus with capital appropriations in 2019 as well as 2020. In 2020, the campus received around \$77,200 for projects for the Lakeport Plantation Dairy and the Dyess Colony. These are funds received that are related to the campus's Delta Heritage Office. The remaining funds received in 2020 were related to Marion Berry Phase III-Loop Road. This was the final payment on the project is nearing completion and the campus received about \$44,000 less than in 2019.

Capital Grants and Gifts

Capital grants and gifts decreased by \$661,000. The Jonesboro campus had a decline of \$676,000 compared to fiscal year 2019. This was mainly due to the capital gift of the marquee being added in 2019 in the amount of \$690,000. Beebe, Mid-South, Mountain Home, and Newport also had decreases when compared to 2019. Three Rivers had an increase of \$150,000 due to a building and land received during the year.

Statement of Cash Flows

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2020 and June 30, 2019 were as follows:

| Capital Assets (net of accumulated depreciation) | | | | | | |
|--|-----------------------|-----------------------|---------------------|-----------------------|-------------------------|-------------------|
| | 2020 | 2019 Revised | 2019 COTO | 2019 ASU | Increase/ (Decrease) | Percent Change |
| Land and land improvements | \$ 19,502,919 | \$ 19,447,544 | \$ 776,762 | \$ 18,670,782 | \$ 55,375 | 0.28% |
| Construction in progress | 5,327,472 | 4,018,016 | | 4,018,016 | \$ 1,309,456 | 32.59% |
| Livestock | 234,901 | 218,351 | | 218,351 | \$ 16,550 | 7.58% |
| Intangibles-Software in development | 847,761 | 1,628,858 | | 1,628,858 | \$ (781,097) | (47.95%) |
| Intangibles-Easements | 2,675,000 | 2,675,000 | | 2,675,000 | \$ - | 0.00% |
| Intangibles-Software | 3,791,437 | 2,908,019 | | 2,908,019 | \$ 883,418 | 30.38% |
| Buildings | 261,966,577 | 273,156,005 | 4,266,596 | 268,889,409 | \$ (11,189,428) | (4.10%) |
| Improvements and infrastructure | 141,834,988 | 145,885,718 | 62,146 | 145,823,572 | \$ (4,050,730) | (2.78%) |
| Equipment | 13,499,473 | 14,773,201 | 1,316,444 | 13,456,757 | \$ (1,273,728) | (8.62%) |
| Library/audiovisual holdings | 1,370,882 | 1,440,766 | 58,324 | 1,382,442 | \$ (69,884) | (4.85%) |
| Total | \$ 451,051,410 | \$ 466,151,478 | \$ 6,480,272 | \$ 459,671,206 | \$ (15,100,068) | (3.24%) |

Land

The University had two additions of land and land improvements in the amounts of \$41,875 at the Newport campus and \$13,500 at the Three Rivers campus during fiscal year 2020. The land addition at Three Rivers was a capital gift received during the year.

Construction in progress

Construction in progress increased by 32.59%. This increase is mainly attributable to several renovation projects at the Jonesboro campus. Jonesboro had an increase of \$2.4 million. Some of these projects include renovations to the library and student union and campus lighting improvements. Additionally, Mountain Home had a slight increase while the other campuses either reduced their construction in progress or had none during 2020.

Livestock

The change of 7.58% is attributable to an increase of the Jonesboro campus livestock herds of \$12,613 and a slight increase of the Beebe campus's herds in the amount of \$3,937.

Intangibles-Software in development

The Beebe, Mountain Home and Newport campuses have been implementing a new ERP (Enterprise Resource Planning) System. The new software was still in development as of June 30, 2019 for the Newport campus. The University's threshold for capitalizing software is \$1 million and Newport campus completed \$1,709,844 and this amount was transferred to intangibles-software during 2020. The Jonesboro campus has been transitioning to cloud software and currently has \$847,761 of intangibles-software in development.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2020.

Intangibles-Software

The University's increase of \$883,418 consisted of the amount that the Newport campus transferred from intangibles-software in development. In addition, \$826,426 was depreciated for software during fiscal year 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Buildings

The University experienced a decrease of \$11.2 million in the total value of buildings. This is a result of additional depreciation recorded during the year. In fiscal year 2020, the campuses added \$257,987 compared to \$507,614 in fiscal year 2019. Although this amount was higher than in 2019; the amount of depreciation far exceeded the amount of building additions. The Jonesboro and Three Rivers campuses were the only campuses with building additions during the year. The Jonesboro campus added \$121,487 in building additions for a pavilion but also removed several houses that were fully depreciated for the construction of an art studio. Three Rivers had an addition of \$136,500 in buildings due to a capital gift received during the year. Also, accumulated depreciation increased from \$298,722,574 in 2019 to \$310,056,494 in 2020. This is due to the annual amount of depreciation recorded by each campus. There were no large adjustments since the additions of buildings in the prior year were minor.

Improvements and infrastructure

The 2.78%, or \$4,050,730, decrease in improvements and infrastructure is attributable to the amount of depreciation exceeding the amount of additions during the year. In 2019, there were several projects that were completed totaling approximately \$16.4 million. These included \$10.5 million related to energy performance improvements at the Beebe, Mid-South, and Newport campuses and \$5.9 million at the Jonesboro campus for various projects as well as the addition of a capital gift of a marquee. In fiscal year 2020, there were only \$6.4 million in additions. The Jonesboro campus had the largest amount of additions totaling approximately \$5.2 million. The largest project was the addition of \$3.5 million in improvements to the cafeteria located in the student union. This was a project completed by the campus's food services provider at no cost to the campus in exchange for the campus foregoing the remaining investment funds for the remainder of the project. Additionally, the campus completed several renovations such as parking and residence hall improvements. In addition to a reduced amount of completed projects; the amount of depreciation increased in the fiscal year 2020 due to the additions in fiscal year 2019. In 2019, there was \$7.7 million posted for depreciation compared to \$10.1 million in 2020. Also, the deletions in 2019 were nearly fully depreciated while the 2020 deletions netted to around \$409,000.

Equipment

Equipment decreased by 8.62%, or \$1,273,728, during the year. Equipment additions decreased from \$4,024,738 in 2019 to \$3,308,868 in 2020. Of the additions for fiscal year 2020, \$151,526 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. Equipment purchases decreased by about \$716,000. The campuses did have reduced spending in light of the COVID pandemic. Depreciation expense increased from \$4,439,663 in 2019 to \$4,547,063 in 2020. The campuses disposed of equipment during the year with a net value of \$35,533.

Library/Audiovisual Holdings

The University's decrease of \$69,884, or 4.85%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases declined in part to the COVID pandemic during the last part of the fiscal year from a total of \$118,700 compared to \$143,492 in 2019. Depreciation expense decreased from \$220,619 in 2019 to \$188,584 in 2020. Library holdings that were removed during the year were fully depreciated.

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

Debt Administration

The University's financial statements indicate \$175,936,217 in bonds payable, \$9,815,080 in notes payable and \$22,326,301 in capital leases payable at June 30, 2020.

The Jonesboro and Mountain Home campuses issued refunding bonds during 2020. The bonds that were refunded included:

| | | |
|---------------|-------------|-----------------------|
| Jonesboro | \$1,605,000 | 2010A Refunding |
| Jonesboro | \$3,905,000 | 2012C Taxable Housing |
| Mountain Home | \$4,785,000 | 2012 Refunding |

Additional information about the refunding is included in Note 5.

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

Debt Administration (Continued)

The \$9,815,080 in notes payable consists of five notes for the Jonesboro campus. These include an \$8,000,000 note to renovate Wilson Hall for the DO School, \$604,000 and \$600,000 notes for energy improvement projects through the state's sustainable revolving loan fund, and a \$1,000,000 note for pedestrian improvements. Additionally, there is a \$1,000,000 note for renovations to the Armory. The campus has benefited from securing zero or very low interest rates for each of these notes. At June 30, 2020, the outstanding amounts for these notes were \$3,748,321, \$332,200, \$330,000, \$402,879, and \$800,000 respectively. The Newport campus has \$829,439 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location. The Beebe, Mid-South, and Newport campuses have notes payable related to their energy performance improvements and are paid with savings from utility billings. These amounts at the end of 2020 are \$87,767, \$1,424,700, and \$877,674, respectively. The notes payable for the Three Rivers campus include \$825,000 for construction of a new Allied Health building, \$565,000 for the remodel and expansion of a cosmetology building, , and \$1,000,000 for the purchase and renovation of an Applied Science Technology building. All three notes were secured through Arkansas Higher Education Coordinating Boards' College Savings Bond Revolving Loan Fund at exceptionally low interest rates. The outstanding amounts for these notes were \$148,027, \$229,763 and \$604,310 respectively.

The Jonesboro campus issued a capital lease during 2016 in the amount of \$15,226,080 for energy savings projects on the campus. The savings from utility billings will be used to pay the debt. Principal payments began in 2019 and the current balance of the debt is \$14,585,346. The Newport campus issued a capital lease during 2017 for IT equipment. The amount of the lease is \$606,934 and a balance of \$121,387 remains at June 30, 2020. The Beebe and Newport campuses added leases payable in the amounts of \$4,930,498 and \$2,951,079, respectively, during fiscal year 2018. Both of these leases payable were for energy performance improvements and will be paid with savings from utility billings. These balances are \$4,766,593 and \$2,852,975, respectively at June 30, 2020.

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

Economic Outlook

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. However, the economic outlook of the University remains sound at this time.

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

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

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

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

Economic Outlook (Continued)

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2020

Exhibit A

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

| | | |
|--|----|-------------|
| Cash and cash equivalents | \$ | 58,281,425 |
| Short-term investments | | 10,248,840 |
| Accounts receivable (less allowances of \$2,811,665) | | 37,916,678 |
| Notes and deposits receivable (less allowances of \$481,051) | | 531,485 |
| Accrued interest and late charges | | 248,321 |
| Inventories | | 2,386,296 |
| Deposits with trustees | | 891,766 |
| Unamortized bond insurance | | 208,818 |
| Prepaid expenses | | 665,395 |
| Total Current Assets | | 111,379,024 |

Noncurrent Assets:

| | | |
|---|--|-------------|
| Cash and cash equivalents | | 64,731,319 |
| Restricted cash and cash equivalents | | 9,395,280 |
| Restricted investments | | 142,206 |
| Endowment investments | | 15,423,058 |
| Unrestricted investments | | 1,269,985 |
| Other long-term investments | | 16,215,620 |
| Irrevocable split-interest agreement | | 2,103,882 |
| Accrued interest and late charges | | 718,259 |
| Deposits with trustees | | 2,769,640 |
| Accounts receivable | | 1,949,683 |
| Notes and deposits receivable (less allowances of \$1,466,020) | | 1,625,439 |
| Capital assets (net of accumulated depreciation of \$471,287,152) | | 451,051,410 |
| Total Noncurrent Assets | | 567,395,781 |

TOTAL ASSETS

678,774,805

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|--|--|-----------|
| Excess of bond reacquisition costs over carrying value | | 3,902,549 |
| Pensions | | 4,751,249 |
| Other postemployment benefits (OPEB) | | 2,805,123 |

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

690,233,726

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:

| | | |
|--|--|------------|
| Accounts payable and accrued liabilities | | 11,674,975 |
| Bonds, notes and leases payable | | 12,051,282 |
| Compensated absences | | 6,534,289 |
| Unearned revenue | | 8,574,081 |
| Funds held in trust for others | | 951,095 |
| Deposits | | 752,501 |
| Interest payable | | 2,051,654 |
| Other postemployment benefits (OPEB) liability | | 621,048 |
| Total Current Liabilities | | 43,210,925 |

Noncurrent Liabilities:

| | | |
|--|--|-------------|
| Bonds, notes and leases payable | | 196,026,316 |
| Compensated absences | | 5,094,870 |
| Other postemployment benefits (OPEB) liability | | 17,118,286 |
| Net pension liability | | 17,977,195 |
| Deposits | | 50,725 |
| Refundable federal advances | | 3,932,722 |
| Total Noncurrent Liabilities | | 240,200,114 |

TOTAL LIABILITIES

283,411,039

DEFERRED INFLOWS OF RESOURCES

| | | |
|--------------------------------------|--|-----------|
| Pensions | | 5,609,379 |
| Other postemployment benefits (OPEB) | | 9,151,180 |
| Irrevocable split-interest agreement | | 2,103,882 |

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

300,275,480

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2020

Exhibit A

NET POSITION

| | | |
|---------------------------------------|-----------|---------------------------|
| Net investment in capital assets | \$ | 246,952,274 |
| Restricted for: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | | 5,862,834 |
| Renewal and replacement | | 967,261 |
| Loans | | 96,574 |
| Other-College and Department Purposes | | 9,515,757 |
| Expendable: | | |
| Scholarships and fellowships | | 1,540,387 |
| Research | | 149,849 |
| Loans | | 20,000 |
| Debt service | | 1,767,582 |
| Renewal and replacement | | 607,526 |
| Other | | 5,483,948 |
| Unrestricted | | 116,994,254 |
| | | 116,994,254 |
| TOTAL NET POSITION | \$ | <u>389,958,246</u> |

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

Exhibit A-1

ASSETS

| | | |
|-------------------------------|--------|-------------------------------|
| Cash and cash equivalents | \$ | 11,876,860 |
| Certificates of deposit | | 5,015,763 |
| Prepaid expenses | | 19,835 |
| Contributions receivable, net | | 7,290,530 |
| Investments, at fair value | | 86,437,782 |
| Property and equipment, net | | 1,734,996 |
| Other assets | | <u>99,442</u> |
| Total Assets | \$ | <u><u>112,475,208</u></u> |

LIABILITIES

| | | |
|--|----|--------------------------|
| Accounts payable | \$ | 121,324 |
| Annuity obligations | | 16,000 |
| Due to Arkansas State University campuses | | 6,348,701 |
| Due to Alumni Association | | 40 |
| Amounts held on behalf of Arkansas State University related entities | | <u>13,435,546</u> |
| Total Liabilities | | <u><u>19,921,611</u></u> |

NET ASSETS

| | | |
|--------------------------------------|--------|-------------------------------|
| Without donor restrictions | | |
| Undesignated | | 2,049,701 |
| Board designated | | <u>4,742,823</u> |
| Total without donor restrictions | | <u><u>6,792,524</u></u> |
| With donor restrictions | | |
| Restricted as to purposes | | 10,992,001 |
| Restricted in perpetuity | | <u>74,769,072</u> |
| Total with donor restrictions | | <u><u>85,761,073</u></u> |
| Total Net Assets | | <u><u>92,553,597</u></u> |
| Total Liabilities and Net Assets | \$ | <u><u>112,475,208</u></u> |

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

Exhibit A-2

ASSETS

Current Assets

| | |
|--|--------------------------|
| Cash | \$ 3,777,751 |
| Investment securities | 770,238 |
| Receivables, current portion | 5,074,955 |
| Related party prepaid lease, current portion | 1,700,000 |
| Total Current Assets | <u>11,322,944</u> |

Property and Equipment

| | |
|-------------------------------------|-------------------|
| Property and equipment | 17,793 |
| Less accumulated depreciation | (17,164) |
| Total Property and Equipment | <u>629</u> |

Other Assets

| | |
|--|--------------------------|
| Receivables, net of current portion and amortization | 15,606,466 |
| Related party prepaid lease, net of current portion and amortization | 6,091,667 |
| Real estate | 206,100 |
| Construction in progress | 29,530,664 |
| Total Other Assets | <u>51,434,897</u> |

Endowment Investments, at fair value

1,809,193

Total Assets

\$ 64,567,663

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|----------------------------------|-------------------------|
| Accounts payable | \$ 12,601 |
| Accrued interest payable | 42,496 |
| Current portion long-term debt | 2,369,726 |
| Current portion deferred revenue | 4,355,157 |
| Total Current Liabilities | <u>6,779,980</u> |

Long-Term Debt, net of current portion

28,389,631

Deferred Revenue, net of current portion

19,390,399

NET ASSETS

| | |
|----------------------------|--------------------------|
| Without donor restrictions | (136,202) |
| With donor restrictions | 10,143,855 |
| Total Net Assets | <u>10,007,653</u> |

Total Liabilities and Net Assets

\$ 64,567,663

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

| | |
|--|-----------------------|
| OPERATING REVENUES | |
| Student tuition and fees (net of scholarship allowances of \$52,969,815) | \$ 66,221,819 |
| Grants and contracts | 35,934,215 |
| Sales and services | 1,357,006 |
| Auxiliary enterprises (net of scholarship allowances of \$7,917,927) | 25,807,261 |
| Self-insurance | 6,066,003 |
| Other operating revenues | 4,330,037 |
| TOTAL OPERATING REVENUES | <u>139,716,341</u> |
| OPERATING EXPENSES | |
| Personal services | 163,050,514 |
| Scholarships and fellowships | 19,071,674 |
| Supplies and services | 73,756,354 |
| Self-insurance | 20,043,070 |
| Depreciation | 27,088,390 |
| Other | 51,522 |
| TOTAL OPERATING EXPENSES | <u>303,061,524</u> |
| OPERATING INCOME (LOSS) | <u>(163,345,183)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Federal appropriations | 186,847 |
| State appropriations | 110,028,373 |
| Grants and contracts | 51,532,603 |
| CARES Grants-Related to COVID-19 | 15,090,160 |
| Sales and use taxes | 2,969,188 |
| Property taxes | 4,533,364 |
| Gifts | 3,239,847 |
| Investment income | 3,107,796 |
| Interest on capital asset - related debt | (7,891,345) |
| Gain or loss on disposal on capital assets | (397,045) |
| Refunds to grantors | (335,637) |
| Other nonoperating revenues (expenses) | 3,192,729 |
| NET NON-OPERATING REVENUES (EXPENSES) | <u>185,256,880</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | 21,911,697 |
| Capital appropriations | 98,112 |
| Capital grants and gifts | 356,598 |
| Adjustments to capital assets | (247,422) |
| Capitalization of library holdings at rate per volume | 12,256 |
| Livestock additions | 16,550 |
| INCREASE (DECREASE) IN NET POSITION | <u>22,147,791</u> |
| NET POSITION - BEGINNING OF YEAR | 366,317,993 |
| MERGER WITH COLLEGE OF THE OUACHITAS (NOTE 20) | 1,492,462 |
| NET POSITION - BEGINNING OF YEAR, AS RESTATED | <u>367,810,455</u> |
| NET POSITION - END OF YEAR | <u>\$ 389,958,246</u> |

