

Arkansas State University System

Little Rock, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



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Arkansas

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Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We did not audit the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., is based solely on the report of the other auditors. The financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in 2022 the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-28, 122-125, and 126-131, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Statement of Net Position by Campus (Schedule 2), the Statement of Revenues, Expenses, and Changes in Net Position by Campus (Schedule 3), the Statement of Cash Flows by Campus (Schedule 4), the Statement of Fiduciary Net Position by Campus (Schedule 5), and the Statement of Changes in Fiduciary Net Position by Campus (Schedule 6) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, the Statement of Cash Flows by Campus, the Statement of Fiduciary Net Position by Campus, and the Statement of Changes in Fiduciary Net Position by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 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 7, 2022
EDHE12522

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
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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, 2022, 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 7, 2022. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the Arkansas State University System Foundation, Inc., the Arkansas State University Red Wolves Foundation, Inc., and the Henderson State University Foundation, Inc.

Report on 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 were not identified.

Report on 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 7, 2022.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 7, 2022

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 – Newport

Arkansas State University – Newport's internal controls failed to detect a fraudulent email received during July 2022, and payroll staff subsequently modified an employee's bank information, resulting in a loss of \$1,369. As of October 31, 2022, the funds had not been recovered.

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, 2022, 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>2021</u>	<u>Fall Term</u> <u>2021</u>	<u>Spring Term</u> <u>2022</u>	<u>Summer I Term</u> <u>2022</u>
Student Headcount	7,886	24,307	23,170	10,056
Student Semester Credit Hours	32,274	230,806	214,202	49,993

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

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

ARKANSAS LEGISLATIVE AUDIT

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 7, 2022

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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, 2021 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has remained stable during the fiscal year.

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

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

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

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

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

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

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

In June 2017, the GASB issued Statement no. 87, *Leases*. This statement improves accounting and financial reporting for leases.

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

The University's financial statements for the year ended June 30, 2022 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, 2022 and 2021 where appropriate.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2022, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed below.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2022:

- 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				
	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets and Deferred Outflows:				
Current Assets	\$ 145,644,155	\$ 146,704,492	\$ (1,060,337)	(0.72%)
Capital Assets, net	537,269,657	551,523,175	(14,253,518)	(2.58%)
Other Noncurrent Assets	<u>157,975,444</u>	<u>138,413,742</u>	<u>19,561,702</u>	14.13%
Total Assets	840,889,256	836,641,409	4,247,847	0.51%
Deferred Outflows	<u>11,232,832</u>	<u>15,112,256</u>	<u>(3,879,424)</u>	(25.67%)
Total Assets and Deferred Outflows	<u>\$ 852,122,088</u>	<u>\$ 851,753,665</u>	<u>\$ 368,423</u>	0.04%
Liabilities and Deferred Inflows:				
Current Liabilities	\$ 53,689,961	\$ 65,489,814	\$ (11,799,853)	(18.02%)
Noncurrent Liabilities	<u>273,871,141</u>	<u>311,201,237</u>	<u>(37,330,096)</u>	(12.00%)
Total Liabilities	327,561,102	376,691,051	(49,129,949)	(13.04%)
Deferred Inflows	<u>43,624,670</u>	<u>21,375,123</u>	<u>22,249,547</u>	104.09%
Total Liabilities and Deferred Inflows	<u>371,185,772</u>	<u>398,066,174</u>	<u>(26,880,402)</u>	(6.75%)
Net Position:				
Net Investment in Capital Assets	303,804,842	284,429,128	19,375,714	6.81%
Restricted, Nonexpendable	16,810,155	19,579,467	(2,769,312)	(14.14%)
Restricted, Expendable	11,024,084	7,755,610	3,268,474	42.14%
Unrestricted	<u>149,297,235</u>	<u>141,923,286</u>	<u>7,373,949</u>	5.20%
Total Net Position	480,936,316	453,687,491	27,248,825	6.01%
Total Liabilities and Net Position	<u>\$ 852,122,088</u>	<u>\$ 851,753,665</u>	<u>\$ 368,423</u>	0.04%

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Assets and Deferred Outflows

Total assets and deferred outflows increased by \$285,000.

Current Assets

Current assets decreased by \$1.1 million.

Cash and Cash Equivalents

Cash and cash equivalents increased by \$13.9 million. The Jonesboro and Beebe campuses each had substantial increases of \$9.3 million and \$4.8 million, respectively. During fiscal year 2021, Jonesboro had a large accounts receivable of \$17 million in a plant fund that was netted against current cash. Beebe's increase was mainly due to certificate of deposits that were converted to cash. The Newport campus had an increase of roughly \$800,000 primarily from receiving additional federal Higher Education Emergency Relief Funds (HEERF I/HEERF II/HEERF III). Henderson State University had a small increase of \$100,000; while Mid-South, Mountain Home, and Three Rivers experienced decreases of \$140,000, \$600,000, and \$400,000, respectively. Mountain Home spent more cash in anticipation of being reimbursed from HEERF funds after June 30, 2022.

Short-term Investments

Short-term investments decreased by \$3.7 million. The Beebe campus converted \$3.7 million of certificate of deposits to cash. Mid-South had a slight increase of roughly \$11,000, and there were no changes at the other campuses.

Accounts Receivable

Accounts receivable decreased by approximately \$10.8 million; although, only the Jonesboro campus experienced a decrease. Gross receivables decreased by \$17.2 million. The Jonesboro campus's decrease of \$14.3 million was largely due to recording HEERF III funds of approximately \$13.2 million and state treasury funds of \$3.8 million released at the end of the fiscal year 2021 and received during fiscal year 2022. The other campuses had a combined increase of about \$3.4 million. Beebe's and Mountain Home's increases of \$1.1 million and \$560,000, respectively, were due to receivables related to HEERF III. Three Rivers also showed an increase due to balances related to their student accounts receivable being higher than the previous year. Newport's increase of \$400,000 was a result of higher receivables at year end related to students, HEERF III, and Direct Lending. The Mid-South campus's increase of \$580,000 was a result of higher Federal Pell Grants receivable at the end of 2022. 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 \$6.4 million. All of the campuses, with the exception of two, experienced decreases. Henderson State University had the largest decrease of \$6.1 million due to the writing off of student accounts with balances over 2 years old. The campus had previously not done a write-off in several years. Mountain Home reduced their allowance by \$186,000 to \$0 due to students using HEERF funds to pay on accounts. Of the remaining campuses, the combined decrease of \$52,000 was minimal.

Inventories

Inventories decreased by \$504,000. Of the campuses with inventories, all experienced declines except for Henderson State University which remained the same. The highest change was the decrease of \$235,000 at the Jonesboro campus due to Information and Technology Services, Facilities Management, and various heritage sites reducing their inventories. Newport had a decrease of \$149,000. This was a result of several courses changing book requirements from physical textbooks to online access codes, so less bookstore inventory was needed. Beebe no longer operates a bookstore and kept less inventory on hand in central stores, resulting in a decrease of \$105,000. Mid-South and Three Rivers had minor decreases of \$6,000 and \$9,000, respectively.

Leases Receivable

During fiscal year 2022, the University implemented GASB Statement no. 87, *Leases*. The Jonesboro campus and Henderson State University are the only campuses with leases receivable. The Jonesboro campus has three lease agreements leasing ground owned by the campus. Henderson State University leases a building and then subleases two different spaces in the building. Additional information about these leases may be found in Note 6. The current portion of leases receivable recorded during the year was \$641,050.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Current Assets (Continued)

Deposits with Trustees

Deposits with trustees increased minimally by \$14,000. Of the five campuses having deposits with trustees, two had increases. The largest increase was \$64,000 at the Jonesboro campus due to a refunding issue at the end of the year. All of the issuance costs were not paid by the trustee as of the end of the fiscal year. Additional information on the bond refunding may be found in Note 5. The largest decrease was \$59,000 at Henderson State University. This was due to a combination of transfers made to deposits with trustees for payments due July 1 and payments made from deposits with trustees from amounts transferred in a prior fiscal year. All of the remaining campuses had a minimum combined increase of about \$9,000. Three Rivers does not have bonds issued and had no deposits with trustees.

Prepaid Expenses

Prepaid expenses decreased by approximately \$348,000. All campuses had decreases, except for Newport with an increase of \$13,000 and Henderson State University which did not have any prepaid expenses. The largest change was the decrease at Jonesboro of \$235,000. Athletics normally has several prepaid expenses for the upcoming football season, but they did not have any during this fiscal year. There was a decrease of \$71,000 at the Mid-South campus. This was mainly attributable to the campus's prior year prepaid expenses for a vehicle, aviation equipment, and software. Mountain Home had a decrease of \$27,000 due to a reduction in the amounts paid in fiscal year 2022 for fiscal year 2023 expenses. Three Rivers had fewer annual software licenses which resulted in their decrease of \$27,000. Beebe had a trivial decrease.

Capital Assets, net

Capital assets, net decreased by \$14.3 million. Accumulated depreciation increased from \$590,881,018 in 2021 to \$619,462,842 in 2022. This increase, of approximately \$28.6 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 2021 and began depreciating in 2022. The increase in accumulated depreciation was offset by the addition of \$17.1 million in capital assets and the retirement of \$2.8 million in capital assets with accumulated depreciation of \$2.5 million. Of the \$17.1 million added to capital assets, \$7.7 million was construction in progress, \$310,000 was buildings, \$1.6 million was improvements and infrastructure, \$5.3 million was equipment, and \$1.9 million was intangibles related to software in development. Additional information about capital assets may be found in the 'Capital Assets' section of this Management's Discussion and Analysis.

Other Noncurrent Assets

Other noncurrent assets increased by \$19.6 million.

Noncurrent Cash

Noncurrent cash increased by approximately \$4 million, while restricted cash decreased by \$5.9 million. Only four campuses have a noncurrent cash balance; Jonesboro, Mid-South, Mountain Home, and Henderson State University. Mid-South had an increase of \$7.6 million, primarily due to a reclassification of most of their restricted balance to plant funds that are not externally restricted. Henderson State University also had an increase of \$500,000 due to receivables from the TSS revolving loan and the Arkansas Natural and Cultural Resources Council. Jonesboro had a decrease of \$4 million; while Mountain Home had a small decrease of roughly \$100,000. Jonesboro recorded a HEERF receivable of \$13.2 million in the previous fiscal year that affected noncurrent cash. Jonesboro, Mid-South, and Henderson State University are the only ones with a noncurrent restricted cash balance. The greatest change was the decrease of \$6.8 million at the Mid-South campus. This was a result of the reclassification stated above. Jonesboro had a trivial decrease. Henderson State University had an increase of roughly \$850,000 from separating state treasury and loan funds during this fiscal year.

Endowment Investments

Endowment investments decreased by \$3.1 million. The bulk of this decrease was due to Jonesboro's \$2.9 million decline in valuation of their endowment funds. The remaining difference was from a decrease in the return rate of Beebe's investments compared to previous years. The other campuses did not have endowment investments.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Other Noncurrent Assets (Continued)

Right to use Leased Assets

During fiscal year 2022, the Jonesboro campus recorded two right to use leased assets. The campus has agreements to use two buildings on campus built on University property owned by outside parties. Additional information on the right to use leased assets may be found in Note 18. Additionally, the campus has various leases for office space, land, and farm equipment. Henderson State University also has a lease for office space and Mid-South has leases for copiers and printers. Additional information on the terms of these leases may be found in Note 6. The amount recorded for the leased assets, less amortization, totaled \$14.6 million.

Leases Receivable

During fiscal year 2022, the University implemented GASB Statement no. 87, *Leases*. The Jonesboro campuses and Henderson State University are the only campuses with leases receivable. The Jonesboro campus has three lease agreements leasing ground owned by the campus. Henderson State University leases a building and then subleases two different spaces in the building. Additional information about these leases may be found in Note 6. The noncurrent portion of leases receivable recorded during the year was \$11.9 million.

Other Long-term Investments

Other long-term investments decreased by \$9.6 million. The Jonesboro and Mountain Home campuses are the only ones to have a balance in other long-term investments. As investments are maturing at the Jonesboro campus, new investments are not being purchased. There is a strategic change to move from investments to cash which resulted in a decrease of \$1.2 million for the year. Mountain Home remained unchanged from the previous year. Mid-South had a balance in this category in fiscal year 2021, but reclassified the total to restricted and unrestricted investments during this fiscal year to more accurately reflect balances. This resulted in a decrease of \$8.4 million.

Irrevocable Split-Interest Agreement

The Jonesboro campus implemented GASB no. 81, *Irrevocable Split-Interest Agreements*, which was effective July 1, 2017. There was a decrease of roughly \$6,400 during fiscal year 2022 as the trustee re-appraised the value of the asset.

Deposits with Trustees

Deposits with trustees increased by \$76,000. Of the four campuses having deposits with trustees; all of them had increases. The Mid-South campus had the majority of the increase with \$59,000. This was due to a deposit of property tax funds made shortly before the end of the fiscal year. The other three campuses had minimal increases. Additional information on the bond refunding may be found in Note 5.

Deferred Outflows

Deferred outflows decreased by approximately \$3.9 million. Roughly \$3.5 million of this decrease was due to a decreased 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 2022 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) decreased by about \$796,000. All of the campuses recorded decreases for the year. 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 increased by \$379,000. All the campuses, other than Jonesboro, had decreases due to the amortization of these amounts. Jonesboro recorded an additional amount for their bond refunding issue. Additional information about the bond issue may be found in the Debt Administration section of this Management's Discussion and Analysis and Note 5.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows decreased by \$26.9 million.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Current Liabilities

Current liabilities decreased by \$11.8 million.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased by \$12.3 million. Jonesboro and Henderson State University each had substantial decreases of \$8.4 million and \$4.5 million, respectively. Jonesboro's decline is mainly attributable to a payable due to the United States Department of Education for direct lending at the end of fiscal year 2021 which did not occur again in 2022. Henderson State University entered financial exigency and had a furlough of 20% of payroll for all employees. A part of this process involves reducing expenses and paying invoices in a timelier manner which allowed for a massive reduction in accounts payable. The Mountain Home and Three Rivers campuses also had small decreases of \$17,000 and \$145,000, respectively. Mid-South had an increase of \$625,000. The majority of this increase was due to year-end equipment purchases; a CNC machine, lab tables, and new computers for staff. Beebe and Newport had slight increases of \$64,000 and \$47,000, respectively.