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B-1

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Revenue and other support | | | |
| Contributions | \$ 397,769 | \$ 5,256,676 | \$ 5,654,445 |
| Investment return, net | 352,193 | 2,302,866 | 2,655,059 |
| Other income | 180,435 | 169,700 | 350,135 |
| Net assets released from restrictions | 3,566,721 | (3,566,721) | |
| Total Revenue and Other Support | 4,497,118 | 4,162,521 | 8,659,639 |
| Expenses | | | |
| Program services | 4,418,017 | | 4,418,017 |
| Management and general supporting services | 131,176 | | 131,176 |
| Change in split-interest agreements | | 16,000 | 16,000 |
| Total Expenses | 4,549,193 | 16,000 | 4,565,193 |
| (Decrease) increase in net assets | (52,075) | 4,146,521 | 4,094,446 |
| Net assets at beginning of year | 6,844,599 | 81,614,552 | 88,459,151 |
| Net assets at end of year | \$ 6,792,524 | \$ 85,761,073 | \$ 92,553,597 |

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B-2

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------|
| REVENUES, GAINS AND SUPPORT | | | |
| Contributions | \$ 1,267,014 | \$ 485,100 | \$ 1,752,114 |
| In-kind contributions | 391,347 | | 391,347 |
| Special events/fundraising | 25,220 | 559,138 | 584,358 |
| Other income | 100 | 5,566,068 | 5,566,168 |
| Investment return | 67,614 | (106,149) | (38,535) |
| Net assets released from restrictions | | | |
| Satisfaction of purpose restrictions | 5,340,138 | (5,340,138) | |
| Total revenues, gains, and other support | 7,091,433 | 1,164,019 | 8,255,452 |
| EXPENSES | | | |
| General and administrative | 785,490 | | 785,490 |
| Athletic program services | 5,403,592 | | 5,403,592 |
| Special events/fundraising | 262,528 | | 262,528 |
| Total expenses | 6,451,610 | | 6,451,610 |
| Changes in net assets before transfers | 639,823 | 1,164,019 | 1,803,842 |
| Transfers | | | |
| Transfers to ASU athletic programs | 50,233 | 5,096 | 55,329 |
| Other transfers to ASU | 2,188,031 | 244,177 | 2,432,208 |
| Total transfers | 2,238,264 | 249,273 | 2,487,537 |
| Change in Net Assets | (1,598,441) | 914,746 | (683,695) |
| Net Assets, beginning of year | 551,083 | 9,229,109 | 9,780,192 |
| Prior period adjustment | 911,156 | | 911,156 |
| Net Assets, end of year | \$ (136,202) | \$ 10,143,855 | \$ 10,007,653 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

| | |
|--|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Student tuition and fees | \$ 64,870,635 |
| Grants and contracts | 34,624,922 |
| Auxiliary enterprises revenues | 26,337,877 |
| Sales and services | 1,348,273 |
| Self-insurance program receipts | 5,753,331 |
| Collection of principal and interest related to student loans | 684,256 |
| Other receipts | 3,119,009 |
| Payments to employees | (140,959,744) |
| Payments for employee benefits | (25,560,609) |
| Payments to suppliers | (74,114,338) |
| Scholarships and fellowships | (19,071,599) |
| Self-insurance program payments | (20,159,037) |
| Other payments | (860,800) |
| Net cash provided (used) by operating activities | (143,987,824) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Federal appropriations | 214,602 |
| State appropriations | 108,528,117 |
| Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners | 1,527,000 |
| Grants and contracts | 49,713,270 |
| CARES Grants-Related to COVID-19 | 10,465,963 |
| Private gifts and grants | 3,471,757 |
| Sales and use taxes | 2,949,943 |
| Property taxes | 4,445,174 |
| Direct lending, PLUS and FFEL loan receipts | 91,460,883 |
| Direct lending, PLUS and FFEL loan payments | (100,031,439) |
| Agency activity | 163,594 |
| Refunds to grantors | (260,576) |
| Net cash provided (used) by noncapital financing activities | 172,648,288 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from capital debt | 39,549 |
| Capital appropriations | 61,346 |
| Capital gift and grants | 136,685 |
| Proceeds from sale of capital assets | 28,684 |
| Purchases of capital assets | (8,942,162) |
| Payments to trustees for bond principal | (8,389,999) |
| Payments to trustees for bond interest and fees | (6,218,638) |
| Payments to debt holders for principal (other than bonds) | (2,384,329) |
| Payments to debt holders for interest and fees (other than bonds) | (959,514) |
| Property taxes remitted to bond trustees | (2,989,812) |
| Distribution of excess property taxes from bond trustees | 1,606,893 |
| Net cash provided (used) by capital and related financing activities | (28,011,297) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sales and maturities of investments | 17,830,494 |
| Interest on investments (net of fees) | 2,411,649 |
| Purchases of investments | (12,909,350) |
| Net cash provided (used) by investing activities | 7,332,793 |
| Net increase (decrease) in cash and cash equivalents | 7,981,960 |
| Cash and cash equivalents - beginning of year | 119,907,097 |
| Merger with College of the Ouachitas (Note 20) | 4,518,967 |
| Cash and cash equivalents - beginning of year, restated | 124,426,064 |
| Cash and cash equivalents - end of year | \$ 132,408,024 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

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

| | | |
|---|----|---------------|
| Operating income (loss) | \$ | (163,345,183) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation expense | | 27,088,390 |
| Change in assets and liabilities: | | |
| Receivables, net | | (1,621,803) |
| Inventories | | 315,909 |
| Prepaid expenses | | 8,652 |
| Accounts and salaries payable | | (1,092,758) |
| Other postemployment benefits (OPEB) | | (3,911,928) |
| Pension obligations | | (242,664) |
| Unearned revenue | | (1,603,325) |
| Deposits | | 42,167 |
| Refundable federal advances | | (876,137) |
| Compensated absences | | 1,250,856 |
| | | 1,250,856 |
| Net cash provided (used) by operating activities | \$ | (143,987,824) |

Reconciliation of Cash and Cash Equivalents

| | | |
|--------------------------------------|----|-------------|
| Current Assets: | | |
| Cash and Cash Equivalents | \$ | 58,281,425 |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents | | 64,731,319 |
| Restricted Cash and Cash Equivalents | | 9,395,280 |
| Total cash and cash equivalents | \$ | 132,408,024 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$1,640,000, at a premium of \$25,604. The proceeds of this issue were utilized as follows: \$1,625,023 was remitted to an escrow agent and \$40,581 was used to pay the bond issuance costs.

The University issued refunding bonds of \$3,750,000. The proceeds of this issue were utilized as follows: \$3,678,036 was remitted to an escrow agent and \$71,964 was used to pay the bond issuance costs.

Equipment-capital gifts of \$143,744

Student Union cafeteria improvements of \$3,479,051 received rather than remaining contract payments

Value of equipment traded for equipment-\$3,600

Value of equipment received from vendor discounts-\$64,344

Interest earned on reserve accounts held by trustee-\$26,109

Interest paid from accounts held by trustee-\$110,176

Amount earned on investments-\$365,092

BEEBE

Interest earned on reserve accounts held by trustee-\$2,942

Interest paid from accounts held by trustee-\$3,764

MID-SOUTH

Interest earned on reserve accounts held by trustee-\$29,673

Trustee payments for retirement of bond principal-\$555,000

Trustee payment for bond interest-\$748,052

Trustee payment for bond fees-\$4,075

Unrealized gain on investments-\$267,343

MOUNTAIN HOME

The University issued refunding bonds of \$4,885,000. The proceeds of this issue were utilized as follows: \$4,794,248 was remitted to an escrow agent and \$90,752 was used to pay the bond issuance costs.

Interest earned on reserve accounts held by trustee-\$493

Interest paid from accounts held by trustee-\$1,389

NEWPORT

Interest earned on reserve accounts held by trustee-\$176

Amount of interest earned on CD's reinvested with CD's-\$6,262

Equipment-capital gifts of \$7,782

THREE RIVERS

Land-capital gift of \$13,500

Building-capital gift of \$136,500

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Jonesboro

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

Beebe

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

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

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

Mountain Home

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

Newport

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

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

Mid-South

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

Three Rivers

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

System

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

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

Component Units

Arkansas State University System Foundation, Inc.

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

During the year ended June 30, 2020, the ASU Foundation transferred property, equipment and funds of \$2,698,188 to the University for academic support. Complete financial statements for the ASU Foundation may be obtained from the ASU Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

Arkansas State University Red Wolves Foundation, Inc.

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

During the year ended June 30, 2020, the RW Foundation transferred property, equipment and funds of \$2,487,537 to the University for support. Complete financial statements for the RW Foundation may be obtained from the RW Foundation at P.O. Box 2219, State University, AR 72467-1990.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

Financial Statement Presentation

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

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

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

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

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

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

In May 2020, the GASB issued Statement no. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the following Statements that are relevant to the University due to the COVID-19 pandemic: Statement no. 84 *Fiduciary Activities*, Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement no. 87, *Leases*.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

The consolidated University financial statements were prepared from the separate statements of the six (6) campuses. Financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings and construction in progress are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated acquisition value. Library holdings are recorded at cost or a stated rate per volume. For the campuses that record library holdings at a stated rate per volume, the additions for the fiscal year are displayed as a separate line item on the Statement of Revenues, Expenses and Changes in Net Position. Library holdings that are capitalized do not include periodicals, microfilm, microfiche and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred. Interest costs incurred are no longer capitalized during the period of construction. The University early implemented GASB Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, during fiscal year 2019. This statement was effective for reporting periods beginning after December 15, 2019, but was postponed by one year due to the COVID-19 pandemic.

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

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

At the Three Rivers campus, depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 20 to 50 years for buildings, 10 to 40 years for improvements and infrastructure, 15 years for library and audiovisual holdings, and 5 to 20 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is started in the month of acquisition. Depreciation is taken in the year of disposal for equipment only.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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, 2020. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

Investments

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

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

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

Inventories

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

Noncurrent Cash and Investments

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

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2020 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

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

Deposits with Trustees

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

Noncurrent Liabilities

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

Pensions

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

Property Taxes

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

Sales and Use Taxes

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

Funds Held in Trust for Others

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

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Discounts and Allowances

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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) | \$ 3,727,803 | \$ 3,740,129 |
| Insured (SIPC) | 301 | 301 |
| Collateralized: | | |
| Collateral held by the pledging bank or pledging bank's agent in the University's name | 137,568,969 | 138,364,506 |
| Uninsured, Uncollateralized | 2,212,002 | 2,058,182 |
| Total Deposits | \$ 143,509,075 | \$ 144,163,118 |

The above deposits do not include cash on deposit in the state treasury and cash on hand maintained by the University in the amounts of \$6,118,576 and \$70,010 at June 30, 2020, respectively. Also, the above amount does not include \$100,727 in cash and cash equivalents and \$400,000 in certificates of deposits held by the ASU Foundation for license plate scholarships classified as short-term investments and \$56,053 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of \$17,446,307 reported as investments and classified as nonnegotiable certificates of deposit and money market checking accounts of \$110 reported as deposits with trustees. Additionally, the deposits do not include money market checking accounts of \$1,836 reported as deposits with trustees.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's policy states that investments made by the University, excluding those funds donated for endowment purposes, should be secure with no risk of loss. All investments must be fully collateralized with such collateral being evidenced by a bonded, third-party custody receipt provided to the campus making the investment. Collateral may be of three types including: (a) United States government securities, (b) securities of agencies of the United States, or (c) general obligation bonds of cities, counties, or school districts of the state of Arkansas. At June 30, 2020, \$2,058,182 of the University's bank balance of \$144,163,118 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$2,058,182

Deposits with Trustees

At June 30, 2020, the University's deposits with trustees totaled \$3,661,406. Other than the money market checking accounts of \$1,946, the details of the deposits with trustee by campus are below.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

Jonesboro

At June 30, 2020, the University's deposits with trustee of \$1,197,526 were primarily invested in the Federated Hermes Treasury Obligations Fund, a money market treasury fund and the Federated Hermes U.S. Treasury Cash Reserves. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 44 days. The Federated U.S. Treasury Cash Reserves consisted of short-term U.S. Treasury securities had a weighted average maturity of 39 days.

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

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

The fair value of the deposits with trustee at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | |
|---|---|--|--------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | Total |
| \$ 1,197,526 | \$ - | \$ - | \$ 1,197,526 |

Mid-South

At June 30, 2020, the University's deposits with trustee of \$2,461,934 were invested by US Bank. The fund invests solely in First American Government Obligations, a money market treasury fund. The objective of the fund, rated AAAM and Aaa-mf by Standard and Poor's and Moody's Investors Service, respectively, is to maximize current income consistent with preserving capital and maintaining daily liquidity. The effective average maturity was approximately 43 days.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

The fair value of the deposits with trustee at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|--------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| \$ 2,461,934 | \$ - | \$ - | \$ 2,461,934 |

University Investments (Excluding Endowment Funds)

At June 30, 2020, the University's investments, excluding endowment funds, consisted of corporate bonds of \$2,190,908, U.S. agencies of \$1,362,419, negotiable certificates of deposit of \$1,423,847, and U.S. Treasury notes of \$5,053,170. Details of the investments by campus are below.

Jonesboro

At June 30, 2020, the University's investments, excluding endowment funds, consisted of corporate bonds of \$770,877, U.S. agencies of \$949,338 and negotiable certificates of deposit of \$1,423,847.

The corporate bonds will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|--------------------|--------------|---------------|-----------------------|------------|
| \$ - | \$ 509,099 | \$ 261,778 | \$ - | \$ 770,877 |

The U.S. agencies will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|--------------------|--------------|---------------|-----------------------|------------|
| \$ 263,442 | \$ - | \$ - | \$ 685,896 | \$ 949,338 |

The negotiable certificates of deposits will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|--------------------|--------------|---------------|-----------------------|--------------|
| \$ 553,253 | \$ 870,594 | \$ - | \$ - | \$ 1,423,847 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|------|------------|------------|------|-----------|------------|
| \$ - | \$ 659,418 | \$ 111,459 | \$ - | \$ - | \$ 770,877 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|------------|------------|------------|------|-----------|------------|
| \$ 263,442 | \$ 353,129 | \$ 258,600 | \$ - | \$ 74,167 | \$ 949,338 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.302 years at June 30, 2020. The U.S. agencies had an estimated weighted average maturity of 10.786 years at June 30, 2020. The negotiable certificates of deposit had an estimated weighted average maturity of 0.998 years at June 30, 2020. The University’s investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments. At June 30, 2020, negotiable certificates of deposits of \$1,423,847 were exposed to custodial credit risk.

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

The fair value of the corporate bonds at June 30, 2020 are shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| \$ 770,877 | \$ - | \$ - | \$ 770,877 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

The fair value of the U.S. agencies at June 30, 2020 are shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|-------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| <u>\$ 949,338</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 949,338</u> |

The fair value of the negotiable certificates of deposit at June 30, 2020 are shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|---------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| <u>\$ 1,423,847</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,423,847</u> |

Mid-South

At June 30, 2020, the University's investments consisted of corporate bonds of \$1,420,031, U.S. agencies of \$413,081, and U.S. Treasury notes of \$5,053,170.

The corporate bonds will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|--------------------|-------------------|-------------------|-----------------------|---------------------|
| <u>\$ 204,315</u> | <u>\$ 809,462</u> | <u>\$ 406,254</u> | <u>\$ -</u> | <u>\$ 1,420,031</u> |

The U.S. agencies will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|--------------------|-------------------|---------------|-----------------------|-------------------|
| <u>\$ 201,236</u> | <u>\$ 211,845</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 413,081</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

The U.S Treasury notes will mature as follows:

| Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|-----------------------|--------------|---------------|--------------------------|--------------|
| \$ 1,009,435 | \$ 2,906,722 | \$ 1,137,013 | \$ - | \$ 5,053,170 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|-----------|------------|--------------|------|-----------|--------------|
| \$ 84,311 | \$ 318,993 | \$ 1,016,727 | \$ - | \$ - | \$ 1,420,031 |

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

| Aaa | Aa | A | Baa | Not Rated | Total |
|------------|------|------|------|-----------|------------|
| \$ 413,081 | \$ - | \$ - | \$ - | \$ - | \$ 413,081 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.104 years at June 30, 2020. The U.S. agencies had an estimated weighted average maturity of 1.398 years at June 30, 2020. The U.S. Treasury notes had an estimated weighted average maturity of 3.891 years at June 30, 2020. The University’s investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

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

The fair value of the corporate bonds at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|--------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University’s data | |
| \$ 1,420,031 | \$ - | \$ - | \$ 1,420,031 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

The fair value of the U.S. agencies at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|-------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| <u>\$ 413,081</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 413,081</u> |

The fair value of the U.S. Treasury notes at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|---------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| <u>\$ 5,053,170</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,053,170</u> |

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Educational Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. Endowment investments totaling \$5,006,145 were exposed to custodial credit risk because they were uninsured securities held by the Counterparty Trust Department or Agent and not in the University's name.