Bonds, Notes, Leases, and Installment Contracts Payable

Bonds, notes, leases, and installment contracts payable increased slightly by \$167,000. There was a mix of increases and decreases among the campuses. There was no additional debt issued during the fiscal year; however Jonesboro did have a bond refunding issue and Newport paid off one note early. Additionally, this was the first year for the campuses to record leases as directed in GASB Statement no. 87. The Jonesboro and Mid-South campuses, as well as Henderson State University, recorded leases during the year. Additional information on the terms of each lease may be found in Note 6. Also, there are three campuses (Jonesboro, Beebe, and Newport) who have energy performance contracts. Prior to GASB Statement no. 87, these were classified as capital leases payable. Under GASB 87, these have been re-classified to installment contracts payable.

Unearned Revenues

Unearned revenues decreased by approximately \$112,000. All campuses, other than Jonesboro and Henderson State University, had decreases for the year. Jonesboro had a trivial increase; while Henderson State University had an increase of roughly \$370,000. This was primarily due to the recognition of unearned revenues for the summer II term. Three Rivers had a decrease of \$205,000. Their prior year unearned revenue included a Ready For Life start up grant. Mid-South also had a decrease of \$157,000 related to balances in their Ascendium and Ready for Life grants. These are 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. Beebe, Mountain Home, and Newport all had decreases around \$40,000 due to the implementation of the Banner ERP system. They were unable to collect tuition and fees for the summer II or fall terms until after July 1, 2022.

Deposits

Deposits increased by \$706,000. Jonesboro had an increase of \$584,000 which was mostly attributable to an influx in international tuition deposits for the year. Henderson State University had an increase of \$223,000 from aviation deposits. There was a decrease of \$101,000 at Newport. Prior year deposits were unusually high since they allowed more students to use excess HEERF funds to prepay summer and fall semesters. Beebe had a minor increase, and Mid-South had a minor decrease.

Other Postemployment Benefits (OPEB) Liability

The current portion of this liability, a reduction of about \$127,000, 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 2023. Additional information about OPEB may be found in Note 12 and the Required Supplementary Information.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$37.3 million.

Bonds, Notes, Leases, and Installment Contracts Payable

Bonds, notes and leases payable decreased by \$12.6 million. All campuses had decreases when compared to 2021. The decrease is a reflection of the reduction of principal amounts owed by all the campuses for bonds, notes, and leases payable. As previously mentioned, there was no additional debt issued during the fiscal year; however Jonesboro did have a bond refunding issue and Newport paid off one note early.

ARKANSAS STATE UNIVERSITY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Noncurrent Liabilities (Continued)

Other Postemployment Benefits (OPEB) Liability

The noncurrent portion of this liability decreased by about \$5.8 million and was recorded during the year in accordance with GASB no. 75. Additional information about OPEB may be found below in the deferred inflows section, in Note 12 and the Required Supplementary Information.

Net Pension Liability

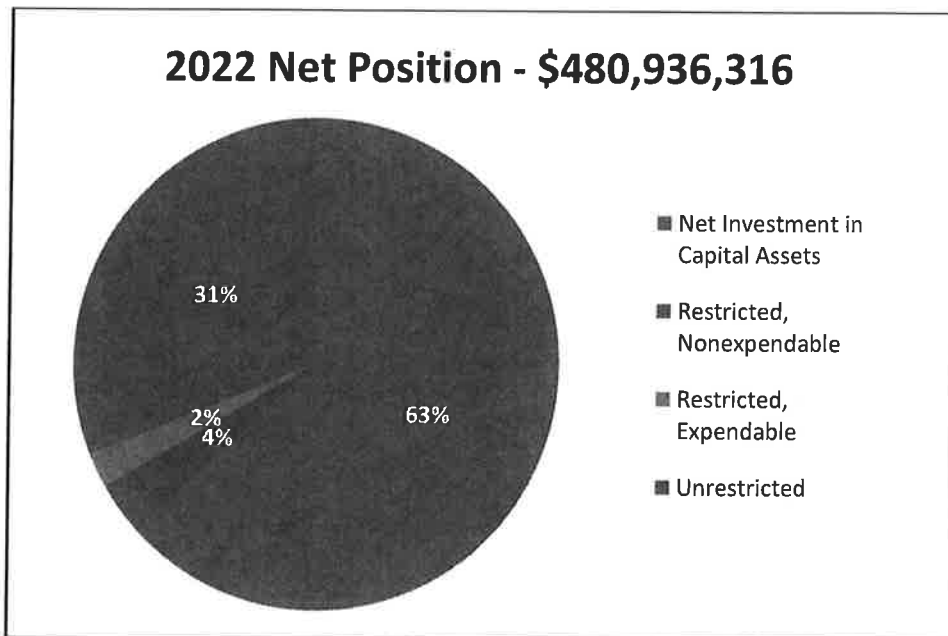
The University's portion of the net pension liability decreased by around \$18 million. These amounts were recorded in accordance with GASB no. 68. Additional information about the net pension liability may be found in Note 8 as well as the Required Supplementary Information.

Deferred Inflows

Deferred inflows increased by \$22.2 million. About half of this increase, \$12.1 million, was the amount related to the recording of leases for the first time in accordance with GASB no. 87. As previously mentioned, Jonesboro and Henderson State University were the only campuses to record an amount related to leases receivable and there is also a deferred inflow amount related to those leases. Additional information on the leases may be found in Note 6. Additionally, there was a \$10.5 million increase in pensions which was recognized in fiscal year 2022 in accordance with GASB no. 68. The deferred inflows are recorded in conjunction with the deferred outflows and net pension liability discussed previously. There was a small decrease of \$309,000 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 \$5.8 million related to the noncurrent liability portion of OPEB. The overall effect of recording the OPEB amounts showed a decrease of about \$5.4 million. The remaining minimal decrease of \$6,400 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 \$27.2 million. The percentage of each net position category is displayed in the chart below.



Net investment in capital assets

Net investment in capital assets increased by \$19.4 million. This increase was mainly attributable to reduction of long-term debt associated with capital projects. Additionally, the Jonesboro campus recorded a large amount, \$13.5 million for right to use leased assets. The amount of depreciation exceeded the amount of capital asset additions. In previous years, there have been large increases of construction projects to offset the amount of depreciation recognized. For 2022, there was \$17.1 million in capital assets additions compared to \$31.1 million of depreciation expense.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Net Position (Continued)

Restricted, Nonexpendable

Restricted, nonexpendable net position decreased by \$2.8 million.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships decreased by approximately \$1.2 million. This was due to the Jonesboro and Beebe campuses' decreases in the fair value of endowment investments held by the ASU Foundation for scholarship purposes.
- *Renewal and Replacement*—The Mid-South campus has restricted, nonexpendable net position for renewal and replacement. There were no changes to the net position during the fiscal year.
- *Loans*—The restricted, nonexpendable net position for loans decreased in the amount of \$137,000. This was due to the Federal Perkins Loan activity at the Jonesboro campus and Henderson State University. 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 \$1.5 million. 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 \$3.3 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by \$223,000. Jonesboro and Beebe had decreases of \$111,000 and \$131,000, respectively. This was due to decreases in the fair value of endowment investments held by the ASU Foundation for scholarship purposes. The Mid-South campus had a small decrease of \$13,000; while Henderson State University had a slight increase of \$32,000.
- *Research*—Restricted, expendable net position for research decreased by \$475,000. The majority of this amount is from Henderson State University's decrease of \$473,000 which was the result of reclassifying research from their legacy ERP system to other restricted, expendable. The remaining amount is from the Jonesboro campus. Research net position was negative and added to other restricted, expendable.
- *Loans*—The restricted, expendable net position for loans decreased by \$47,000. None of the campuses have a restricted, expendable net position amount for loans, but Mid-South and Henderson State University did during the previous fiscal year. Henderson State University's decrease of \$37,000 was the result of reclassifying loans from their legacy ERP system to other restricted, expendable. The decrease of \$10,000 at the Mid-South campus was the result of reclassifying travel advances which were previously reported as restricted, expendable loans.
- *Debt Service*—The restricted, expendable net position for other purposes than those listed above decreased by \$247,000. Mid-South is the only campus to have funds restricted for debt service due to their debt structure for bonds payable. The campus saw a small decrease of roughly \$7,000. Henderson State University had a balance in the previous fiscal year of \$240,000, but the full amount was reclassified from their legacy ERP system to other restricted, expendable for this fiscal year.
- *Renewal and Replacement*—The Mid-South campus has restricted, expendable net position for renewal and replacement. There was an increase of about \$1.1 million due to Marion Berry and Wellness Center bond transfers that were previously classified as unrestricted, but should have been renewal and replacement.
- *Other*—The restricted, expendable net position for other purposes than those listed above increased by approximately \$2.1 million. The largest change was the increase of \$2.6 million at Henderson State University. This was a result of reclassifying funds listed above from their legacy ERP system to other restricted, expendable. Beebe also had an increase of \$177,000 due to HEERF III funds not being reimbursed. Mountain Home had a small increase of \$32,000. Jonesboro's decline in valuation of endowment funds led to a decrease of about \$463,000. The Mid-South and Newport campuses saw decreases of \$210,000 and \$74,000, respectively, which were the result of higher than normal balances in the previous fiscal year. Three Rivers does not have a balance for this.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Net Position (Continued)

Net Position (Continued)

Unrestricted

Unrestricted net position increased by \$7.4 million. All campuses experienced increases, other than Jonesboro and Mountain Home which had decreases of \$817,000 and \$130,000, respectively. Jonesboro experienced higher supplies and services expenses, higher self-insurance expenses, increased deposits on hand, and a decline in tuition revenue. Beebe had fewer COVID expenses which led to an increase of \$3.1 million. Henderson State University's increase of \$1.9 million was due to a reduction of payables from entering financial exigency and drawing down their remaining HEERF funds. The Newport campus continued to use HEERF funds prudently and invest in new fixed assets and IT infrastructure, resulting in an overall increase of \$1.7 million. Mid-South and Three Rivers had increases of \$226,000 and \$523,000, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The net position as presented on the Statement of Net Position is based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses, and Changes in Net Position. This statement's purpose is to present the revenues generated and received by the University, both operating and nonoperating, the expenses incurred by the University, both operating and nonoperating, and all other financial gains or losses experienced by the University during the fiscal year ended June 30, 2022.

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 2022 compared to fiscal year 2021 is shown below.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Condensed Statement of Revenues, Expenses and Changes in Net Position				
	2022	2021	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 71,463,532	\$ 70,455,406	\$ 1,008,126	1.43%
Grants and Contracts	38,524,894	36,894,255	1,630,639	4.42%
Auxiliary Enterprises, Net	34,380,782	29,367,343	5,013,439	17.07%
Other	12,037,535	11,688,025	349,510	2.99%
Total Operating Revenues	<u>156,406,743</u>	<u>148,405,029</u>	<u>8,001,714</u>	5.39%
Operating Expenses				
	386,473,481	363,809,589	22,663,892	6.23%
Nonoperating Revenues (Expenses)				
State Appropriations	135,413,506	135,778,821	(365,315)	(0.27%)
Grants and Contracts	54,020,204	58,561,444	(4,541,240)	(7.75%)
Interest on Capital Asset - Related Debt	(9,143,386)	(10,104,249)	960,863	(9.51%)
Other	60,205,033	63,850,746	(3,645,713)	(5.71%)
Total Nonoperating Revenues (Expenses)	<u>240,495,357</u>	<u>248,086,762</u>	<u>(7,591,405)</u>	(3.06%)
Income Before Other Revenues, Expenses, Gains or Losses				
	<u>10,428,619</u>	<u>32,682,202</u>	<u>(22,253,583)</u>	(68.09%)
Capital Appropriations				
Capital Appropriations	1,201,455	1,223,869	(22,414)	(1.83%)
Capital Grants and Gifts	1,639,612	8,848,584	(7,208,972)	(81.47%)
Right to use assets	13,880,104		13,880,104	100.00%
Other	(165,169)	1,125,613	(1,290,782)	(114.67%)
Total	<u>16,556,002</u>	<u>11,198,066</u>	<u>5,357,936</u>	
Increase (Decrease) in Net Position	<u>\$ 26,984,621</u>	<u>\$ 43,880,268</u>	<u>\$ (16,895,647)</u>	(38.50%)
Net Position, Beginning of Year	\$ 453,687,491	\$ 409,733,155	\$ 43,954,336	10.73%
Restatement for GASB 75		\$ 71,068		
Restatement for GASB 87	\$ 264,204			
Net Position, End of Year	\$ 480,936,316	\$ 453,687,491	\$ 27,248,825	6.01%

Revenues

Total revenues increased by approximately \$2 million.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Operating Revenues

Total operating revenues increased by \$8 million.