The Jonesboro campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 11.17% or \$9,658,559 and consisted of the following types of investments:

| <u>Type</u> | <u>Amount</u> |
|-----------------------------------|---------------------|
| Bonds/Fixed Income Mutual Funds | \$ 2,707,391 |
| Cash/Cash Equivalents | 222,312 |
| Domestic Equity Mutual Funds | 1,227,278 |
| Domestic Equities | 1,402,791 |
| Global Equity Funds | 672,139 |
| Hedge Fund | 766,662 |
| International Equities | 695,887 |
| International Equity Mutual Funds | 979,983 |
| Real Estate | 205,316 |
| Real Estate Funds | 286,215 |
| Venture Capital and Partnerships | <u>492,585</u> |
| Total | <u>\$ 9,658,559</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

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

The fair value of the investments at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | |
|---|---|--|---------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | Total |
| <u>\$ 8,924,871</u> | <u>\$ -</u> | <u>\$ 733,688</u> | <u>\$ 9,658,559</u> |

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.88% or \$758,354 and consisted of the following types of investments:

| Type | Amount |
|-----------------------------------|-------------------|
| Bonds/Fixed Income Mutual Funds | \$ 213,140 |
| Cash/Cash Equivalents | 14,696 |
| Domestic Equity Mutual Funds | 96,640 |
| Domestic Equities | 110,491 |
| Global Equity Funds | 53,460 |
| Hedge Fund | 60,400 |
| International Equities | 54,817 |
| International Equity Mutual Funds | 77,179 |
| Real Estate | 16,175 |
| Real Estate Funds | 22,548 |
| Venture Capital and Partnerships | <u>38,808</u> |
| Total | <u>\$ 758,354</u> |

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

The fair value of the investments at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| \$ 703,371 | \$ - | \$ 54,983 | \$ 758,354 |

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,415,420 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

| Type | Amount |
|------------------|--------------|
| Bond Funds | \$ 253,386 |
| Corporate Bonds | 488,864 |
| Cash Equivalents | 87,162 |
| U.S. Agencies | 395,962 |
| Equities | 2,190,046 |
| Total | \$ 3,415,420 |

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

| | Less than one year | 1 to 5 years | 6 to 10 years | Greater than 10 years | Total |
|-----------------|--------------------|--------------|---------------|-----------------------|------------|
| Corporate Bonds | \$ 96,065 | \$ 125,599 | \$ 169,406 | \$ 97,794 | \$ 488,864 |
| U.S. Agencies | - | 41,705 | 49,826 | 304,431 | 395,962 |
| Total | \$ 96,065 | \$ 167,304 | \$ 219,232 | \$ 402,225 | \$ 884,826 |

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

| | Aaa | Aa | A | Baa | Not Rated | Total |
|-----------------|------------|------------|------------|------------|------------|------------|
| Corporate Bonds | | \$ 102,024 | \$ 229,566 | \$ 149,201 | \$ 8,073 | \$ 488,864 |
| U.S. Agencies | \$ 154,887 | | | | 241,075 | 395,962 |
| Total | \$ 154,887 | \$ 102,024 | \$ 229,566 | \$ 149,201 | \$ 249,148 | \$ 884,826 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 7.867 and 17.915 years, respectively, at June 30, 2020.

The fair value of the investments at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|--------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| \$ 3,415,420 | \$ - | \$ - | \$ 3,415,420 |

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

The V.C. and Bertie H. Kays Educational Trust of \$1,590,725 consisted of the following types of investments held in trust by a third party:

| Type | Amount |
|------------------|--------------|
| Bond Funds | \$ 126,607 |
| Corporate Bonds | 247,447 |
| Cash Equivalents | 34,519 |
| U.S. Agencies | 196,036 |
| Equities | 981,015 |
| Other | 5,101 |
| Total | \$ 1,590,725 |

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 | \$ 48,526 | \$ 64,880 | \$ 89,554 | \$ 44,487 | \$ 247,447 |
| U.S. Agencies | 4 | 22,444 | 15,818 | 157,770 | 196,036 |
| Total | \$ 48,530 | \$ 87,324 | \$105,372 | \$ 202,257 | \$ 443,483 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: Public Fund Deposits and Investments (Continued)

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

| | Aaa | Aa | A | Baa | Not Rated | Total |
|-----------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|
| Corporate Bonds | | \$ 50,332 | \$ 116,875 | \$ 75,194 | \$ 5,046 | \$ 247,447 |
| U.S. Agencies | \$ 77,071 | | | | 118,965 | 196,036 |
| Total | <u>\$ 77,071</u> | <u>\$ 50,332</u> | <u>\$ 116,875</u> | <u>\$ 75,194</u> | <u>\$ 124,011</u> | <u>\$ 443,483</u> |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 7.484 and 18.440 years, respectively, at June 30, 2020.

The fair value of the investments at June 30, 2020 is shown below:

| Level 1 | Level 2 | Level 3 | Total |
|---|---|--|---------------------|
| Quoted prices for identical investments in active markets | Quoted prices for similar investments in active markets | Prices determined from the University's data | |
| <u>\$ 1,590,725</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,590,725</u> |

NOTE 3: Income Taxes

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2020:

| | Arkansas State University Jonesboro | | | | |
|--|-------------------------------------|------------------------|-----------------------|---------------------|--------------------------|
| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 7,058,089 | | | | \$ 7,058,089 |
| Livestock for educational purposes | 150,541 | \$ 12,613 | | | 163,154 |
| Construction-in-progress | 2,886,299 | 3,618,577 * | \$ (1,212,454) | \$ (34,997) | 5,257,425 |
| Intangibles-Easements | 2,675,000 | | | | 2,675,000 |
| Intangibles-Software in development | | 847,761 | | | 847,761 |
| | <u>\$ 12,769,929</u> | <u>\$ 4,478,951</u> | <u>\$ (1,212,454)</u> | <u>\$ (34,997)</u> | <u>\$ 16,001,429</u> |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 172,107,211 | \$ 4,135,907 | \$ 1,090,967 | \$ (765,553) | \$ 176,568,532 |
| Buildings | 366,888,003 | | 121,487 | (92,803) | 366,916,687 |
| Equipment | 47,574,000 | 2,325,387 * | | (692,063) | 49,207,324 |
| Library/audiovisual holdings | 12,222,198 | 3,672 | | | 12,225,870 |
| Intangibles-Software | 5,828,610 | | | | 5,828,610 |
| Total other capital assets | <u>604,620,022</u> | <u>6,464,966</u> | <u>1,212,454</u> | <u>(1,550,419)</u> | <u>610,747,023</u> |
| Less accumulated depreciation/amortization for: | | | | | |
| Improvements and infrastructure | 46,182,991 | 7,860,770 | | (356,329) | 53,687,432 |
| Buildings | 190,190,912 | 5,641,804 | | (92,803) | 195,739,913 |
| Equipment | 39,050,036 | 2,885,746 * | | (686,469) | 41,249,313 |
| Library/audiovisual holdings | 11,646,436 | 38,796 | | | 11,685,232 |
| Intangibles-Software | 4,662,888 | 388,574 | | | 5,051,462 |
| Total accumulated depreciation | <u>291,733,263</u> | <u>16,815,690</u> | <u>-</u> | <u>(1,135,601)</u> | <u>307,413,352</u> |
| Other capital assets, net | <u>\$ 312,886,759</u> | <u>\$ (10,350,724)</u> | <u>\$ 1,212,454</u> | <u>\$ (414,818)</u> | <u>\$ 303,333,671</u> |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 12,769,929 | \$ 4,478,951 | \$ (1,212,454) | \$ (34,997) | \$ 16,001,429 |
| Other capital assets, at cost | 604,620,022 | 6,464,966 | 1,212,454 | (1,550,419) | 610,747,023 |
| Total cost of capital assets | <u>617,389,951</u> | <u>10,943,917</u> | <u>-</u> | <u>(1,585,416)</u> | <u>626,748,452</u> |
| Less accumulated depreciation | <u>291,733,263</u> | <u>16,815,690</u> | <u>-</u> | <u>(1,135,601)</u> | <u>307,413,352</u> |
| Capital Assets, net | <u>\$ 325,656,688</u> | <u>\$ (5,871,773)</u> | <u>\$ -</u> | <u>\$ (449,815)</u> | <u>\$ 319,335,100</u> |

*Includes \$807 for prior year additions for construction-in-progress, \$39,720 for prior year additions for equipment, and \$1,004 prior year depreciation expense for equipment

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets (Continued)

| Arkansas State University Beebe | | | | | |
|-------------------------------------|-------------------------|-----------------------|--------------------|------------------|--------------------------|
| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 3,370,634 | | | | \$ 3,370,634 |
| Livestock for educational purposes | 67,810 | \$ 3,937 | | | 71,747 |
| Construction-in-progress | 81,458 | | \$ (81,458) | | - |
| Total nondepreciable capital assets | <u>\$ 3,519,902</u> | <u>\$ 3,937</u> | <u>\$ (81,458)</u> | <u>\$ -</u> | <u>\$ 3,442,381</u> |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 21,674,327 | \$ 281,402 | \$ 81,458 | | \$ 22,037,187 |
| Buildings | 67,073,027 | | | \$ (20,691) | 67,052,336 |
| Equipment | 6,187,776 | 267,669 | | (296,039) | 6,159,406 |
| Library/audiovisual holdings | 2,710,928 | 85,284 | | (31,390) | 2,764,822 |
| Intangibles-Software | 1,935,886 | | | | 1,935,886 |
| Total other capital assets | <u>99,581,944</u> | <u>634,355</u> | <u>81,458</u> | <u>(348,120)</u> | <u>99,949,637</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements and infrastructure | 10,044,860 | 1,600,978 | | | 11,645,838 |
| Buildings | 32,427,598 | 1,788,250 | | (20,691) | 34,195,157 |
| Equipment | 5,064,394 | 341,436 | | (296,039) | 5,109,791 |
| Library/audiovisual holdings | 2,187,196 | 99,274 | | (31,390) | 2,255,080 |
| Intangibles-Software | 193,589 | 193,589 | | | 387,178 |
| Total accumulated depreciation | <u>49,917,637</u> | <u>4,023,527</u> | <u>-</u> | <u>(348,120)</u> | <u>53,593,044</u> |
| Other capital assets, net | <u>\$ 49,664,307</u> | <u>\$ (3,389,172)</u> | <u>\$ 81,458</u> | <u>\$ -</u> | <u>\$ 46,356,593</u> |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 3,519,902 | \$ 3,937 | \$ (81,458) | \$ - | \$ 3,442,381 |
| Other capital assets, at cost | 99,581,944 | 634,355 | 81,458 | (348,120) | 99,949,637 |
| Total cost of capital assets | 103,101,846 | 638,292 | | (348,120) | 103,392,018 |
| Less accumulated depreciation | 49,917,637 | 4,023,527 | | (348,120) | 53,593,044 |
| Capital Assets, net | <u>\$ 53,184,209</u> | <u>\$ (3,385,235)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 49,798,974</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets (Continued)

Arkansas State University Mid-South

| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
|------------------------------------|-------------------------|-----------------------|-------------|--------------------|--------------------------|
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 3,898,076 | \$ - | \$ - | \$ - | \$ 3,898,076 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 7,538,828 | | | | \$ 7,538,828 |
| Buildings | 58,672,548 | | | | 58,672,548 |
| Equipment | 10,841,978 | \$ 86,716 | | \$ (75,751) | 10,852,943 |
| Library/audiovisual holdings | 906,079 | 12,164 | | (120) | 918,123 |
| Total other capital assets | <u>77,959,433</u> | <u>98,880</u> | <u>-</u> | <u>(75,871)</u> | <u>77,982,442</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements and infrastructure | 4,632,018 | 139,778 | | | 4,771,796 |
| Buildings | 24,932,292 | 1,165,551 | | | 26,097,843 |
| Equipment | 9,536,020 | 417,563 | | (45,812) | 9,907,771 |
| Library/audiovisual holdings | 848,296 | 11,332 | | (119) | 859,509 |
| Total accumulated depreciation | <u>39,948,626</u> | <u>1,734,224</u> | <u>-</u> | <u>(45,931)</u> | <u>41,636,919</u> |
| Other capital assets, net | <u>\$ 38,010,807</u> | <u>\$ (1,635,344)</u> | <u>\$ -</u> | <u>\$ (29,940)</u> | <u>\$ 36,345,523</u> |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 3,898,076 | \$ - | \$ - | \$ - | \$ 3,898,076 |
| Other capital assets, at cost | <u>77,959,433</u> | <u>98,880</u> | <u>-</u> | <u>(75,871)</u> | <u>77,982,442</u> |
| Total cost of capital assets | 81,857,509 | 98,880 | | (75,871) | 81,880,518 |
| Less accumulated depreciation | <u>39,948,626</u> | <u>1,734,224</u> | | <u>(45,931)</u> | <u>41,636,919</u> |
| Capital Assets, net | <u>\$ 41,908,883</u> | <u>\$ (1,635,344)</u> | <u>\$ -</u> | <u>\$ (29,940)</u> | <u>\$ 40,243,599</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets (Continued)

Arkansas State University Mountain Home

| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
|-------------------------------------|-------------------------|-----------------------|-------------|-------------|--------------------------|
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 2,934,808 | | | | \$ 2,934,808 |
| Construction-in-progress | - | \$ 51,226 | | | 51,226 |
| Total nondepreciable capital assets | <u>\$ 2,934,808</u> | <u>\$ 51,226</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,986,034</u> |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 2,313,346 | | | | \$ 2,313,346 |
| Buildings | 38,285,223 | | | | 38,285,223 |
| Equipment | 2,430,878 | \$ 100,399 | | | 2,531,277 |
| Library/audiovisual holdings | 1,026,137 | 12,285 | | | 1,038,422 |
| Total other capital assets | <u>44,055,584</u> | <u>112,684</u> | <u>-</u> | <u>-</u> | <u>44,168,268</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements and infrastructure | 2,192,365 | 31,334 | | | 2,223,699 |
| Buildings | 27,521,675 | 1,641,819 | | | 29,163,494 |
| Equipment | 1,921,249 | 124,851 | | | 2,046,100 |
| Library/audiovisual holdings | 896,802 | 20,987 | | | 917,789 |
| Total accumulated depreciation | <u>32,532,091</u> | <u>1,818,991</u> | <u>-</u> | <u>-</u> | <u>34,351,082</u> |
| Other capital assets, net | <u>\$ 11,523,493</u> | <u>\$ (1,706,307)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,817,186</u> |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 2,934,808 | \$ 51,226 | \$ - | \$ - | \$ 2,986,034 |
| Other capital assets, at cost | 44,055,584 | 112,684 | - | - | 44,168,268 |
| Total cost of capital assets | 46,990,392 | 163,910 | - | - | 47,154,302 |
| Less accumulated depreciation | 32,532,091 | 1,818,991 | - | - | 34,351,082 |
| Capital Assets, net | <u>\$ 14,458,301</u> | <u>\$ (1,655,081)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,803,220</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets (Continued)

| Arkansas State University Newport | | | | | |
|-------------------------------------|-------------------------|-----------------------|-----------------------|---------------------|--------------------------|
| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 1,409,175 | \$ 41,875 | | | \$ 1,451,050 |
| Construction-in-progress | 1,050,259 | 18,820 | \$ (817,759) | \$ (232,499) | 18,821 |
| Intangibles-Software in development | 1,628,858 | 80,986 | (1,709,844) | | - |
| Total nondepreciable capital assets | <u>\$ 4,088,292</u> | <u>\$ 141,681</u> | <u>\$ (2,527,603)</u> | <u>\$ (232,499)</u> | <u>\$ 1,469,871</u> |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 6,803,185 | \$ 138,080 | \$ 710,587 | | \$ 7,651,852 |
| Buildings | 31,320,526 | | | | 31,320,526 |
| Equipment | 5,618,191 | 374,092 | 107,172 | \$ (27,488) | 6,071,967 |
| Library/audiovisual holdings | 500,810 | | | | 500,810 |
| Intangibles-Software | - | | 1,709,844 | | 1,709,844 |
| Total other capital assets | <u>44,242,712</u> | <u>512,172</u> | <u>2,527,603</u> | <u>(27,488)</u> | <u>47,254,999</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements and infrastructure | 1,561,091 | 440,202 | | | 2,001,293 |
| Buildings | 18,277,441 | 1,057,268 | | | 19,334,709 |
| Equipment | 3,624,367 | 510,086 | | (27,488) | 4,106,965 |
| Library/audiovisual holdings | 404,980 | 8,273 | | | 413,253 |
| Intangibles-Software | - | 244,263 | | | 244,263 |
| Total accumulated depreciation | <u>23,867,879</u> | <u>2,260,092</u> | <u>-</u> | <u>(27,488)</u> | <u>26,100,483</u> |
| Other capital assets, net | <u>\$ 20,374,833</u> | <u>\$ (1,747,920)</u> | <u>\$ 2,527,603</u> | <u>\$ -</u> | <u>\$ 21,154,516</u> |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 4,088,292 | \$ 141,681 | \$ (2,527,603) | \$ (232,499) | \$ 1,469,871 |
| Other capital assets, at cost | 44,242,712 | 512,172 | 2,527,603 | (27,488) | 47,254,999 |
| Total cost of capital assets | <u>48,331,004</u> | <u>653,853</u> | <u>-</u> | <u>(259,987)</u> | <u>48,724,870</u> |
| Less accumulated depreciation | 23,867,879 | 2,260,092 | - | (27,488) | 26,100,483 |
| Capital Assets, net | <u>\$ 24,463,125</u> | <u>\$ (1,606,239)</u> | <u>\$ -</u> | <u>\$ (232,499)</u> | <u>\$ 22,624,387</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: Capital Assets (Continued)