Tuition and Fees, net

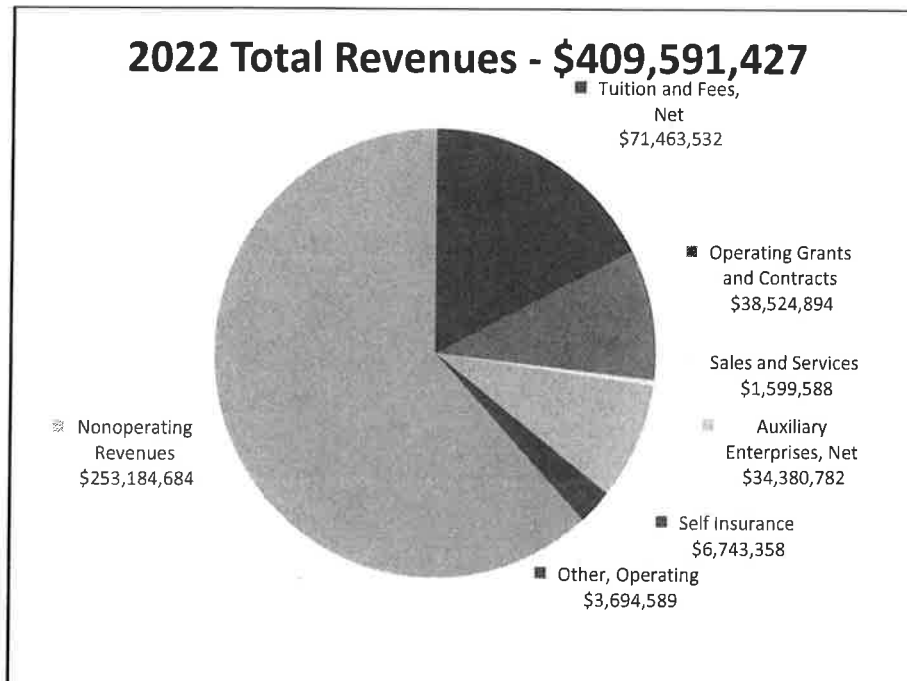
Net tuition and fees increased by \$1 million. Gross tuition and fee revenue decreased by \$5.2 million. The largest increase was at the Beebe campus in the amount of \$1.1 million. This is mainly due to the application of payment process in their legacy student module which did not consistently apply payments and scholarships based on priority codes. Transitioning to the Banner student module is expected to resolve these issues in the future. Newport had an increase of roughly \$527,000, primarily from the following programs; commercial driver training, nursing, and off-campus concurrent courses. The increase at Three Rivers was about \$185,000 from higher enrollment for the year. Henderson State University had an increase of around \$389,000 due to scholarship changes. The largest decrease was at the Jonesboro campus in the amount of \$1 million; primarily due to a decline in on-campus enrollment. Mid-South and Mountain Home had small decreases of \$102,000 and \$23,000, respectively. Declines in student enrollment led to a decrease in scholarship allowances. Furthermore, the Jonesboro campus experienced a \$2 million decrease in state financial aid. Scholarship allowances decreased by \$6.2 million.

Grants and Contracts

Operating grants and contracts increased by \$1.6 million. Jonesboro, Mid-South, and Three Rivers all experienced increases; while the other four campuses had decreases. The largest change was the increase of \$1.5 million at Three Rivers due to the opening of the Saline County Career Technical Center. Three Rivers provided the curriculum and faculty for the center which offered technical classes for 400 high school students. Total revenue for the center was \$1.4 million. Jonesboro and Mid-South had increases of \$509,000 and \$135,000, respectively. Beebe, Mountain Home, Newport, and Henderson State University experienced decreases in operating grants and contracts revenues due to slight decreases of these balances at the end of the year. Overall, the change across the campuses was an increase of 4.42%. 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 play a role in the ending balances for grants and contracts.

Sales and Services

Sales and services decreased by roughly \$216,000. All the campuses that show sales and services revenue had decreases except for Henderson State University which had a minor increase of \$9,000. Jonesboro had the largest decrease of around \$219,000. This was primarily from a decrease in their ecotoxicology lab revenue. Mountain Home had a decrease of \$3,000 from a continued reduction in room rentals. Beebe had a decline in livestock sales which led to a slight decrease of \$3,000.



ARKANSAS STATE UNIVERSITY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2022

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

Operating Revenues (Continued)

Auxiliary Enterprises, net

Auxiliary enterprises, net increased by \$5 million. All campuses, except for Beebe and Three Rivers, experienced an upturn from 2021 to 2022. The majority of this amount was from Jonesboro and Henderson State University's increases of \$3 million and \$2.4 million, respectively. Jonesboro had increased income from the following areas; game guarantees, athletic fees, food service, First National Bank Arena sales, and parking services. Henderson State University began recognizing auxiliary fees after implementing the Banner ERP system that were previously considered regular student fees in their legacy system. Newport's bookstore operations are back to normal after being adversely affected by COVID in the previous two years, resulting in an increase of \$175,000. Mountain Home's increase of \$130,000 is due to performances held in the Community Development Center that were previously postponed from COVID. The largest decrease was at Beebe in the amount of \$605,000. Their bookstore was privatized July 1, 2021, so they no longer have bookstore sales. The remaining amounts are from Mid-South's minor increase and Three Rivers' minor decrease. In addition to the increased revenues, scholarship allowances related to auxiliaries decreased by \$1.3 million.

Self-Insurance

Self-insurance revenues increased by \$360,000. During fiscal year 2022, there was a minimal increase in premiums beginning in January 2022 for the employee withholding amount.

Other

Other operating revenues increased by \$205,000. The largest change was Henderson State University's increase of \$310,000. This was a result of adjustments and miscellaneous allocations that were necessary when transitioning from their legacy system to the Banner ERP system. There was an increase of \$55,000 at the Newport campus. This revenue was lower in the previous two years due to COVID and has risen since operations returned to normal. Three Rivers had an increase of \$41,000 due to an insurance claim from the Arkansas Insurance Department related to damages caused by a broken water pipe. Beebe had a small increase of \$8,500. Jonesboro's decrease of \$175,000 was related to the Federal Perkins Loan program. The Mid-South and Mountain Home campuses experienced small decreases of \$23,000 and \$12,000, respectively.

Nonoperating Revenues

Total nonoperating revenues decreased by \$6 million.



ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Nonoperating Revenues (Continued)

Federal Appropriations

Federal appropriations slightly decreased by approximately \$79,000. In previous fiscal years, the Jonesboro campus received several federal awards related to grants and contracts. These funds continue to fall as available grant resources decline. The emphasis is shifting more towards other types of grant funding.

State Appropriations

State appropriations decreased marginally by \$365,000. All campuses had decreases, other than Mid-South and Henderson State University. Jonesboro had the largest decrease of \$851,000; while Henderson State University saw the largest increase of \$623,000. The increases and decreases at the campuses were due to variances in general appropriation funding and miscellaneous appropriations that are received in one year, but not another. Act 148 of 2017 repealed the needs-based and outcome-centered funding and directed the Arkansas Higher Education Coordinating Board to adopt policies developed by the Department of Higher Education (ADHE) necessary to implement a productivity-based funding model for state-supported institutions of higher education. Productivity-based funding is a mechanism to align institutional funding with statewide priorities for higher education by incentivizing progress toward statewide goals. At the same time, such models encourage accountability to students and policymakers by focusing on the success of students through the achievement of their educational goals. The new funding model is built around a set of shared principles developed by institutions and aligned with goals and objectives for post-secondary attainment in the state.

Grants and Contracts

Nonoperating grants and contracts decreased by \$4.5 million. All campuses, other than Mountain Home and Newport, experienced declines during the year. The largest decrease was at Henderson State University in the amount of \$1.9 million; while the smallest decrease was at Three Rivers for \$150,000. Most decreases were a result of less Pell funding due to declines in student enrollment; although Jonesboro's Pell funding was somewhat higher. Newport had an increase of \$167,000; while Mountain Home's increase was trivial. Despite the fact that Newport's overall enrollment did not increase, they had more eligible Pell students enrolled which resulted in more Pell and Federal Supplemental Educational Opportunity Grant (FSEOG) funding.

HEERF Grants-Related to COVID-19

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

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

The Higher Education Emergency Relief Fund III (HEERF III) was authorized by the American Rescue Plan (ARP), Public Law 117-2, and was signed into law on March 11, 2021. This provided \$39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. ARP funds are in addition to funds authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260 and the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136.

As with HEERF I, both HEERF II and HEERF III provided a portion of institutional funds and a portion of funds dedicated to students. During fiscal year 2022, there were \$306,000 in direct payments to students from HEERF II funds and about \$29 million in direct payments to students from HEERF III funds.

ARKANSAS STATE UNIVERSITY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2022

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

Nonoperating Revenues (Continued)

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

Sales and Use Taxes

Sales and use taxes increased by \$103,000 overall. Beebe saw an increase of \$111,000; while Newport experienced a decrease of \$8,000.

Property Taxes

Property tax revenues decreased marginally overall by \$3,000; although the individual campuses experienced larger fluctuations. Mid-South saw an increase of \$60,000, but Mountain Home had a decrease of \$63,000.

Gifts

Revenues from gifts increased by approximately \$294,000. Mid-South had the largest increase of \$157,000, primarily from a gift for the auto program and a rise in donations to cover Goldsby scholarships. Jonesboro and Mountain Home also saw increases of \$148,000 and \$64,000, respectively. Henderson State University and Newport's decreases of \$71,000 and \$4,000 were due to one-time gifts received in the prior fiscal year.

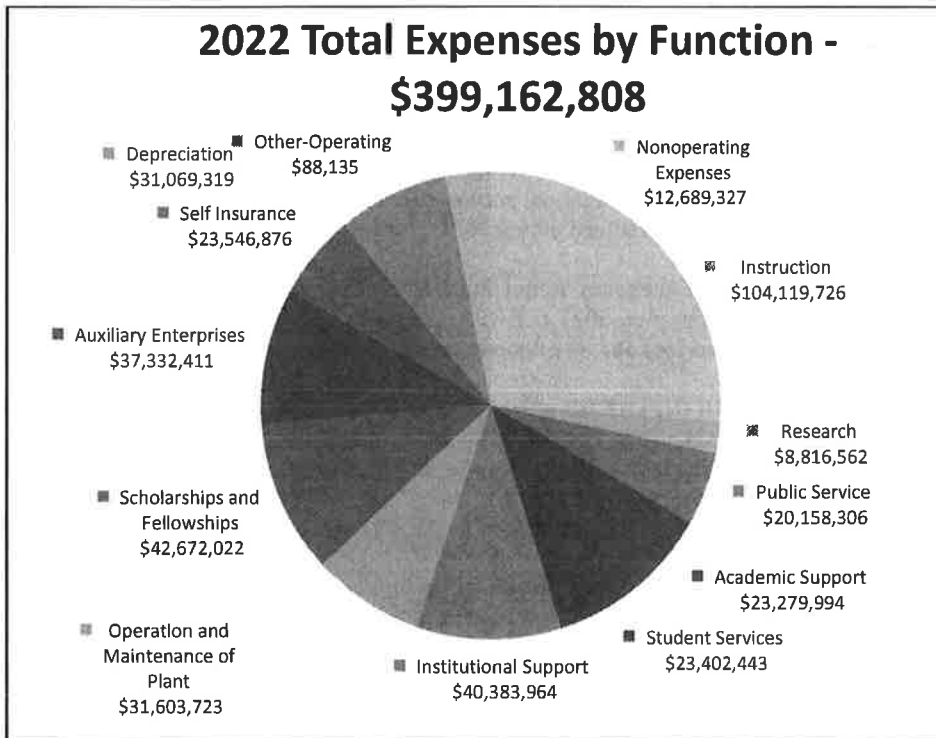
Expenses

Total expenses increased by \$24.2 million.

Operating Expenses

Total operating expenses increased by \$22.7 million.

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



ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Operating Expenses (Continued)

Personal Services

Personal services decreased by approximately \$13.8 million. There were two campuses with increases during the year. Three Rivers had an increase of about \$362,000. This was due to hiring additional faculty and staff for the Saline County Career Technical Center. As previously discussed, the Saline County Technical Center was constructed by a tax passed by the county and is owned by the county. Three Rivers provides the curriculum and faculty for the center. The center provided career technical classes to approximately 400 high school students. Mountain Home also had an increase of \$276,000. This was related to an increase of grant positions on the campus. This included increases in Adult Ed, Small Business and Title III. Additionally, HEERF institutional funds were used to pay stipends for course development and online advising. The largest decrease was \$7.3 million at Henderson State University. This change from the prior year was a result of the campus declaring financial exigency in February. Due to this, a financial distress designation was placed on the campus by the Higher Learning Commission. This resulted in furloughs and other salary reductions from March through June. The financial distress designation was later removed in August by the Higher Learning Commission and furloughs ended on June 30, 2022. The remaining decreases at the other campuses were due to a combination of other factors; one of which was the job labor market. Positions are becoming increasingly harder to fill as more employees focus on remote work, higher pay, and other options not always available to colleges and universities. Additionally, there were decreases in OPEB and pension expense for the year. All of the campuses had lower expenses in both of these categories when compared to fiscal year 2021. The entries related to the pension liability decreased by \$4.1 million. More information on this may be found in Note 8. Entries related to OPEB decreased by about \$4.2 million. More information on this may be found in Note 12.

Scholarships and Fellowships

Scholarships and fellowships increased by \$22.7 million. Gross scholarships and fellowships increased by approximately \$15.1 million. All campuses showed an increase in scholarships and fellowships due to HEERF funds that were disbursed directly to students as financial aid. Although federal and state financial aid fluctuates throughout the years, the campuses continue to offer competitive institutional scholarships to students. The institutional scholarships continue to increase at each campus and displays the University's commitment to students.

Supplies and Services

Supplies and services increased by \$12.1 million. The majority of the increase was at the Jonesboro campus. Their increase was \$9.1 million. The campus experienced \$2 million higher expenses in supplies and services related to grants and contracts. Additionally, there were increases of \$3 million for auxiliary related supplies and services and another \$3 million for plant related expenses. Newport spent an additional \$1.3 million when compared to last year for non-capital one time purchases and also experienced a sizable increase in utilities expenses. Mid-South also had an increase of about \$1.2 million for technology upgrades. The majority of this amount was spent from their HEERF III funds. Three Rivers also showed an increase of \$1.2 million also from their HEERF III related expenses as well as the first year of Three Rivers providing curriculum and faculty for the Saline County Technical Center. The other three campuses had a combined minimal decrease of about \$844,000.

Self-Insurance

Self-insurance expenses increased by \$2 million. Medical and pharmaceutical claims during 2022 increased when compared to 2021. Additionally, there was an increase of \$240,000 in the unpaid claims liability recorded at year end.