Arkansas State University Three Rivers

| | Balance July 1, 2019 | Additions | Transfers | Retirements | Balance June 30, 2020 |
|------------------------------------|-------------------------|--------------|-----------|-------------|--------------------------|
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 776,762 | \$ 13,500 | | | \$ 790,262 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 339,912 | | | | \$ 339,912 |
| Buildings | 9,639,251 | \$ 136,500 | | | 9,775,751 |
| Equipment | 2,999,546 | 47,433 | | \$ (18,482) | 3,028,497 |
| Library/audiovisual holdings | 498,685 | 5,295 | | | 503,980 |
| Total other capital assets | 13,477,394 | 189,228 | - | (18,482) | 13,648,140 |
| Less accumulated depreciation for: | | | | | |
| Improvements and infrastructure | 277,766 | 6,845 | | | 284,611 |
| Buildings | 5,372,655 | 152,722 | | | 5,525,377 |
| Equipment | 1,683,102 | 267,381 | | (18,482) | 1,932,001 |
| Library/audiovisual holdings | 440,361 | 9,922 | | | 450,283 |
| Total accumulated depreciation | 7,773,884 | 436,870 | - | (18,482) | 8,192,272 |
| Other capital assets, net | \$ 5,703,510 | \$ (247,642) | \$ - | \$ - | \$ 5,455,868 |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 776,762 | \$ 13,500 | \$ - | \$ - | \$ 790,262 |
| Other capital assets, at cost | 13,477,394 | 189,228 | - | (18,482) | 13,648,140 |
| Total cost of capital assets | 14,254,156 | 202,728 | - | (18,482) | 14,438,402 |
| Less accumulated depreciation | 7,773,884 | 436,870 | - | (18,482) | 8,192,272 |
| Capital Assets, net | \$ 6,480,272 | \$ (234,142) | \$ - | \$ - | \$ 6,246,130 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

| Arkansas State University Jonesboro | | | | | |
|-------------------------------------|------------------------|------------------|------------------------------|--------------------------------|-----------------------------|
| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2020 | Maturities To June 30, 2020 |
| 9/15/2005 | 4/1/2025 | 3 - 5% | \$ 19,230,000 | \$ 6,035,000 | \$ 13,195,000 |
| 12/7/2010 | 12/1/2027 | 2 - 4% | 3,435,000 | 535,000 | 2,900,000 |
| 3/1/2012 | 3/1/2034 | 0.7 - 4.8% | 5,340,000 | 3,730,000 | 1,610,000 |
| 3/1/2012 | 3/1/2034 | 2 - 3.6% | 2,775,000 | 1,790,000 | 985,000 |
| 3/1/2012 | 3/1/2042 | 0.9 - 5.2% | 6,510,000 | 5,525,000 | 985,000 |
| 3/1/2012 | 3/1/2042 | 2 - 4% | 6,875,000 | 5,705,000 | 1,170,000 |
| 3/1/2012 | 3/1/2037 | 2 - 4% | 3,425,000 | 2,650,000 | 775,000 |
| 12/1/2012 | 3/1/2042 | 1.375 - 3.5% | 1,255,000 | 1,040,000 | 215,000 |
| 12/1/2012 | 3/1/2037 | 1.375 - 3.375% | 1,500,000 | 1,155,000 | 345,000 |
| 3/1/2013 | 3/1/2034 | 1 - 5% | 28,895,000 | 21,425,000 | 7,470,000 |
| 8/1/2013 | 8/1/2023 | 0.24% | 1,000,000 | 402,879 | 597,121 |
| 12/1/2013 | 12/1/2038 | 0.864 - 5.779% | 11,130,000 | 9,395,000 | 1,735,000 |
| 12/1/2013 | 12/1/2043 | 2 - 5% | 14,685,000 | 12,945,000 | 1,740,000 |
| 11/1/2015 | 11/1/2025 | 0.00% | 600,000 | 330,000 | 270,000 |
| 11/1/2015 | 11/1/2025 | 0.00% | 604,000 | 332,200 | 271,800 |
| 11/5/2015 | 11/5/2023 | 2.97% | 8,000,000 | 3,748,321 | 4,251,679 |
| 12/17/2015 | 12/1/2035 | 3.21% | 15,226,080 | 14,585,346 | 640,734 |
| 11/17/2016 | 3/1/2037 | 3 - 4% | 13,870,000 | 11,975,000 | 1,895,000 |
| 11/17/2016 | 3/1/2037 | 2 - 4% | 23,150,000 | 18,555,000 | 4,595,000 |
| 12/20/2017 | 3/1/2039 | 3 - 4% | 11,740,000 | 10,200,000 | 1,540,000 |
| 7/25/2018 | 5/25/2028 | 0.00% | 1,000,000 | 800,000 | 200,000 |
| 12/18/2019 | 3/1/2030 | 2 - 3% | 1,640,000 | 1,495,000 | 145,000 |
| 12/18/2019 | 3/1/2042 | 2.004 - 3.651% | 3,750,000 | 3,620,000 | 130,000 |
| Unamortized discount | | | (46,507) | (30,829) | (15,678) |
| Unamortized premium | | | 4,797,326 | 3,731,539 | 1,065,787 |
| Totals | | | <u>\$ 190,385,899</u> | <u>\$ 141,674,456</u> | <u>\$ 48,711,443</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Beebe

| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Rate of Interest</u> | <u>Amount Authorized and Issued</u> | <u>Debt Outstanding June 30, 2020</u> | <u>Maturities To June 30, 2020</u> |
|----------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| 12/1/2012 | 12/1/2032 | 1 - 3% | \$ 1,890,000 | \$ 1,325,000 | \$ 565,000 |
| 4/1/2015 | 12/1/2023 | 1 - 3% | 1,895,000 | 895,000 | 1,000,000 |
| 4/1/2015 | 4/1/2039 | 1 - 3.625% | 8,005,000 | 6,735,000 | 1,270,000 |
| 5/1/2015 | 12/1/2035 | 2 - 4% | 12,930,000 | 10,615,000 | 2,315,000 |
| 6/1/2015 | 9/1/2035 | 2 - 4% | 9,185,000 | 7,455,000 | 1,730,000 |
| 8/8/2017 | 7/1/2032 | 1.31% | 100,000 | 87,767 | 12,233 |
| 10/18/2017 | 10/1/2037 | 3.04% | 4,930,498 | 4,766,593 | 163,905 |
| Unamortized discount | | | (91,432) | (67,935) | (23,497) |
| Unamortized premium | | | 404,190 | 296,653 | 107,537 |
| Totals | | | <u>\$ 39,248,256</u> | <u>\$ 32,108,078</u> | <u>\$ 7,140,178</u> |

Arkansas State University Mid-South

| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Rate of Interest</u> | <u>Amount Authorized and Issued</u> | <u>Debt Outstanding June 30, 2020</u> | <u>Maturities To June 30, 2020</u> |
|----------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| 8/26/2010 | 2/1/2040 | 2 - 4.7% | \$ 5,180,000 | \$ 4,090,000 | \$ 1,090,000 |
| 8/1/2012 | 2/1/2042 | 1 - 4% | 18,510,000 | 14,845,000 | 3,665,000 |
| 3/15/2018 | 3/15/2038 | 3.30% | 1,537,658 | 1,424,700 | 112,958 |
| Unamortized discount | | | (47,842) | (31,894) | (15,948) |
| Unamortized premium | | | 112,689 | 82,639 | 30,050 |
| Totals | | | <u>\$ 25,292,505</u> | <u>\$ 20,410,445</u> | <u>\$ 4,882,060</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2020 | Maturities To June 30, 2020 |
|---------------|------------------------|------------------|------------------------------|--------------------------------|-----------------------------|
| 12/18/2019 | 12/1/2032 | 2.004 - 3.119% | \$ 4,885,000 | \$ 4,885,000 | \$ - |
| Totals | | | <u>\$ 4,885,000</u> | <u>\$ 4,885,000</u> | <u>\$ -</u> |

Arkansas State University Newport

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2020 | Maturities To June 30, 2020 |
|----------------------|------------------------|------------------|------------------------------|--------------------------------|-----------------------------|
| 7/23/2012 | 7/23/2027 | 3.75% | \$ 1,500,000 | \$ 829,439 | \$ 670,561 |
| 12/1/2012 | 5/1/2028 | 0.666 - 3.82% | 3,740,000 | 2,030,000 | 1,710,000 |
| 12/1/2012 | 12/1/2032 | 1 - 3% | 1,875,000 | 1,320,000 | 555,000 |
| 10/27/2016 | 3/1/2021 | 0.00% | 606,934 | 121,387 | 485,547 |
| 8/8/2017 | 7/1/2032 | 1.31% | 1,000,000 | 877,674 | 122,326 |
| 10/18/2017 | 10/1/2037 | 3.04% | 2,951,079 | 2,852,975 | 98,104 |
| Unamortized discount | | | <u>(22,328)</u> | <u>(13,956)</u> | <u>(8,372)</u> |
| Totals | | | <u>\$ 11,650,685</u> | <u>\$ 8,017,519</u> | <u>\$ 3,633,166</u> |

Arkansas State University Three Rivers

| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2020 | Maturities To June 30, 2020 |
|---------------|------------------------|------------------|------------------------------|--------------------------------|-----------------------------|
| 6/5/2007 | 3/1/2022 | 5.03% | \$ 825,000 | \$ 148,027 | \$ 676,973 |
| 2/28/2011 | 3/1/2026 | 0.37% | 565,000 | 229,763 | 335,237 |
| 4/25/2014 | 5/1/2029 | 0.24% | 1,000,000 | 604,310 | 395,690 |
| Totals | | | <u>\$ 2,390,000</u> | <u>\$ 982,100</u> | <u>\$ 1,407,900</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University Jonesboro

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|------------------------|-------------------------|---------------------|----------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 128,144,907 | \$ 5,415,604 | \$ 12,084,801 * | \$ 121,475,710 | \$ 6,816,949 |
| Notes payable | 6,929,245 | | 1,315,845 | 5,613,400 | 1,348,459 |
| Capital leases payable | 15,000,244 | | 414,898 | 14,585,346 | 471,385 |
| Compensated absences | 6,867,298 | 4,542,336 | 3,685,703 | 7,723,931 | 4,571,918 |
| Totals | <u>\$ 156,941,694</u> | <u>\$ 9,957,940</u> | <u>\$ 17,501,247</u> | <u>\$ 149,398,387</u> | <u>\$ 13,208,711</u> |

*Includes refunding of \$1,605,000 with an unamortized discount of \$5,681 and refunding of \$3,905,000

Arkansas State University Beebe

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|------------------------|-------------------------|-------------------|---------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 28,660,618 | | \$ 1,406,900 | \$ 27,253,718 | \$ 1,451,899 |
| Notes payable | 93,923 | | 6,156 | 87,767 | 6,238 |
| Capital leases payable | 4,852,007 | | 85,414 | 4,766,593 | 99,566 |
| Compensated absences | 1,235,154 | \$ 897,430 | 866,208 | 1,266,376 | 849,992 |
| Totals | <u>\$ 34,841,702</u> | <u>\$ 897,430</u> | <u>\$ 2,364,678</u> | <u>\$ 33,374,454</u> | <u>\$ 2,407,695</u> |

Arkansas State University Mid-South

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|----------------------|-------------------------|-------------------|-------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 19,542,905 | | \$ 557,160 | \$ 18,985,745 | \$ 577,162 |
| Notes payable | 1,482,027 | | 57,327 | 1,424,700 | 59,218 |
| Compensated absences | 496,812 | \$ 475,526 | 379,823 | 592,515 | 36,035 |
| Totals | <u>\$ 21,521,744</u> | <u>\$ 475,526</u> | <u>\$ 994,310</u> | <u>\$ 21,002,960</u> | <u>\$ 672,415</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|----------------------|-------------------------|---------------------|---------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 5,115,000 | \$ 4,885,000 | \$ 5,115,000 * | \$ 4,885,000 | \$ 370,000 |
| Compensated absences | 492,489 | 256,503 | 201,725 | 547,267 | 16,418 |
| Totals | \$ 5,607,489 | \$ 5,141,503 | \$ 5,316,725 | \$ 5,432,267 | \$ 386,418 |

*Includes refunding of \$4,785,000

Arkansas State University Newport

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|------------------------|-------------------------|-------------------|---------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 3,649,929 | | \$ 313,885 | \$ 3,336,044 | \$ 328,884 |
| Notes payable | 1,866,407 | | 159,294 | 1,707,113 | 163,899 |
| Capital leases payable | 3,146,872 | | 172,510 | 2,974,362 | 180,981 |
| Compensated absences | 947,472 | \$ 973,575 | 842,014 | 1,079,033 | 1,025,081 |
| Totals | \$ 9,610,680 | \$ 973,575 | \$ 1,487,703 | \$ 9,096,552 | \$ 1,698,845 |

Arkansas State University Three Rivers

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|----------------------|-------------------------|-------------------|-------------------|--------------------------|-----------------------------------|
| Notes payable | \$ 1,154,985 | | \$ 172,885 | \$ 982,100 | \$ 176,642 |
| Compensated absences | 339,078 | \$ 295,059 | 214,100 | 420,037 | 34,845 |
| Totals | \$ 1,494,063 | \$ 295,059 | \$ 386,985 | \$ 1,402,137 | \$ 211,487 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

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

| Year ended June 30, | Arkansas State University Jonesboro Bonds payable | | Notes payable | |
|------------------------|--|---------------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 6,816,949 | * \$ 4,754,987 | ** \$ 1,348,459 | \$ 106,087 |
| 2022 | 7,076,949 | 4,489,953 | 1,379,788 | 74,757 |
| 2023 | 7,331,949 | 4,214,257 | 1,417,344 | 37,202 |
| 2024 | 7,636,949 | 3,926,170 | 887,209 | 926 |
| 2025 | 6,071,949 | 3,636,477 | 220,400 | |
| 2026 - 2030 | 31,110,353 | 14,806,830 | 360,200 | |
| 2031 - 2035 | 32,364,947 | 8,406,344 | | |
| 2036 - 2040 | 17,700,033 | 2,996,369 | | |
| 2041 - 2044 | 5,365,632 | 464,510 | | |
| Totals | <u>\$ 121,475,710</u> | <u>* ** \$ 47,695,897</u> | <u>\$ 5,613,400</u> | <u>\$ 218,972</u> |

*Includes discount amortization of \$1,605 and premium amortization of \$228,554.

**Includes interest payable of \$1,331,228 recorded as a current liability at June 30, 2020.

***Total principal of \$121,475,710 includes discount amortization of \$30,829 and premium amortization of \$3,731,539.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

| Year ended June 30, | Arkansas State University Beebe | | | |
|------------------------|---------------------------------|---------------------|------------------|-----------------|
| | Bonds payable | | Notes payable | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 1,451,899 * | \$ 925,023 ** | \$ 6,238 | \$ 1,150 ** |
| 2022 | 1,476,899 | 882,485 | 6,318 | 1,068 |
| 2023 | 1,531,899 | 833,473 | 6,401 | 985 |
| 2024 | 1,575,745 | 782,444 | 6,485 | 901 |
| 2025 | 1,389,923 | 731,276 | 6,570 | 816 |
| 2026 - 2030 | 7,714,615 | 2,877,765 | 34,164 | 2,769 |
| 2031 - 2035 | 8,887,413 | 1,440,563 | 21,591 | 568 |
| 2036 - 2039 | 3,225,325 | 188,747 | | |
| Totals | <u>\$ 27,253,718 ***</u> | <u>\$ 8,661,776</u> | <u>\$ 87,767</u> | <u>\$ 8,257</u> |

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

**Includes interest payable of \$294,301 recorded as a current liability at June 30, 2020.

***Total principal of \$27,253,718 includes discount amortization of \$67,935 and premium amortization of \$296,653.

| Year ended June 30, | Arkansas State University Mid-South | | | |
|------------------------|-------------------------------------|---------------------|---------------------|-------------------|
| | Bonds payable | | Notes payable | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 577,162 * | \$ 730,989 ** | \$ 59,218 | \$ 47,015 ** |
| 2022 | 597,162 | 710,721 | 61,172 | 45,061 |
| 2023 | 617,162 | 691,496 | 63,191 | 43,042 |
| 2024 | 637,162 | 671,733 | 65,276 | 40,957 |
| 2025 | 657,162 | 650,940 | 67,431 | 38,803 |
| 2026 - 2030 | 3,665,810 | 2,879,115 | 372,036 | 159,130 |
| 2031 - 2035 | 4,410,810 | 2,133,159 | 437,609 | 93,557 |
| 2036 - 2040 | 5,350,810 | 1,191,250 | 298,767 | 19,932 |
| 2041 - 2042 | 2,472,505 | 148,800 | | |
| Totals | <u>\$ 18,985,745 ***</u> | <u>\$ 9,808,203</u> | <u>\$ 1,424,700</u> | <u>\$ 487,497</u> |

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

**Includes interest payable of \$315,014 recorded as a current liability at June 30, 2020.

***Total principal of \$18,985,745 includes discount amortization of \$31,894 and premium amortization of \$82,639.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

| Arkansas State University Mountain Home Bonds payable | | | |
|--|---------------------|-------------------|---|
| Year ended June 30, | Principal | Interest | |
| 2021 | \$ 370,000 | \$ 124,404 | * |
| 2022 | 375,000 | 116,752 | |
| 2023 | 385,000 | 108,608 | |
| 2024 | 390,000 | 99,972 | |
| 2025 | 405,000 | 89,963 | |
| 2026 - 2030 | 2,155,000 | 276,088 | |
| 2031 - 2033 | 805,000 | 38,130 | |
| Totals | <u>\$ 4,885,000</u> | <u>\$ 853,917</u> | |

*Includes interest payable of \$10,320 recorded as a current liability at June 30, 2020.

| Arkansas State University Newport Bonds payable | | | | Notes payable | |
|--|---------------------|-------------------|---------------------|-------------------|----|
| Year ended June 30, | Principal | Interest | Principal | Interest | |
| 2021 | \$ 328,884 | \$ 108,347 | \$ 163,899 | \$ 41,196 | ** |
| 2022 | 323,884 | 99,403 | 168,578 | 36,518 | |
| 2023 | 343,884 | 89,979 | 173,414 | 31,682 | |
| 2024 | 353,884 | 78,035 | 178,369 | 26,727 | |
| 2025 | 368,884 | 65,609 | 183,580 | 21,516 | |
| 2026 - 2030 | 1,269,418 | 145,458 | 622,864 | 41,072 | |
| 2031 - 2033 | 347,206 | 15,900 | 216,409 | 5,682 | |
| Totals | <u>\$ 3,336,044</u> | <u>\$ 602,731</u> | <u>\$ 1,707,113</u> | <u>\$ 204,393</u> | |

*Includes discount amortization of \$1,116.

**Includes interest payable of \$97,784 recorded as a current liability at June 30, 2020.

***Total principal of \$3,336,044 includes discount amortization of \$13,955.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers
Notes payable

| Year ended June 30, | Principal | Interest |
|------------------------|-------------------|------------------|
| 2021 | \$ 176,642 | \$ 9,746 * |
| 2022 | 180,574 | 5,815 |
| 2023 | 105,046 | 1,700 |
| 2024 | 105,347 | 1,398 |
| 2025 | 105,650 | 1,095 |
| 2026 - 2029 | <u>308,841</u> | <u>1,766</u> |
| Totals | <u>\$ 982,100</u> | <u>\$ 21,520</u> |

*Includes interest payable of \$3,007 recorded as a current liability at June 30, 2020.