Depreciation

Depreciation expense decreased very slightly by \$381,000. All of the campuses, other than Jonesboro and Henderson State University, experienced decreases when compared to 2021. The largest decrease was at Three Rivers in the amount of \$485,000 due to their change in the useful lives of their assets. The largest amount of increase was \$617,000 at Henderson State University. The remaining changes were due to either additions or deletions of fixed assets at the campuses. Additionally, as new projects were completed in 2022, depreciation expense will increase next year as a result of these. The amount of completed projects was \$12.2 million when compared to the \$30 million in 2021; depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

Other operating expenses increased by approximately \$70,000. These expenses are related to the Federal Perkins Loan program on the Jonesboro campus and Henderson State University.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Operating Expenses (Continued)

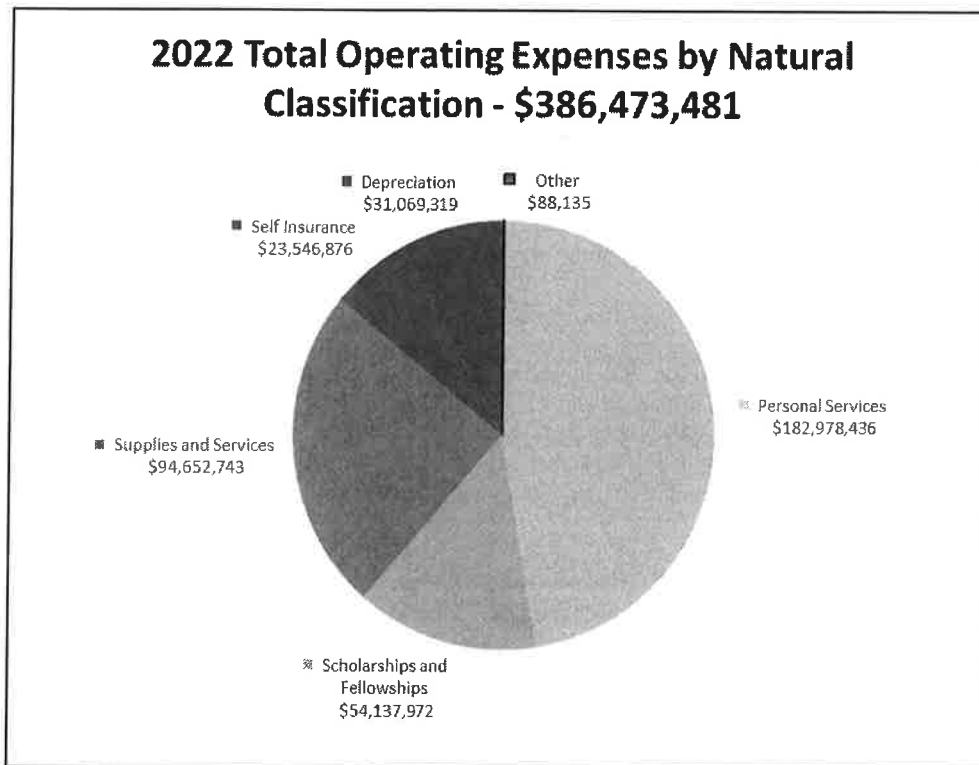
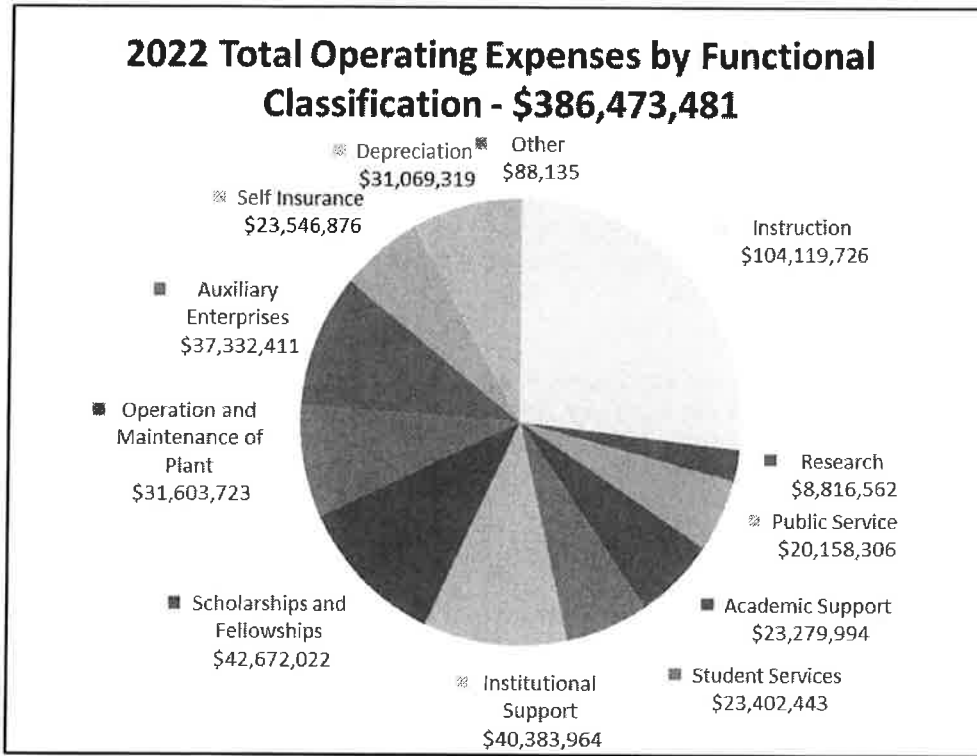
Operating Expenses by Function				
	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Instruction	\$ 104,119,726	\$ 104,544,952	\$ (425,226)	(0.41%)
Research	8,816,562	8,118,087	698,475	8.60%
Public Service	20,158,306	17,609,112	2,549,194	14.48%
Academic Support	23,279,994	28,121,976	(4,841,982)	(17.22%)
Student Services	23,402,443	23,702,835	(300,392)	(1.27%)
Institutional Support	40,383,964	38,439,885	1,944,079	5.06%
Scholarships and Fellowships	42,672,022	22,365,147	20,306,875	90.80%
Operation and Maintenance of Plant	31,603,723	33,779,598	(2,175,875)	(6.44%)
Auxiliary Enterprises	37,332,411	34,125,093	3,207,318	9.40%
Self Insurance	23,546,876	21,534,101	2,012,775	9.35%
Depreciation	31,069,319	31,450,233	(380,914)	(1.21%)
Other	88,135	18,570	69,565	374.61%
Total Operating Expenses	<u>\$ 386,473,481</u>	<u>\$ 363,809,589</u>	<u>\$ 22,663,892</u>	6.23%

Operating Expenses by Natural Classifications				
	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Personal Services	\$ 182,978,436	\$ 196,773,631	\$ (13,795,195)	(7.01%)
Scholarships and Fellowships	54,137,972	31,446,429	22,691,543	72.16%
Supplies and Services	94,652,743	82,586,625	12,066,118	14.61%
Self Insurance	23,546,876	21,534,101	2,012,775	9.35%
Depreciation	31,069,319	31,450,233	(380,914)	(1.21%)
Other	88,135	18,570	69,565	374.61%
Total Operating Expenses	<u>\$ 386,473,481</u>	<u>\$ 363,809,589</u>	<u>\$ 22,663,892</u>	6.23%

ARKANSAS STATE UNIVERSITY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2022

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

Operating Expenses (Continued)



ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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

Nonoperating Expenses

Total nonoperating expenses increased by \$1.6 million.