Refunding of Debt

On December 18, 2019, the University issued \$1,640,000 in tax exempt refunding bonds for the Jonesboro campus with interest rates of 2 to 3 percent to refund \$1,605,000 of outstanding bonds, with an unamortized discount of \$5,681, dated December 7, 2010 with interest rates of 2 to 4.125 percent. Net proceeds of \$1,625,023 after payment of \$40,581 for bond issuance costs and a premium of \$25,604 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$38 was transferred from the debt service reserve of the 2010 issue. U.S. Treasury obligations of \$1,622,947 purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2010 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2010 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by \$140,209 over the next eleven (11) years and to obtain an economic gain of \$110,272. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$38,292. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2030 using the straight-line method. Additionally, the 2010 Series had an unamortized difference between the reacquisition price and the net carrying amount of \$34,605. This will continue to be amortized through the year 2030 using the straight-line method.

On December 18, 2019, the University issued \$3,750,000 in taxable refunding bonds for the Jonesboro campus with interest rates of 2.004 to 3.651 percent to refund \$3,905,000 of outstanding bonds dated December 1, 2012 with interest rates of 0.866 to 4.7 percent. Net proceeds of \$3,678,036 after payment of \$71,964 for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$3,960 was transferred from the debt service reserve of the 2012 issue. U.S. Treasury obligations of \$3,678,036 purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by \$629,014 over the next twenty-three (23) years and to obtain an economic gain of \$511,435. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$78,152. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2042 using the straight-line method.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: Long-Term Liabilities (Continued)

On December 18, 2019, the University issued \$4,885,000 in taxable refunding bonds for the Mountain Home campus with interest rates of 2.004 to 3.119 percent to refund \$4,785,000 of outstanding bonds dated December 1, 2012 with interest rates of 0.666 to 4.25 percent. Net proceeds of \$4,794,248 after payment of \$90,752 for bond issuances costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$151 was transferred from the debt service reserve of the 2012 issue. U.S. Treasury obligations of \$4,793,491, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding the 2012 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by \$305,477 over the next thirteen (13) years and to obtain an economic gain of \$256,586. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$50,502. This difference reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2032 using the straight-line method. Additionally, the 2012 Series had an unamortized difference between the reacquisition price and the net carrying amount of \$16,633. This will continue to be amortized through the year 2032 using the straight-line method.

NOTE 6: Capital Leases

The net value of assets held under capital leases totaled \$20,939,719 at June 30, 2020. The present value of the net minimum lease payments is as follows:

| Type of Asset | Asset Amount | Accumulated Depreciation | Net Amount |
|-----------------------------|----------------------|-----------------------------|----------------------|
| IT Equipment | \$ 606,934 | \$ 242,774 | \$ 364,160 |
| Energy Performance Contract | 23,269,103 | 2,693,544 | 20,575,559 |
| Total | <u>\$ 23,876,037</u> | <u>\$ 2,936,318</u> | <u>\$ 20,939,719</u> |

| Fiscal Year Ending June 30, | Amount |
|---|----------------------|
| 2021 | \$ 1,445,017 |
| 2022 | 1,384,436 |
| 2023 | 1,450,779 |
| 2024 | 1,517,362 |
| 2025 | 1,589,749 |
| 2026 - 2030 | 8,416,752 |
| 2031 - 2035 | 10,453,734 |
| 2036 - 2038 | 3,176,733 |
| Total Minimum Lease Payments | <u>29,434,562</u> |
| Less: Amount Representing Interest | <u>7,108,261</u> |
| Total Present Value of Net Minimum Lease Payments | <u>\$ 22,326,301</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2020:

A. Construction Contracts

| Project Title | Estimated Completion Date | Contract Balance |
|--|------------------------------|---------------------|
| <u>Jonesboro</u> | | |
| Armory Electrical Upgrades | August 2020 | \$ 119,981 |
| University Hall Shower Repairs | August 2020 | 84,310 |
| Alumni Drive Overlay and Milling | September 2020 | 102,476 |
| ABI Greenhouse Controls and Shutters | September 2020 | 85,390 |
| HPESS Air Handler Unit Replacement | October 2020 | 424,300 |
| First National Bank Arena Improvements | December 2020 | 156,245 |
| Campus Security-Phase I | June 2021 | 162,634 |

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

Various leases for land, office space, classroom/lab space, laundry services, cloud storage, farm equipment, printers/copiers, computers, and other office equipment with terms ranging from 1 to 50 years

- (a) Future minimum rental payments (aggregate) at June 30, 2020: \$3,108,730
- (b) Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

| Year Ended June 30, | Amount |
|---------------------|--------------|
| 2021 | \$ 1,122,419 |
| 2022 | 551,098 |
| 2023 | 170,930 |
| 2024 | 107,828 |
| 2025 | 51,839 |
| 2026 - 2030 | 113,531 |
| 2031 - 2035 | 115,437 |
| 2036 - 2040 | 117,400 |
| 2041 - 2045 | 119,422 |
| 2046 - 2050 | 121,505 |
| 2051 - 2055 | 123,650 |
| 2056 - 2060 | 125,860 |
| 2061 - 2065 | 128,135 |
| 2066 - 2070 | 102,979 |
| 2071 - 2075 | 36,697 |

Rental payments for the above operating leases, for the year ended June 30, 2020, were approximately \$1,290,919.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans

Defined Contribution Plans

Teachers Insurance and Annuity Association (TIAA)

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Mid-South campus contributes 14% of earnings for employees hired prior to July 1, 2016. The Three Rivers campus contributes 14% of earnings for all eligible employees. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2020, \$41,453 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2020 were \$10,518,086 and \$8,578,625 respectively.

Variable Annuity Life Insurance Company (VALIC)

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Three Rivers campus contributes 14% of earnings for all eligible employees. Current participates may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2020, \$11,269 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2020 were \$1,457,678 and \$1,135,145, respectively.

VOYA

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The campus contributes 14% of earnings for employees hired prior to July 1, 2016. Employees may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2020, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2020 were \$183,723 and \$90,080, respectively.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans

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

Plan Descriptions

Arkansas Teacher Retirement System

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

Arkansas Public Employees Retirement System

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

Benefits Provided

Arkansas Teacher Retirement System

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

Benefits Provided (Continued)

Arkansas Teacher Retirement System (Continued)

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

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

The University reported payables to ATRS in the amount of \$20,721 as of June 30, 2020. This amount has been reported on the Statement of Net Position as a current liability.

Arkansas Public Employees Retirement System

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

- At age 65 with 5 years of service,
- At any age with 28 years of actual service,
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- At age 55 with 35 years of credited service for elected or public safety officials.

The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and years of service. A member may retire with a reduced benefit at age 55 with at least five years of actual service or at any age with 25 years of actual service. APERS also provides for disability and survivor benefits.

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

The University reported payables to APERS in the amount of \$65,932 as of June 30, 2020. This amount has been reported on the Statement of Net Position as a current liability.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

Contributions

Arkansas Teacher Retirement System

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

ATRS's funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. The employer contribution rate was 14.25% for the fiscal year ending June 30, 2020. Contributory members are required to contribute 6.25% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

Arkansas Public Employees Retirement System

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

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

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

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

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

Employee refunds do not include contributions made by the employers. Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2020.

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

The collective net pension liability of \$6,583,893,847 (\$4,171,365,050 related to ATRS and \$2,412,528,797 related to APERS) was measured as of June 30, 2019, 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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

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

At June 30, 2020, the University reported a liability of \$17,977,195 (\$11,226,933 related to ATRS and \$6,750,262 related to APERS) for its proportionate share of the net pension liability. At June 30, 2019, the University's proportion of the collective net pension liability was .27% for ATRS and .28% for APERS.

For the year ended June 30, 2020, the University recognized total pension expense of \$1,599,161. \$923,153 of this amount was related to ATRS and \$676,008 was related to APERS. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| ATRS | | |
| Differences between expected and actual experience | \$ 301,411 | \$ 117,475 |
| Changes of assumptions | 1,668,673 | |
| Net difference between projected and actual earnings on pension plan investments | | 790,889 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 189,205 | 3,112,973 |
| Contributions subsequent to the measurement date | 1,063,230 | |
| Totals | <u>\$ 3,222,519</u> | <u>\$ 4,021,337</u> |
| APERS | | |
| Differences between expected and actual experience | \$ 183,713 | \$ 10,028 |
| Changes of assumptions | 366,386 | 259,492 |
| Net difference between projected and actual earnings on pension plan investments | | 51,271 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 200,036 | 1,267,251 |
| Contributions subsequent to the measurement date | 778,595 | |
| Totals | <u>\$ 1,528,730</u> | <u>\$ 1,588,042</u> |
| Totals | | |
| Differences between expected and actual experience | \$ 485,124 | \$ 127,503 |
| Changes of assumptions | 2,035,059 | 259,492 |
| Net difference between projected and actual earnings on pension plan investments | | 842,160 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 389,241 | 4,380,224 |
| Contributions subsequent to the measurement date | 1,841,825 | |
| Totals | <u>\$ 4,751,249</u> | <u>\$ 5,609,379</u> |

The above amount of \$1,841,825 was reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | ATRS | APERS | Total |
|-----------------------------|--------------|--------------|--------------|
| 2021 | \$ (484,928) | \$ (187,424) | \$ (672,352) |
| 2022 | (845,118) | (553,606) | (1,398,724) |
| 2023 | (351,980) | (170,533) | (522,513) |
| 2024 | (105,021) | 73,656 | (31,365) |
| 2025 | (75,001) | | (75,001) |

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

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

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2019 for both ATRS and APERS. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees and the APERS Board of Trustees were as follows:

| | <u>ATRS</u> | <u>APERS</u> |
|-------------------------------|---|--------------------------------------|
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level percentage of payroll, closed | Level percentage of payroll, closed |
| Remaining amortization period | 28 years | 30 years |
| Asset valuation method | 4-year closed period; 20% corridor | 4-year smoothed market; 25% corridor |
| Discount rate | 7.50% | 7.15% |
| Wage inflation | 2.75% | 3.25% |
| Salary increases | 2.75 – 7.75% | 3.25 – 9.85% |
| Investment rate of return | 7.50% compounded annually | 7.15%* |
| | * Net of investment and administrative expenses | |

Mortality rate table

ATRS

RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.

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

APERS

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

The actuarial assumptions used in the June 30, 2019 valuation for ATRS were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

All other actuarial assumptions used in the June 30, 2019 valuations for APERS were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

Investment Rate of Return

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

Arkansas Teacher Retirement System

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|---------------|---|
| Total equity | 53% | 5.1% |
| Fixed income | 15% | 1.4% |
| Alternatives | 5% | 4.2% |
| Real assets | 15% | 5.0% |
| Private equity | 12% | 6.3% |
| Cash equivalents | 0% | 0.6% |
| Total | <u>100%</u> | |

Arkansas Public Employees Retirement System

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 - 2028 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|---------------|---|
| Broad domestic equity | 37% | 6.20% |
| International equity | 24% | 6.33% |
| Real assets | 16% | 3.32% |
| Absolute return | 5% | 3.56% |
| Domestic fixed | 18% | 1.54% |
| Total | <u>100%</u> | |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: Retirement Plans (Continued)

Discount Rate

Arkansas Teacher Retirement System

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Arkansas Public Employees Retirement System

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

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

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

| | <u>Rate</u> | <u>1% Decrease</u> | <u>Rate</u> | <u>Current Discount Rate</u> | <u>Rate</u> | <u>1% Increase</u> |
|---|-------------|------------------------|-------------|----------------------------------|-------------|------------------------|
| University's proportionate share of the net pension liability | | | | | | |
| ATRS | 6.50% | \$ 18,458,093 | 7.50% | \$ 11,226,933 | 8.50% | \$ 5,229,752 |
| APERS | 6.15% | \$ 10,818,985 | 7.15% | \$ 6,750,262 | 8.15% | \$ 3,393,379 |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2020 were as follows:

| | Personal Services | Scholarships and Fellowships | Supplies and Services | Self- insurance | Depreciation | Other | Total |
|--|-----------------------|------------------------------------|-----------------------------|----------------------|----------------------|------------------|-----------------------|
| Instruction | \$ 73,481,732 | \$ 2,531,683 | \$ 10,331,236 | | | | \$ 86,344,651 |
| Research | 7,018,112 | 542,509 | 2,286,335 | | | | 9,846,956 |
| Public service | 13,253,894 | 8,500 | 5,319,885 | | | | 18,582,279 |
| Academic support | 13,227,292 | 36,516 | 6,485,562 | | | | 19,749,370 |
| Student services | 13,579,506 | 112,289 | 3,542,880 | | | | 17,234,675 |
| Institutional support | 21,841,242 | 10,760 | 7,413,520 | | | | 29,265,522 |
| Scholarships and fellowships | | 9,751,118 | 9,762,800 * | | | | 19,513,918 |
| Operations and maintenance of plant | 12,108,572 | | 14,063,430 | | | | 26,172,002 |
| Auxiliary enterprises | 8,540,164 | 6,078,299 | 14,550,706 | | | | 29,169,169 |
| Self-insurance | | | | \$ 20,043,070 | | | 20,043,070 |
| Depreciation | | | | | \$ 27,088,390 | | 27,088,390 |
| Other | | | | | | \$ 51,522 | 51,522 |
| Totals | <u>\$ 163,050,514</u> | <u>\$ 19,071,674</u> | <u>\$ 73,756,354</u> | <u>\$ 20,043,070</u> | <u>\$ 27,088,390</u> | <u>\$ 51,522</u> | <u>\$ 303,061,524</u> |

*Includes \$6,741,227 of CARES-HEERF direct payments to students and \$3,021,573 of payments made for refunds of housing and meal charges due to COVID-19

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2020 as reported in the Statement of Net Position, were as follows:

| | Current | Noncurrent | Total |
|----------------------------|----------------------|---------------------|----------------------|
| Student receivables, net | \$ 11,895,168 | | \$ 11,895,168 |
| Grants and contracts | 11,466,605 | | 11,466,605 |
| Sales and use tax | 200,899 | | 200,899 |
| Construction projects | 736,198 | \$ 403,129 | 1,139,327 |
| Travel advances/repayments | 25 | | 25 |
| Property tax accrual | 1,032,565 | 1,472,720 | 2,505,285 |
| Auxiliary enterprises | 151,029 | 16,327 | 167,356 |
| Direct lending | 9,871,806 | | 9,871,806 |
| Miscellaneous | 2,562,383 | 57,507 | 2,619,890 |
| Totals | <u>\$ 37,916,678</u> | <u>\$ 1,949,683</u> | <u>\$ 39,866,361</u> |

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$2,811,665 at June 30, 2020. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year for vending, bookstore and other types of auxiliaries. Direct lending receivables are federal loans that have been disbursed to students but the University has not yet received the cash.

Notes and Deposits Receivable at June 30, 2020 were as follows:

| | Current | Noncurrent | Total |
|-----------------------|-------------------|---------------------|---------------------|
| Notes receivable, net | \$ 531,472 | \$ 1,619,680 | \$ 2,151,152 |
| Deposits receivable | 13 | 5,759 | 5,772 |
| Totals | <u>\$ 531,485</u> | <u>\$ 1,625,439</u> | <u>\$ 2,156,924</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10: Receivable and Payable Balances (Continued)

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2020 was reduced by an allowance for doubtful accounts of \$481,051 for the current portion and \$1,466,020 for the noncurrent portion.

Accounts Payable and Accrued Liabilities at June 30, 2020 are detailed below:

| | Current | Noncurrent | Total |
|--|----------------------|-------------|----------------------|
| Vendors | \$ 7,115,902 | | \$ 7,115,902 |
| Students | 41,879 | | 41,879 |
| Sales tax and use tax | 21,937 | | 21,937 |
| Health claims | 1,457,300 | | 1,457,300 |
| Arkansas Delta Training and Education Consortium | 241,255 | | 241,255 |
| Salaries and other payroll related items | 2,611,836 | | 2,611,836 |
| Optional Voluntary Retirement Incentive Program | 42,267 | | 42,267 |
| Miscellaneous | 142,599 | | 142,599 |
| Totals | <u>\$ 11,674,975</u> | <u>\$ -</u> | <u>\$ 11,674,975</u> |

NOTE 11: Museum Collection

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

NOTE 12: Other Postemployment Benefits (OPEB)

Plan Description

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

Benefits Provided

Employees shall become eligible for early retirement benefits in the calendar year in which the sum of their age (must be at least fifty-five (55)) and the number of years of continuous benefits eligible service to the University totals seventy (70). Certain employees who retire under a voluntary retirement window approved by the Board of Trustees of Arkansas State University are also eligible for benefits.

Employees electing retirement will receive the following benefits:

- Medical benefits – Pre-Medicare benefits are available to retirees and their eligible dependents (if covered at the time the employee retires) under the Arkansas Blue Advantage Plan.
- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives an amount equal to 1.5 times the retiree's final salary immediately prior to retirement, rounded to the next highest multiple of \$1,000. The maximum benefit is \$50,000. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65. Some current retirees from the Mid-South campus are eligible for a life insurance benefit of \$20,000. This benefit continues beyond age 65 for the lifetime of the retiree.

Medical contributions are equal to one-half of the total combined employee and employer premium cost. When a retiree dies or becomes eligible for Medicare, spouses may continue coverage until they become eligible for Medicare by paying 100% of the employee plus employer premium cost.

No contributions are required for the life insurance benefit.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

| | Medical benefits | Life insurance benefits* |
|------------------------------|------------------|--------------------------|
| <u>Active employees</u> | | |
| Fully eligible | 480 | |
| Not yet fully eligible | 1,468 | |
| | 1,948 | |
| <u>Retired employees</u> | | |
| Retirees | 85 | 116 |
| Spouses | 24 | n/a |
| Surviving spouses | 12 | n/a |
| | 121 | 116 |
| Totals | 2,069 | 116 |

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

Total OPEB Liability

The University's total OPEB liability of \$17,739,334 was measured as of June 30, 2020, and determined by an actuarial valuation dated January 1, 2020. The liability was rolled forward to the measurement date using standard actuarial techniques.

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------|--|
| Discount rate | 3.14% for June 30, 2019 measurement date and fiscal 2020 OPEB expense development |
| | 2.44% for June 30, 2020 measurement date |
| Inflation rate | 2.00% |
| Salary increases | 1.00% through 2022; 2.50% thereafter |
| Mortality rate table | Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. |
| | Mortality includes a generational projection for future mortality improvements using Scale MP-2019. |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Healthcare cost trend rates

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

| Year | Medical | Pharmacy | Blended |
|-----------------|---------|----------|---------|
| 2020 | 5.00% | 10.00% | 6.00% |
| 2021 | 5.00% | 7.40% | 5.50% |
| 2022 | 5.00% | 6.90% | 5.40% |
| 2023 - 2024 | 4.90% | 6.70% | 5.30% |
| 2025 - 2026 | 4.80% | 6.60% | 5.20% |
| 2027 - 2028 | 4.80% | 6.10% | 5.10% |
| 2029 - 2031 | 4.80% | 5.20% | 4.90% |
| 2032 and beyond | 4.80% | 4.80% | 4.80% |

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

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

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

The salary scale, and retirement, termination, participation, and spousal participation rates were selected with plan sponsor input on historical trends and expected future experience.

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

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance, June 30, 2019 | \$ 25,398,286 |
| Changes for the year: | |
| Service cost | 1,426,881 |
| Interest | 839,994 |
| Changes of benefit terms | 999,479 |
| Differences between expected and actual experience | (10,257,463) |
| Changes in assumptions or other inputs* | (519,149) |
| Benefit payments | (148,694) |
| Net changes | (7,658,952) |
| Balance, June 30, 2020 | \$ 17,739,334 |

*The discount rate was updated from 3.14% as of June 30, 2019 to 2.44% as of June 30, 2020 to reflect recent high-quality municipal bond rates.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

The following presents the total OPEB liability of the University using the discount rate of 2.44%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.44%) or 1 percentage point higher (3.44%) than the current rate:

| | 1% Decrease (1.44%) | Current Discount Rate (2.44%) | 1% Increase (3.44%) |
|----------------------|---------------------------|-------------------------------------|---------------------------|
| Total OPEB Liability | \$ 19,140,946 | \$ 17,739,334 | \$ 16,451,351 |

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

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 6.00% decreasing to 4.80%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00% decreasing to 3.80%) or 1 percentage point higher (7.00% decreasing to 5.80%) than the current rate:

| | 1% Decrease (5.00% decreasing to 3.80%) | Current Healthcare Cost Trend Rates (6.00% decreasing to 4.80%) | 1% Increase (7.00% decreasing to 5.80%) |
|----------------------|---|---|---|
| Total OPEB Liability | \$ 16,076,079 | \$ 17,739,334 | \$ 19,693,047 |

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

For the year ended June 30, 2020, the University recognized OPEB expense of \$2,249,458. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,209,556 | \$ (8,710,334) |
| Changes of assumptions or other inputs | 595,567 | (440,846) |
| Net difference between projected and actual earnings on OPEB plan investments | | |
| Contributions subsequent to the measurement date | | |
| Totals | \$ 2,805,123 | \$ (9,151,180) |

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

| Fiscal Year Ending June 30, | Amount |
|-----------------------------|----------------|
| 2021 | \$ (1,017,296) |
| 2022 | (1,016,896) |
| 2023 | (1,016,896) |
| 2024 | (1,031,932) |
| 2025 | (1,239,017) |
| Thereafter | (1,024,020) |
| Totals | (6,346,057) |

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13: Self-insurance Program

Beginning July 1, 1994, Arkansas State University established a self-funded health benefit plan for employees and their eligible dependents. All campuses of the University participate in the program, which is administered by Arkansas Blue Advantage Administrators. The ASU Three Rivers campus joined the plan on January 1, 2020.

At June 30, 2020, approximately 4,407 active employees, their dependents, former employees and retirees were participating in the program. Effective January 1, 2019, the University offers two health plans: the Classic Plan which uses the Arkansas True-Blue network and a Premium Plan which uses the Arkansas True-Blue network and the National Blue Care network. For those participating in single coverage, the University pays 84% of the total premium. The University pays 74% of the total premium for those participating in full family coverage, 70% for those participating in employee & spouse coverage, and 69% for those participating in employee and children coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%. The University does not offer insurance to retirees or their spouses who are eligible for Medicare. A retiree's spouse can continue coverage after the retiree becomes eligible for Medicare at a cost of 100% of the single coverage rate until they too are eligible for Medicare.

The University estimates its unpaid health claims liability at June 30, 2020 to be \$1,457,300 with Arkansas Blue Advantage Administrators. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by Lockton. Details of this liability are shown below.

| Unpaid Claims Liability | |
|-------------------------------------|--------------|
| | FY 2020 |
| Unpaid Claims, 7-1-19 | \$ 1,674,100 |
| Incurred claims during current year | 14,113,447 |
| Current year claims paid | 12,656,147 |
| Prior year claims paid | 1,674,100 |
| Total payments | 14,330,247 |
| Unpaid Claims, 6-30-20 | \$ 1,457,300 |

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

NOTE 14: Endowment Funds

Arkansas State University Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as cash or investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2020 was \$13,873,909. Of this amount, \$12,736,151 was nonexpendable and the remaining \$1,137,758 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 SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14: Endowment Funds (Continued)

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, 2020 were \$758,354. Of this amount, \$740,772 was nonexpendable and the remaining \$17,582 was expendable.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15: Pledged Revenues

The University's pledged revenues at June 30, 2020 are as follows:

Arkansas State University Jonesboro

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2020 Gross Revenue | Amount Issued | 2020 Principal Paid | 2020 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|--------------------------------|------------|---------------|--|--------------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2005 Refunding | 9/15/2005 | 4/1/2025 | Refinance Student Union and Parking Garage | Student Union Fee/Parking Fees | \$ 3,488,371 | \$ 19,230,000 | \$ 1,244,999 | \$ 364,000 | \$ 6,035,000 | \$ 821,500 | 46.12% |
| Series 2010B Refunding* | 12/7/2010 | 12/1/2027 | Refinance Series 2002-Property Purchases | Gross Tuition and Fees | see below | 1,866,624 | 55,000 | 20,375 | 535,000 | 84,738 | 0.08% |
| Series 2012A Taxable Housing | 3/1/2012 | 3/1/2042 | Construction of sorority housing | Housing Fees | 856,185 | 6,510,000 | 150,000 | 269,683 | 5,525,000 | 3,687,763 | 49.02% |
| Series 2012B Housing | 3/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | 464,316 | 6,875,000 | 180,000 | 207,198 | 5,705,000 | 2,769,542 | 83.39% |
| Series 2012D Housing | 12/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | 464,316 | 1,255,000 | 35,000 | 33,119 | 1,040,000 | 439,019 | 14.67% |
| Series 2012C Student Fee | 3/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | 1,594,587 | 3,425,000 | 105,000 | 107,456 | 2,650,000 | 987,663 | 13.32% |
| Series 2012D Student Fee | 12/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | 1,594,587 | 1,500,000 | 55,000 | 35,231 | 1,155,000 | 351,169 | 5.66% |
| 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 | 205,000 | 160,245 | 3,730,000 | 1,351,166 | 0.40% |

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Continued

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2020 Gross Revenue | Amount Issued | 2020 Principal Paid | 2020 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|-------------------------------|----------------|---------------|--|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2012B Refunding | 3/1/2012 | 3/1/2034 | Refinance Series 2004 Student Fee-Refinance Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements | Gross Tuition and Fees | see below | \$ 2,775,000 | \$ 100,000 | \$ 60,006 | \$ 1,790,000 | \$ 469,300 | 0.17% |
| Series 2013 Refunding | 3/1/2013 | 3/1/2034 | Refinance Series 2004 Housing-Construction of Northpark Quads residence hall and Construction of Family Housing Phase II | Housing Fees | \$ 5,070,488 | 28,895,000 | 1,145,000 | 853,000 | 21,425,000 | 6,547,825 | 39.40% |
| Series 2013A Student Fee | 12/1/2013 | 12/1/2038 | Construction of Student Activities Center | Gross Tuition and Fees | see below | 11,130,000 | 305,000 | 504,373 | 9,395,000 | 5,804,250 | 0.88% |
| 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 | 305,000 | 609,825 | 12,945,000 | 8,826,443 | 0.99% |
| Series 2016 Refunding | 11/17/2016 | 3/1/2037 | Refinance Series 2007 Student Fee-Construction of Recreation Center | Recreation Center Fee | 1,585,506 | 13,870,000 | 490,000 | 458,356 | 11,975,000 | 4,151,114 | 59.81% |
| Series 2016 Housing Refunding | 11/17/2016 | 3/1/2037 | Refinance Series 2007 Housing-Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park | Housing Fees | 3,369,010 | 23,150,000 | 1,200,000 | 762,713 | 18,555,000 | 6,216,637 | 58.26% |
| Series 2017 Housing Refunding | 12/20/2017 | 3/1/2039 | Refinance Series 2009 and Series 2010 Refunding-Construction of Living Learning Community, Red Wolf Den Commons, housing deferred maintenance and refinancing Family Housing Phase I (Series 2001) | Housing Fees | 1,626,330 | 11,740,000 | 505,000 | 393,725 | 10,200,000 | 3,403,794 | 55.26% |
| Series 2010A Refunding | Refunded below | | Refinance Series 2001 Track Facility | Gross Tuition and Fees | see below | 2,600,000 | - | 48,139 | - | - | 0.05% |
| Series 2019 Refunding | 12/18/2019 | 3/1/2030 | Refinance Series 2010A Refunding-Track Facility (Series 2001) | Gross Tuition and Fees | see below | 1,640,000 | 145,000 | 8,840 | 1,495,000 | 200,150 | 0.17% |

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Continued

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2020 Gross Revenue | Amount Issued | 2020 Principal Paid | 2020 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---------------------------------------|----------------|---------------|---|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2012C Taxable Housing | Refunded below | | Construction of sorority housing | Housing Fees | \$ 856,185 | \$ 4,470,000 | \$ - | \$ 134,598 | \$ - | - | 15.72% |
| Series 2019 Taxable Housing Refunding | 12/18/2019 | 3/1/2042 | Refinance Series 2012C Taxable Housing-Construction of sorority housing | Housing Fees | 856,185 | 3,750,000 | 130,000 | 24,026 | 3,620,000 | 1,583,824 | 17.99% |

Note: Issues with Tuition and Fees pledged, 2020 Gross Revenue-\$92,369,705

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Beebe

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2020 Gross Revenue | Amount Issued | 2020 Principal Paid | 2020 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|---|------------|---------------|--|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2012 Refunding | 12/1/2012 | 12/1/2032 | Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus | Gross Tuition and Fees | see below | \$ 1,890,000 | \$ 85,000 | \$ 36,453 | \$ 1,325,000 | \$ 295,484 | 1.30% |
| Series 2015A Refunding | 4/1/2015 | 12/1/2023 | Refinance Series 2005 Refunding-Refinance Student Center | Gross Tuition and Fees | see below | 1,895,000 | 205,000 | 28,900 | 895,000 | 54,525 | 2.51% |
| Series 2015 Refunding Auxiliary Enterprises | 4/1/2015 | 4/1/2039 | Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls | Housing Fees | \$ 689,426 | 8,005,000 | 265,000 | 228,623 | 6,735,000 | 2,553,434 | 71.60% |
| 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 | 490,000 | 384,156 | 10,615,000 | 3,245,810 | 9.37% |
| 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 | 345,000 | 283,025 | 7,455,000 | 2,548,975 | 6.73% |

Note: Issues with Tuition and Fees pledged, 2020 Gross Revenue-\$9,326,444

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Mid-South

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Purpose</u> | <u>Type of Revenue Pledged</u> | <u>2020 Gross Revenue</u> | <u>Amount Issued</u> | <u>2020 Principal Paid</u> | <u>2020 Interest Paid</u> | <u>Principal Outstanding</u> | <u>Interest Outstanding</u> | <u>Percent of Revenue Pledged</u> |
|--------------------------|-------------------|----------------------|--|--------------------------------|---------------------------|----------------------|----------------------------|---------------------------|------------------------------|-----------------------------|-----------------------------------|
| Series 2010 Construction | 8/26/2010 | 2/1/2040 | Construction of Facilities | Property Tax Millage | \$ 3,042,764 | \$ 5,180,000 | \$ 110,000 | \$ 185,044 | \$ 4,090,000 | \$ 2,454,167 | 9.70% |
| Series 2012 Construction | 8/1/2012 | 2/1/2042 | Construction of Facilities and Refunding | Property Tax Millage | 3,042,764 | 18,510,000 | 445,000 | 563,008 | 14,845,000 | 7,354,036 | 33.13% |

Arkansas State University Mountain Home

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Purpose</u> | <u>Type of Revenue Pledged</u> | <u>2020 Gross Revenue</u> | <u>Amount Issued</u> | <u>2020 Principal Paid</u> | <u>2020 Interest Paid</u> | <u>Principal Outstanding</u> | <u>Interest Outstanding</u> | <u>Percent of Revenue Pledged</u> |
|-----------------------|-------------------|----------------------|--|--------------------------------|---------------------------|----------------------|----------------------------|---------------------------|------------------------------|-----------------------------|-----------------------------------|
| Series 2012 Refunding | Refunded below | | Refinance Series 2008 Student Fee-Construction of Community Development Center | Gross Tuition and Fees | see below | \$ 6,995,000 | \$ 330,000 | \$ 93,645 | \$ - | \$ - | 10.47% |
| Series 2019 Refunding | 12/18/2019 | 12/1/2032 | Refinance Series 2012 Refunding Student Fee-Construction of Community Development Center | Gross Tuition and Fees | see below | 4,885,000 | \$ - | \$ 58,006 | \$ 4,885,000 | \$ 853,917 | 1.43% |

Note: Issues with Tuition and Fees pledged, 2020 Gross Revenue-\$4,048,149

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Newport

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2020 Gross Revenue | Amount Issued | 2020 Principal Paid | 2020 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 | \$ 230,000 | \$ 80,304 | \$ 2,029,999 | \$ 343,859 | 4.00% |
| 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 | 85,000 | 36,347 | 1,320,000 | 258,872 | 1.56% |

Note: Issues with Tuition and Fees pledged, 2020 Gross Revenue-\$7,763,000

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16: Risk Management

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

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

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

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17: Optional Voluntary Retirement Incentive Program

Newport

During fiscal year 2019, the campus offered an optional voluntary retirement incentive program to certain employees. To be eligible, an employee must have been 55 years of age with 15 years of continuous full-time employment as of June 30, 2019. Employees received twenty five percent of their salary for the first payment and one percent of the salary for each year of service in the second payment. These payments will occur over two years. An annual payment was paid to the employee's retirement fund in July 2019 and again in July 2020. The University has accrued the payable for the four (4) employees who elected to participate in this program. As of June 30, 2020, the liability totaling \$42,267 has been recorded on the University's financial statements as a current liability.

NOTE 18: Lease Obligations with Red Wolves Foundation

Jonesboro

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

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

NOTE 19: Lease Agreements

Jonesboro

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19: Lease Agreements (Continued)

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

NOTE 20: Merger with College of the Ouachitas

On February 20, 2019, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and College of the Ouachitas (COTO). In the merger agreement, College of the Ouachitas became a member of the Arkansas State University System. The ASU System agreed to maintain and oversee operations of College of the Ouachitas, after the merger to be known as Arkansas State University Three Rivers (ASU Three Rivers). The agreement was entered into so that both parties can provide for sound growth of and sustain ASU Three Rivers as a first-class community college according to a plan of transition calling for specific action by the ASU System and COTO. This agreement was entered into so that COTO was fully merged into the Arkansas State University System, which is the surviving legal institution and will continue to be governed by the laws of the State of Arkansas with the ASU System receiving and assuming, upon the date of transfer, the assets and liabilities of COTO. The merger was effective on January 1, 2020.

As of the last audit date of June 30, 2019, ASU Three Rivers had the following assets, deferred outflows, liabilities, deferred inflows and net position.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20: Merger with College of the Ouachitas (Continued)

**College of the Ouachitas
Statement of Net Position
June 30, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

| | |
|---|-------------------------|
| Cash | \$ 4,518,967 |
| Accounts receivable | 270,750 |
| Student receivables (less allowance of \$444,672) | 288,993 |
| Notes receivable | 8,245 |
| Inventories | 18,159 |
| Prepaid expenses | 106,888 |
| Total Current Assets | <u>5,212,002</u> |

Noncurrent Assets:

| | |
|---|--------------------------|
| Capital assets (net of accumulated depreciation of \$7,773,884) | 6,480,272 |
| Total Noncurrent Assets | <u>6,480,272</u> |
| TOTAL ASSETS | <u>11,692,274</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-------------------------------------|-----------|
| Deferred amount related to pensions | 1,230,407 |
| Deferred amount related to OPEB | 101,819 |

| | |
|--|--------------------------|
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>13,024,500</u> |
|--|--------------------------|

LIABILITIES

Current Liabilities:

| | |
|--|-----------------------|
| Accounts payable and accrued liabilities | 511,102 |
| Accrued interest payable | 4,233 |
| Certificates of indebtedness payable | 172,886 |
| Compensated absences | 21,996 |
| Unearned revenues | 5,779 |
| Funds held in trust for others | 69,411 |
| Other postemployment benefits | 177,413 |
| Total Current Liabilities | <u>962,820</u> |

Noncurrent Liabilities:

| | |
|--------------------------------------|--------------------------|
| Certificates of indebtedness payable | 982,099 |
| Compensated absences | 317,082 |
| Other postemployment benefits | 5,308,596 |
| Net pension liability | 2,554,411 |
| Total Noncurrent Liabilities | <u>9,162,188</u> |
| TOTAL LIABILITIES | <u>10,125,008</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|---------|
| Deferred amount related to pensions | 778,127 |
| Deferred amount related to OPEB | 628,903 |

| | |
|--|--------------------------|
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>11,532,038</u> |
|--|--------------------------|

NET POSITION

| | |
|----------------------------------|--------------------|
| Net investment in capital assets | 5,325,287 |
| Restricted for: | |
| Expendable: | |
| Scholarships and fellowships | 15,281 |
| Emergency loans to students | 10,000 |
| Unrestricted | <u>(3,858,106)</u> |

| | |
|---------------------------|----------------------------|
| TOTAL NET POSITION | <u>\$ 1,492,462</u> |
|---------------------------|----------------------------|

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 21: Henderson State University Pending Merger

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

On October 24, 2019, the Henderson State University Board of Trustees voted to join the Arkansas State University System and proceed with the development of a merger agreement. The move was subject to approval from the ASU Board of Trustees and the Higher Learning Commission, as well as action by the Arkansas General Assembly.

On December 6, 2019, the Board of Trustees approved an agreement of merger and plan of transition between the ASU System and Henderson State University. The merger will be effective on January 1, 2021.

NOTE 22: COVID-19

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the Arkansas State University System is uncertain as of the audit report date.

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Postemployment Benefits Other Than Pensions (OPEB)

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|
| Total OPEB Liability* | | | |
| Service cost | \$ 1,426,881 | \$ 1,521,697 | \$ 1,433,006 |
| Interest | 839,994 | 743,196 | 671,522 |
| Changes of benefit terms | 999,479 | | |
| Differences between expected and actual experience | (10,257,463) | 3,151,798 | |
| Changes in assumptions or other inputs | (519,149) | 594,755 | 324,555 |
| Benefit payments | (148,694) | (766,360) | (948,092) |
| | <hr/> | <hr/> | <hr/> |
| Net change in total OPEB liability | (7,658,952) | 5,245,086 | 1,480,991 |
| Total OPEB liability, beginning of year | 25,398,286 | 20,153,200 | 18,672,209 |
| | <hr/> | <hr/> | <hr/> |
| Total OPEB liability, end of year | <u>\$ 17,739,334</u> | <u>\$ 25,398,286</u> | <u>\$ 20,153,200</u> |
| | <hr/> | <hr/> | <hr/> |
| Covered - employee payroll | \$ 123,777,641 | \$ 115,592,428 | \$ 117,067,546 |
| | <hr/> | <hr/> | <hr/> |
| Total OPEB liability as a percentage of covered - employee payroll | 14.33% | 21.97% | 17.22% |

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2020

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

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

A. Changes in benefit terms

- Plan changes were made such as the addition of new plan options, an increase in required retiree contributions for former Mid-South retirees, and the addition of the Three Rivers campus to the valuation. These changes resulted in a liability increase of about \$1.0 million that was recognized immediately in fiscal 2020 expense as a change in benefit terms.

B. Changes in assumptions

- The discount rate was updated to reflect recent high-quality municipal bond rates.
- The mortality projection scales were updated based on recent research by the Society of Actuaries.
- Healthcare trend rates were updated to reflect anticipated future experience as well as separated for medical and prescription drugs.
- Per capita claim costs and administrative expenses were updated to reflect recent plan experience.
- Aging factors were updated as well as split for medical and prescription drug benefits.
- The medical participation assumption was updated to assume 80% of all active employees will elect coverage.
- A 10% administrative expense load was added to the life insurance benefit.
- The high-value coverage excise tax was removed from the valuation based on legislation in 2019 repealing the tax.
- The salary increase assumption was updated based on plan sponsor expectations.
- A plan selection assumption was added to reflect the availability of multiple plans to the retirees.

C. Method and assumptions used in calculations

| | |
|----------------------|---|
| Valuation date | January 1, 2020 |
| Measurement date | June 30, 2020 |
| Discount rate | 3.14% for June 30, 2019 measurement date and fiscal 2020 OPEB expense development 2.44% for June 30, 2020 measurement date |
| Inflation rate | 2.00% |
| Salary increases | 1.00% through 2022; 2.50% thereafter |
| Mortality rate table | Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. Mortality includes a generational projection for future mortality improvements using Scale MP-2019. |

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Healthcare cost trend rates

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

| Year | Medical | Pharmacy | Blended |
|-----------------|---------|----------|---------|
| 2020 | 5.00% | 10.00% | 6.00% |
| 2021 | 5.00% | 7.40% | 5.50% |
| 2022 | 5.00% | 6.90% | 5.40% |
| 2023 - 2024 | 4.90% | 6.70% | 5.30% |
| 2025 - 2026 | 4.80% | 6.60% | 5.20% |
| 2027 - 2028 | 4.80% | 6.10% | 5.10% |
| 2029 - 2031 | 4.80% | 5.20% | 4.90% |
| 2032 and beyond | 4.80% | 4.80% | 4.80% |

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Pension Plans

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

Arkansas Teacher Retirement System

| | <u>2020*</u> | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> |
|---|------------------|--------------|---------------|---------------|------------------|---------------|
| Proportion of the net pension liability (asset) | 0.27% | 0.25% | 0.29% | 0.32% | 0.35% | 0.36% |
| Proportionate share of the net pension liability (asset) | \$ 11,226,933 | \$ 9,255,617 | \$ 12,297,190 | \$ 14,053,207 | \$ 11,434,400 | \$ 9,331,442 |
| Covered payroll | \$ 8,157,125 *** | \$ 7,547,210 | \$ 8,589,558 | \$ 9,199,761 | \$ 10,241,904 ** | \$ 10,114,727 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 137.63% | 122.64% | 143.16% | 152.76% | 111.64% | 92.26% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.96% | 82.78% | 79.48% | 76.75% | 82.20% | 84.98% |

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

**Mid-South Community College merged with the Arkansas State University System effective July 1, 2015.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Schedule of University Contributions

Arkansas Teacher Retirement System

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Notes to Required Supplementary Information
 Pension Plans
 Arkansas Teacher Retirement System

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

A. Changes in benefit terms

There were no significant changes in benefit terms for the year ended June 30, 2019.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2019.

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

Valuation date: June 30, 2019

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

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

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 28 years |
| Asset valuation method | 4-year closed period; 20% corridor |
| Wage inflation | 2.75% |
| Projected salary increases | 2.75 – 7.75% |
| Investment rate of return | 7.50% compounded annually |
| Mortality table | RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006. |

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

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

Arkansas Public Employees Retirement System

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2020

Schedule of University Contributions
 Arkansas Public Employees Retirement System

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2020

Notes to Required Supplementary Information
Pension Plans
Arkansas Public Employees Retirement System

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

A. Changes in benefit terms

There were no changes in benefit terms for the year ended June 30, 2019.

B. Changes in assumptions

Public Employees and State Police Retirement Plans – No changes in economic or non-economic assumptions.

Judicial Retirement Plans – No changes in economic or non-economic assumptions.

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

Valuation date: June 30, 2019

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

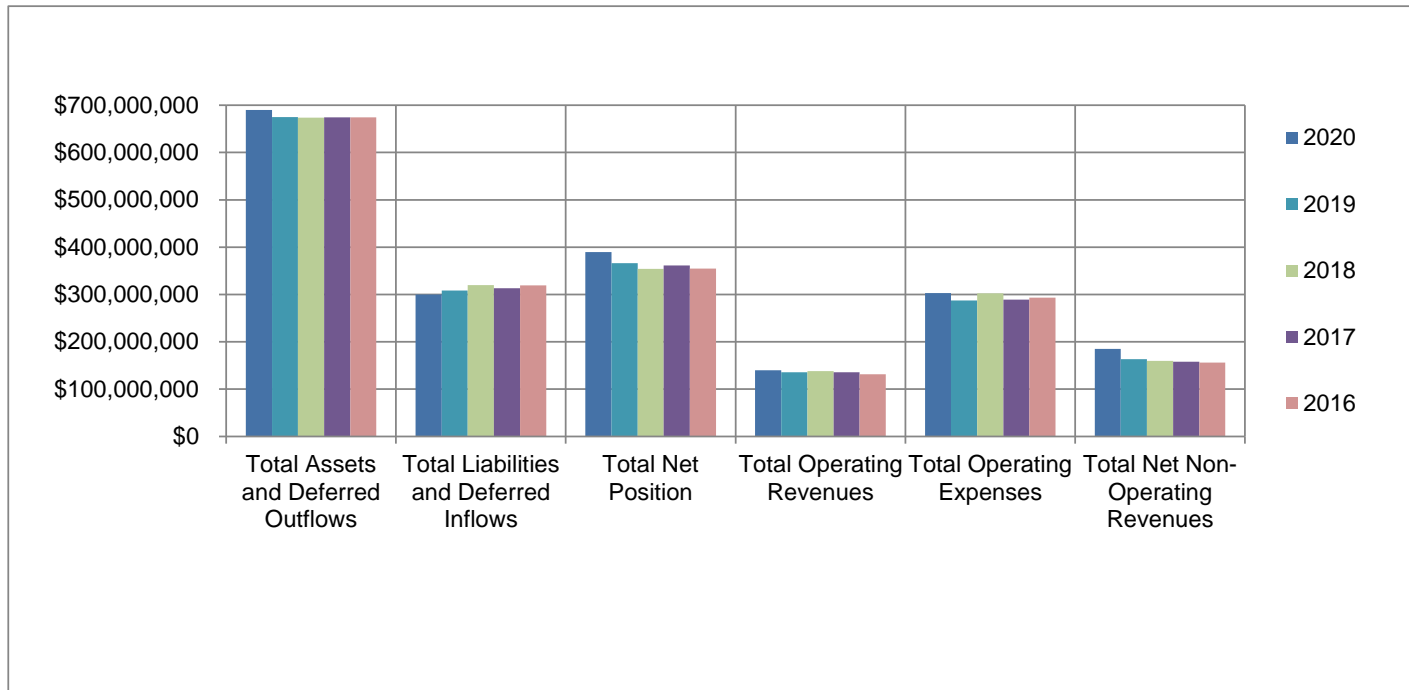
The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

| | |
|--|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 30 year closed |
| Asset valuation method | 4 year smoothed market with 25% corridor |
| Investment rate of return | 7.15% |
| Projected salary increases | 3.25 – 9.85% |
| Inflation rate | 3.25% |
| Post retirement cost-of-living adjustments | 3% annual compounded increase |
| Mortality table | Based on RP-2000 Combined Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017. |

ARKANSAS STATE UNIVERSITY SYSTEM
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Schedule 1

| | Year Ended June 30, | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Total Assets and Deferred Outflows | \$ 690,233,726 | \$ 674,937,920 | \$ 673,645,848 | \$ 674,514,758 | \$ 674,208,460 |
| Total Liabilities and Deferred Inflows | 300,275,480 | 308,619,927 | 319,567,427 | 313,211,581 | 319,412,193 |
| Total Net Position | 389,958,246 | 366,317,993 | 354,078,421 | 361,303,177 | 354,796,267 |
| Total Operating Revenues | 139,716,341 | 135,719,229 | 137,925,804 | 135,950,467 | 131,717,149 |
| Total Operating Expenses | 303,061,524 | 287,437,568 | 302,102,075 | 288,886,162 | 293,092,645 |
| Total Net Non-Operating Revenues | 185,256,880 | 163,170,941 | 159,618,107 | 157,704,639 | 156,229,285 |
| Total Other Revenues, Expenses, Gains or Losses | 236,094 | 786,970 | 1,950,563 | 1,737,966 | 15,855,247 |



ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2020

Schedule 2

| | ARKANSAS STATE UNIVERSITY | | | | | | |
|---|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
| | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and cash equivalents | \$ 25,544,665 | \$ 13,699,128 | \$ 4,062,700 | 5,880,636 | \$ 3,982,913 | \$ 5,111,383 | \$ 58,281,425 |
| Short-term investments | 400,000 | 4,098,840 | 2,000,000 | 1,700,000 | 2,050,000 | | 10,248,840 |
| Accounts receivable (less allowances of \$2,811,665) | 27,332,180 | 1,971,675 | 2,722,645 | 2,252,318 | 2,820,708 | 817,152 | 37,916,678 |
| Notes and deposits receivable (less allowances of \$481,051) | 531,485 | | | | | | 531,485 |
| Accrued interest and late charges | 232,918 | 8,000 | 885 | 4,483 | 2,035 | | 248,321 |
| Inventories | 1,602,002 | 218,420 | 15,443 | | 523,860 | 26,571 | 2,386,296 |
| Deposits with trustee | 11,427 | 1,836 | 878,393 | | 110 | | 891,766 |
| Unamortized bond insurance | 171,200 | 10,044 | | | 27,574 | | 208,818 |
| Prepaid expenses | 246,485 | 16,802 | 158,007 | 36,687 | 61,839 | 145,575 | 665,395 |
| Total Current Assets | <u>56,072,362</u> | <u>20,024,745</u> | <u>9,838,073</u> | <u>9,874,124</u> | <u>9,469,039</u> | <u>6,100,681</u> | <u>111,379,024</u> |
| Noncurrent Assets: | | | | | | | |
| Cash and cash equivalents | 63,251,782 | | | 1,479,537 | | | 64,731,319 |
| Restricted cash and cash equivalents | 3,620,880 | | 5,774,400 | | | | 9,395,280 |
| Restricted investments | | | | | 142,206 | | 142,206 |
| Endowment investments | 14,664,704 | 758,354 | | | | | 15,423,058 |
| Unrestricted investments | | | | | 1,269,985 | | 1,269,985 |
| Other long-term investments | 3,394,105 | 1,935,233 | 8,886,282 | 2,000,000 | | | 16,215,620 |
| Irrevocable split-interest agreement | 2,103,882 | | | | | | 2,103,882 |
| Accrued interest and late charges | 660,025 | | 58,234 | | | | 718,259 |
| Deposits with trustee | 1,186,099 | | 1,583,541 | | | | 2,769,640 |
| Accounts receivable | 476,963 | | 1,472,720 | | | | 1,949,683 |
| Notes and deposits receivable (less allowances of \$1,466,020) | 1,625,439 | | | | | | 1,625,439 |
| Capital assets (net of accumulated depreciation of \$471,287,152) | 319,335,100 | 49,798,974 | 40,243,599 | 12,803,220 | 22,624,387 | 6,246,130 | 451,051,410 |
| Total Noncurrent Assets | <u>410,318,979</u> | <u>52,492,561</u> | <u>58,018,776</u> | <u>16,282,757</u> | <u>24,036,578</u> | <u>6,246,130</u> | <u>567,395,781</u> |
| TOTAL ASSETS | <u>466,391,341</u> | <u>72,517,306</u> | <u>67,856,849</u> | <u>26,156,881</u> | <u>33,505,617</u> | <u>12,346,811</u> | <u>678,774,805</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Excess of bond reacquisition costs over carrying value | 3,032,445 | 705,411 | 55,682 | 64,553 | 44,458 | | 3,902,549 |
| Pensions | 2,408,104 | 726,418 | 147,667 | 22,210 | 416,955 | 1,029,895 | 4,751,249 |
| Other postemployment benefits (OPEB) | 1,862,955 | 350,283 | 128,831 | 137,081 | 201,415 | 124,558 | 2,805,123 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>473,694,845</u> | <u>74,299,418</u> | <u>68,189,029</u> | <u>26,380,725</u> | <u>34,168,445</u> | <u>13,501,264</u> | <u>690,233,726</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2020

Schedule 2

| | ARKANSAS STATE UNIVERSITY | | | | | | |
|--|---------------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|
| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
| | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | 8,795,443 | 451,574 | 1,526,335 | 387,299 | 111,428 | 402,896 | 11,674,975 |
| Bonds, notes and leases payable | 8,636,793 | 1,557,703 | 636,380 | 370,000 | 673,764 | 176,642 | 12,051,282 |
| Compensated absences | 4,571,918 | 849,992 | 36,035 | 16,418 | 1,025,081 | 34,845 | 6,534,289 |
| Unearned revenue | 8,298,459 | 20,373 | 69,323 | 87,451 | 89,996 | 8,479 | 8,574,081 |
| Funds held in trust for others | 727,753 | 60,045 | 36,299 | 33,586 | 29,886 | 63,526 | 951,095 |
| Deposits | 654,962 | 2,780 | | | 94,759 | | 752,501 |
| Interest payable | 1,331,228 | 294,301 | 315,014 | 10,320 | 97,784 | 3,007 | 2,051,654 |
| Other postemployment benefits (OPEB) liability | 412,454 | 77,552 | 28,523 | 30,349 | 44,593 | 27,577 | 621,048 |
| Total Current Liabilities | <u>33,429,010</u> | <u>3,314,320</u> | <u>2,647,909</u> | <u>935,423</u> | <u>2,167,291</u> | <u>716,972</u> | <u>43,210,925</u> |
| Noncurrent Liabilities: | | | | | | | |
| Bonds, notes and leases payable | 133,037,663 | 30,550,375 | 19,774,065 | 4,515,000 | 7,343,755 | 805,458 | 196,026,316 |
| Compensated absences | 3,152,013 | 416,384 | 556,480 | 530,849 | 53,952 | 385,192 | 5,094,870 |
| Other postemployment benefits (OPEB) liability | 11,368,697 | 2,137,604 | 786,190 | 836,537 | 1,229,139 | 760,119 | 17,118,286 |
| Net pension liability | 9,963,193 | 3,097,166 | 549,869 | 74,798 | 1,579,113 | 2,713,056 | 17,977,195 |
| Deposits | 50,725 | | | | | | 50,725 |
| Refundable federal advances | 3,932,722 | | | | | | 3,932,722 |
| Total Noncurrent Liabilities | <u>161,505,013</u> | <u>36,201,529</u> | <u>21,666,604</u> | <u>5,957,184</u> | <u>10,205,959</u> | <u>4,663,825</u> | <u>240,200,114</u> |
| TOTAL LIABILITIES | <u>194,934,023</u> | <u>39,515,849</u> | <u>24,314,513</u> | <u>6,892,607</u> | <u>12,373,250</u> | <u>5,380,797</u> | <u>283,411,039</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Pensions | 2,989,851 | 1,082,931 | 250,001 | 170,953 | 486,084 | 629,559 | 5,609,379 |
| Other postemployment benefits (OPEB) | 6,077,536 | 1,142,731 | 420,286 | 447,200 | 657,079 | 406,348 | 9,151,180 |
| Irrevocable split-interest agreement | 2,103,882 | | | | | | 2,103,882 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>206,105,292</u> | <u>41,741,511</u> | <u>24,984,800</u> | <u>7,510,760</u> | <u>13,516,413</u> | <u>6,416,704</u> | <u>300,275,480</u> |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2020

Schedule 2

| | ARKANSAS STATE UNIVERSITY | | | | | | |
|---------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|
| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
| | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 | June 30, 2020 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 180,802,664 | 18,396,306 | 19,833,155 | 7,982,772 | 14,673,347 | 5,264,030 | 246,952,274 |
| Restricted for: | | | | | | | |
| Nonexpendable: | | | | | | | |
| Scholarships and fellowships | 5,122,062 | 740,772 | | | | | 5,862,834 |
| Renewal and replacement | | | 967,261 | | | | 967,261 |
| Loans | 76,574 | 20,000 | | | | | 96,574 |
| Other-College and Department Purposes | 9,515,757 | | | | | | 9,515,757 |
| Expendable: | | | | | | | |
| Scholarships and fellowships | 815,226 | 414,090 | 242,928 | 29,340 | | 38,803 | 1,540,387 |
| Research | 149,849 | | | | | | 149,849 |
| Loans | | | 10,000 | | | 10,000 | 20,000 |
| Debt service | | | 1,767,582 | | | | 1,767,582 |
| Renewal and replacement | | | 607,526 | | | | 607,526 |
| Other | 2,208,913 | 91,232 | 271,249 | 2,212,931 | 699,623 | | 5,483,948 |
| Unrestricted | 68,898,508 | 12,895,507 | 19,504,528 | 8,644,922 | 5,279,062 | 1,771,727 | 116,994,254 |
| TOTAL NET POSITION | \$ 267,589,553 | \$ 32,557,907 | \$ 43,204,229 | \$ 18,869,965 | \$ 20,652,032 | \$ 7,084,560 | \$ 389,958,246 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| OPERATING REVENUES | | | | | | | |
| Student tuition and fees (net of scholarship allowances of \$52,969,815) | \$ 53,003,992 | \$ 4,323,945 | \$ 1,860,213 | \$ 1,368,620 | \$ 4,285,389 | \$ 1,379,660 | \$ 66,221,819 |
| Grants and contracts | 21,630,911 | 3,505,573 | 3,749,363 | 1,511,261 | 2,442,851 | 3,094,256 | 35,934,215 |
| Sales and services | 1,240,308 | 66,376 | | 50,322 | | | 1,357,006 |
| Auxiliary enterprises (net of scholarship allowances of \$7,917,927) | 23,774,075 | 1,122,925 | 99,396 | 157,851 | 510,831 | 142,183 | 25,807,261 |
| Self-insurance | 6,066,003 | | | | | | 6,066,003 |
| Other operating revenues | 3,594,706 | 194,337 | 244,940 | 89,459 | 67,675 | 138,920 | 4,330,037 |
| TOTAL OPERATING REVENUES | 109,309,995 | 9,213,156 | 5,953,912 | 3,177,513 | 7,306,746 | 4,755,019 | 139,716,341 |
| OPERATING EXPENSES | | | | | | | |
| Personal services | 112,030,551 | 18,464,910 | 9,167,323 | 7,651,964 | 12,906,261 | 2,829,505 | 163,050,514 |
| Scholarships and fellowships | 10,674,861 | 3,053,640 | 1,513,694 | 1,486,988 | 1,829,590 | 512,901 | 19,071,674 |
| Supplies and services | 50,160,874 | 7,637,998 | 5,170,844 | 3,363,207 | 4,483,847 | 2,939,584 | 73,756,354 |
| Self-insurance | 20,043,070 | | | | | | 20,043,070 |
| Depreciation | 16,814,686 | 4,023,527 | 1,734,224 | 1,818,991 | 2,260,092 | 436,870 | 27,088,390 |
| Other | 51,522 | | | | | | 51,522 |
| TOTAL OPERATING EXPENSES | 209,775,564 | 33,180,075 | 17,586,085 | 14,321,150 | 21,479,790 | 6,718,860 | 303,061,524 |
| OPERATING INCOME (LOSS) | (100,465,569) | (23,966,919) | (11,632,173) | (11,143,637) | (14,173,044) | (1,963,841) | (163,345,183) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | |
| Federal appropriations | 186,847 | | | | | | 186,847 |
| State appropriations | 69,658,455 | 14,422,334 | 7,701,869 | 4,989,755 | 8,541,741 | 4,714,219 | 110,028,373 |
| Grants and contracts | 30,849,988 | 7,370,566 | 2,356,289 | 3,810,131 | 4,978,657 | 2,166,972 | 51,532,603 |
| CARES Grants-Related to COVID-19 | 10,597,723 | 1,272,870 | 647,851 | 1,214,809 | 778,214 | 578,693 | 15,090,160 |
| Sales and use taxes | | 1,914,899 | | | 1,054,289 | | 2,969,188 |
| Property taxes | | | 3,042,764 | 1,490,600 | | | 4,533,364 |
| Gifts | 2,703,269 | | 275,000 | 252,578 | 9,000 | | 3,239,847 |
| Investment income | 2,114,766 | 252,769 | 488,696 | 95,932 | 125,547 | 30,086 | 3,107,796 |
| Interest on capital asset - related debt | (5,548,299) | (1,133,999) | (790,505) | (149,537) | (256,728) | (12,277) | (7,891,345) |
| Gain or loss on disposal of capital assets | (389,656) | | (8,491) | | 1,102 | | (397,045) |
| Refund to grantors | (136,323) | (29,110) | (26,476) | (66,273) | (5,701) | (71,754) | (335,637) |
| Other nonoperating revenues (expenses) | 3,298,806 | (10,250) | (4,075) | (90,752) | (1,000) | | 3,192,729 |
| NET NON-OPERATING REVENUES (EXPENSES) | 113,335,576 | 24,060,079 | 13,682,922 | 11,547,243 | 15,225,121 | 7,405,939 | 185,256,880 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | 12,870,007 | 93,160 | 2,050,749 | 403,606 | 1,052,077 | 5,442,098 | 21,911,697 |
| Capital appropriations | 98,112 | | | | | | 98,112 |
| Capital grants and gifts | 173,462 | | | 25,354 | 7,782 | 150,000 | 356,598 |
| Adjustments to capital assets | 4,525 | | (19,448) | | (232,499) | | (247,422) |
| Capitalization of library holdings at rate per volume | 3,672 | | | 8,584 | | | 12,256 |
| Livestock additions | 12,613 | 3,937 | | | | | 16,550 |
| INCREASE (DECREASE) IN NET POSITION | 13,162,391 | 97,097 | 2,031,301 | 437,544 | 827,360 | 5,592,098 | 22,147,791 |
| NET POSITION - BEGINNING OF YEAR | 254,427,162 | 32,460,810 | 41,172,928 | 18,432,421 | 19,824,672 | | 366,317,993 |
| MERGER WITH COLLEGE OF THE OUACHITAS (NOTE 20) | | | | | | 1,492,462 | 1,492,462 |
| NET POSITION - BEGINNING OF YEAR, AS RESTATED | 254,427,162 | 32,460,810 | 41,172,928 | 18,432,421 | 19,824,672 | 1,492,462 | 367,810,455 |
| NET POSITION - END OF YEAR | \$ 267,589,553 | \$ 32,557,907 | \$ 43,204,229 | \$ 18,869,965 | \$ 20,652,032 | \$ 7,084,560 | \$ 389,958,246 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
|--|---------------------|---------------------|--------------------|--------------------|---------------------|--------------------|----------------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | |
| Student tuition and fees | \$ 51,762,224 | \$ 4,366,483 | \$ 1,782,944 | \$ 1,416,362 | \$ 4,111,320 | \$ 1,431,302 | \$ 64,870,635 |
| Grants and contracts | 20,726,447 | 3,435,676 | 3,938,575 | 1,613,743 | 2,114,330 | 2,796,151 | 34,624,922 |
| Auxiliary enterprises revenues | 24,160,021 | 1,185,545 | 99,396 | 154,431 | 596,301 | 142,183 | 26,337,877 |
| Sales and services | 1,240,308 | 57,643 | | 50,322 | | | 1,348,273 |
| Self-insurance program receipts | 5,753,331 | | | | | | 5,753,331 |
| Collection of principal and interest related to student loans | 684,256 | | | | | | 684,256 |
| Other receipts | 2,379,068 | 194,337 | 248,040 | 90,969 | 67,675 | 138,920 | 3,119,009 |
| Payments to employees | (98,686,568) | (14,120,121) | (6,981,906) | (5,817,922) | (9,543,267) | (5,809,960) | (140,959,744) |
| Payments for employee benefits | (12,590,044) | (4,420,368) | (2,174,397) | (1,665,407) | (3,038,788) | (1,671,605) | (25,560,609) |
| Payments to suppliers | (50,382,693) | (7,631,948) | (4,992,318) | (3,367,977) | (4,644,513) | (3,094,889) | (74,114,338) |
| Scholarships and fellowships | (10,674,861) | (3,053,640) | (1,513,694) | (1,486,913) | (1,829,590) | (512,901) | (19,071,599) |
| Self-insurance program payments | (20,159,037) | | | | | | (20,159,037) |
| Other payments | (860,800) | | | | | | (860,800) |
| Net cash provided (used) by operating activities | (86,648,348) | (19,986,393) | (9,593,360) | (9,012,392) | (12,166,532) | (6,580,799) | (143,987,824) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Federal appropriations | 214,602 | | | | | | 214,602 |
| State appropriations | 69,658,454 | 14,422,334 | 6,201,614 | 4,989,755 | 8,541,741 | 4,714,219 | 108,528,117 |
| Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners | | | 1,527,000 | | | | 1,527,000 |
| Grants and contracts | 29,630,338 | 7,369,378 | 1,485,664 | 3,753,554 | 5,307,364 | 2,166,972 | 49,713,270 |
| CARES Grants-Related to COVID-19 | 8,002,040 | 1,026,760 | | 529,785 | 328,685 | 578,693 | 10,465,963 |
| Private gifts and grants | 3,083,270 | | 125,000 | 254,487 | 9,000 | | 3,471,757 |
| Sales and use taxes | | 1,913,561 | | | 1,036,382 | | 2,949,943 |
| Property taxes | | | 2,960,140 | 1,485,034 | | | 4,445,174 |
| Direct lending, PLUS and FFEL loan receipts | 82,678,758 | 2,762,140 | | 1,762,482 | 2,435,193 | 1,822,310 | 91,460,883 |
| Direct lending, PLUS and FFEL loan payments | (91,357,614) | (2,760,163) | | (1,762,482) | (2,328,870) | (1,822,310) | (100,031,439) |
| Agency activity (net) | 195,400 | (21,859) | 440 | 3,439 | (7,941) | (5,885) | 163,594 |
| Refunds to grantors | (112,839) | (9,086) | (26,476) | (34,720) | (5,701) | (71,754) | (260,576) |
| Net cash provided (used) by noncapital financing activities | 101,992,409 | 24,703,065 | 12,273,382 | 10,981,334 | 15,315,853 | 7,382,245 | 172,648,288 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Proceeds from capital debt | 39,549 | | | | | | 39,549 |
| Capital appropriations | 61,346 | | | | | | 61,346 |
| Capital gifts and grants | 111,331 | | | 25,354 | | | 136,685 |
| Proceeds from sale of capital assets | 25,164 | | 2,000 | | 1,520 | | 28,684 |
| Purchases of capital assets | (7,209,381) | (578,054) | (120,587) | (155,342) | (826,070) | (52,728) | (8,942,162) |
| Payments to trustees for bond principal | (6,354,999) | (1,390,000) | | (330,000) | (315,000) | | (8,389,999) |
| Payments to trustees for bond interest and fees | (4,983,082) | (967,643) | | (150,262) | (117,651) | | (6,218,638) |
| Payments to debt holders for principal (other than bonds) | (1,730,743) | (91,570) | (57,327) | | (331,804) | (172,885) | (2,384,329) |
| Payments to debt holders for interest and fees (other than bonds) | (614,287) | (148,731) | (48,907) | | (134,086) | (13,503) | (959,514) |
| Property taxes remitted to bond trustees | | | (2,989,812) | | | | (2,989,812) |
| Distribution of excess property taxes from bond trustees | | | 1,606,893 | | | | 1,606,893 |
| Net cash provided (used) by capital and related financing activities | (20,655,102) | (3,175,998) | (1,607,740) | (610,250) | (1,723,091) | (239,116) | (28,011,297) |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

| | Jonesboro | Beebe | Mid-South | Mountain Home | Newport | Three Rivers | Total |
|---|------------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Proceeds from sales and maturities of investments | \$ 3,355,000 | \$ 8,266,163 | \$ 2,209,331 | \$ 3,000,000 | \$ 1,000,000 | | \$ 17,830,494 |
| Interest on investments (net of fees) | 1,633,484 | 275,547 | 269,304 | 91,350 | 111,878 | 30,086 | 2,411,649 |
| Purchases of investments | - | (5,950,000) | (2,759,350) | (3,700,000) | (500,000) | | (12,909,350) |
| Net cash provided (used) by investing activities | 4,988,484 | 2,591,710 | (280,715) | (608,650) | 611,878 | 30,086 | 7,332,793 |
| Net increase (decrease) in cash and cash equivalents | (322,557) | 4,132,384 | 791,567 | 750,042 | 2,038,108 | 592,416 | 7,981,960 |
| Cash and cash equivalents - beginning of year | 92,739,884 | 9,566,744 | 9,045,533 | 6,610,131 | 1,944,805 | | 119,907,097 |
| Merger with College of the Ouachitas (Note 20) | | | | | | 4,518,967 | 4,518,967 |
| Cash and cash equivalents - beginning of year, restated | 92,739,884 | 9,566,744 | 9,045,533 | 6,610,131 | 1,944,805 | 4,518,967 | 124,426,064 |
| Cash and cash equivalents - end of year | \$ 92,417,327 | \$ 13,699,128 | \$ 9,837,100 | \$ 7,360,173 | \$ 3,982,913 | \$ 5,111,383 | \$ 132,408,024 |
| Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities: | | | | | | | |
| Operating income (loss) | \$ (100,465,569) | \$ (23,966,919) | \$ (11,632,173) | \$ (11,143,637) | \$ (14,173,044) | \$ (1,963,841) | \$ (163,345,183) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation expense | 16,814,686 | 4,023,527 | 1,734,224 | 1,818,991 | 2,260,092 | 436,870 | 27,088,390 |
| Change in assets and liabilities: | | | | | | | |
| Receivables, net | (1,345,806) | 165,243 | 146,729 | 139,225 | (478,030) | (249,164) | (1,621,803) |
| Inventories | 390,073 | 1,667 | 2,167 | | (69,586) | (8,412) | 315,909 |
| Prepaid expenses | 46,015 | 2,425 | 27,299 | (24,528) | (3,872) | (38,687) | 8,652 |
| Accounts and salaries payable | (1,115,476) | (109,142) | 230,213 | 147,813 | (137,960) | (108,206) | (1,092,758) |
| Other postemployment benefits (OPEB) | 876,945 | 49,122 | (122,245) | 59,228 | 168,629 | (4,943,607) | (3,911,928) |
| Pension obligations | (260,850) | (128,329) | (50,709) | (74,114) | 60,749 | 210,589 | (242,664) |
| Unearned revenue | (1,530,579) | (55,709) | (24,568) | 9,852 | (5,021) | 2,700 | (1,603,325) |
| Deposits | (38,283) | 500 | | | 79,950 | | 42,167 |
| Refundable federal advances | (876,137) | | | | | | (876,137) |
| Compensated absences | 856,633 | 31,222 | 95,703 | 54,778 | 131,561 | 80,959 | 1,250,856 |
| Net cash provided (used) by operating activities | \$ (86,648,348) | \$ (19,986,393) | \$ (9,593,360) | \$ (9,012,392) | \$ (12,166,532) | \$ (6,580,799) | \$ (143,987,824) |
| Reconciliation of Cash and Cash Equivalents | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | 25,544,665 | 13,699,128 | 4,062,700 | 5,880,636 | 3,982,913 | 5,111,383 | 58,281,425 |
| Noncurrent Assets: | | | | | | | |
| Cash and Cash Equivalents | 63,251,782 | | - | 1,479,537 | - | - | 64,731,319 |
| Restricted Cash and Cash Equivalents | 3,620,880 | | 5,774,400 | - | - | - | 9,395,280 |
| Total cash and cash equivalents | \$ 92,417,327 | \$ 13,699,128 | \$ 9,837,100 | \$ 7,360,173 | \$ 3,982,913 | \$ 5,111,383 | \$ 132,408,024 |

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$1,640,000, at a premium of \$25,604. The proceeds of this issue were utilized as follows: \$1,625,023 was remitted to an escrow agent and \$40,581 was used to pay the bond issuance costs.

The University issued refunding bonds of \$3,750,000. The proceeds of this issue were utilized as follows: \$3,678,036 was remitted to an escrow agent and \$71,964 was used to pay the bond issuance costs.

Equipment-capital gifts of \$143,744

Student Union cafeteria improvements of \$3,479,051 received rather than remaining contract payments

Value of equipment traded for equipment-\$3,600

Value of equipment received from vendor discounts-\$64,344

Interest earned on reserve accounts held by trustee-\$26,109

Interest paid from accounts held by trustee-\$110,176

Amount earned on investments-\$365,092

BEEBE

Interest earned on reserve accounts held by trustee-\$2,942

Interest paid from accounts held by trustee-\$3,764

MID-SOUTH

Interest earned on reserve accounts held by trustee-\$29,673

Trustee payments for retirement of bond principal-\$555,000

Trustee payment for bond interest-\$748,052

Trustee payment for bond fees-\$4,075

Unrealized gain on investments-\$267,343

MOUNTAIN HOME

The University issued refunding bonds of \$4,885,000. The proceeds of this issue were utilized as follows: \$4,794,248 was remitted to an escrow agent and \$90,752 was used to pay the bond issuance costs.

Interest earned on reserve accounts held by trustee-\$493

Interest paid from accounts held by trustee-\$1,389

NEWPORT

Interest earned on reserve accounts held by trustee-\$176

Amount of interest earned on CD's reinvested with CD's-\$6,262

Equipment-capital gifts of \$7,782

THREE RIVERS

Land-capital gift of \$13,500

Building-capital gift of \$136,500