Interest

Interest expense decreased by nearly \$1 million. All the campuses, other than Mid-South, showed decreases. Their increase of \$11,000 was minimal. This was a result of recording leases for the first time in accordance with GASB Statement no. 87. Jonesboro experienced the largest decrease of \$727,000 due to savings from bond refundings that have been done recently. The campuses did not incur any new debt during fiscal year 2022; although leases were added this year. Henderson State University also recorded a lease according to GASB Statement no. 87. There was one bond refunding issue at Jonesboro to refund two bond issues into one. The lower interest expense is expected due to no additional debt with interest being added and the fact that more of the payments are being applied to principal rather than interest. Additional information on debt administration may be found in the Debt Administration section that follows.

Investment Income

During fiscal year 2022, the University experienced negative investment income. Investment income decreased by about \$6.5 million. All campuses experienced decreases, except for Henderson State University which had a minor increase of \$48,000. The bulk of the total amount is from the decrease of \$5.8 million at the Jonesboro campus. Educational and general investments are not being purchased, and there was a major downturn in the market during the year. Beebe had a decrease of roughly \$327,000 from market adjustments on their endowment funds. The decrease of \$350,000 at Mid-South is due to an increase in unrealized losses and management fees. The other campuses experienced a decline in interest rates.

Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a loss of \$88,000 on capital assets compared to a gain of \$297,000 in fiscal year 2021. The Jonesboro campus had a loss of about \$97,000. This was mainly a result of the demolition of a building during the fiscal year. Beebe, Mid-South, and Newport had small gains during the year totaling about \$9,000.

Other Changes

Other revenues, expenses, gains and losses totaled \$16.6 million. This amount increased by \$5.4 million.

Capital Appropriations

Capital appropriations decreased slightly by \$22,000. Jonesboro, Henderson State University, and Three Rivers were the only campuses with capital appropriations in 2022. Three Rivers received about \$774,000 for the Ritz Theatre renovation. The campus also received an amount for this project in 2021. Jonesboro had amounts in both 2021 and 2022. In 2021, Jonesboro's amount was around \$562,000. In 2021, the campus received additional funds for the Dyess Colony restoration related to the campus's Delta Heritage Office. For 2022, the amount received was only \$9,094. This amount was related to the Lakeport Plantation; part of the campus's Delta Heritage Office. Henderson State University did not have any capital appropriations in 2021 but did have an amount for this in 2022. Their amount was about \$418,000 and was for their Caddo Center, the University's front door and welcome center.

Capital Grants and Gifts

Capital grants and gifts decreased by \$7.2 million. The Jonesboro campus accounted for nearly all of this decrease. In 2021, the campus recorded about of \$6.7 million due to the transfer of the Windgate Center for Three-Dimensional Arts from the ASU Foundation. Henderson State University, Mid-South, and Three Rivers also had decreases when compared to 2021. They received funds for projects in 2021 or one-time gifts. Beebe and Mountain Home had a small combined increase of \$62,000 during the year. Mountain Home received funds for their Walking Trail project.

Right to use Assets

During fiscal year 2022, the Jonesboro campus recorded two right to use assets. The campus has agreements to use two buildings on campus built on University property owned by outside parties. Additional information on the right to use assets may be found in Note 18.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Cash Flows

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

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2022 and June 30, 2021 were as follows:

Capital Assets (net of accumulated depreciation)				
	2022	2021	Increase/ (Decrease)	Percent Change
Land and land improvements	\$ 22,702,110	\$ 22,629,935	\$ 72,175	0.32%
Construction in progress	11,296,744	8,428,746	2,867,998	34.03%
Livestock	210,867	225,886	(15,019)	(6.65%)
Intangibles-Software in development	3,940,588	2,053,095	1,887,493	91.93%
Intangibles-Easements	2,675,000	2,675,000	-	0.00%
Intangibles-Software	3,188,007	4,097,046	(909,039)	(22.19%)
Buildings	329,409,483	343,016,648	(13,607,165)	(3.97%)
Improvements and infrastructure	143,667,261	149,099,566	(5,432,305)	(3.64%)
Equipment	15,404,443	14,114,793	1,289,650	9.14%
Library/audiovisual holdings	4,775,154	5,182,460	(407,306)	(7.86%)
Total	\$ 537,269,657	\$ 551,523,175	\$ (14,253,518)	(2.58%)

Land

The University had one addition of land and land improvements in the amount of \$78,490 at the Jonesboro campus. Also, the Newport campus had a small decrease of \$6,315 for the sale of property during the year.

Construction in progress

Construction in progress increased by 34.03%. All campuses with construction in progress showed increases during the year. Jonesboro had an increase of \$928,000 for a number of projects. Some of these projects included the Loop Trail, renovations to on-campus housing facilities, improvements to the Armory, and campus lighting renovations. Henderson State University's increase was due to renovations at the Caddo Center and Wells Hall. Mountain Home increased due to their walking trailing project. Newport's increase was a result of a technology project at the campus and Three River's was a result of the Ritz Theatre renovation.

Livestock

The change of 6.65% is attributable to a decrease of the Jonesboro campus livestock herds of \$19,320 and an increase of the Beebe campus's herds in the amount of \$4,301.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets (Continued)

Intangibles-Software in development

All of the campuses, other than Jonesboro, have been implementing a new ERP (Enterprise Resource Planning) System. The new software was still in development as of June 30, 2022. The University's threshold for capitalizing software is \$1 million and each campus should meet this threshold with the exception of Mountain Home and Three Rivers. An amount of \$1,887,493 was recorded during 2022 by Henderson State University, Beebe, Mid-South, and Newport. The transition to the new ERP should be complete December 2022.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2022.

Intangibles-Software

The University's had no additions or disposals of software during fiscal year 2022. However, \$909,039 was depreciated for software during fiscal year 2022.

Buildings

The University experienced a decrease of \$13.6 million in the total value of buildings. This is a result of depreciation expense exceeding the amount of building additions during the year. In fiscal year 2022, the campuses added \$814,836 compared to \$20,884,469 in fiscal year 2021. Jonesboro and Henderson State University were the only campuses with building additions during the year. During 2022, Jonesboro's only addition was the Dyess Research Center located in Dyess, Arkansas. The Research Center is a part of the campus's Delta Heritage Office. In the prior year, the Jonesboro campus added \$6.8 million in building additions. The majority of this (\$6.7 million) was for a capital gift received from the ASU Foundation for the Windgate Center for Three-Dimensional Arts. Henderson added \$310,000 in buildings for the completion of the Charles and Anita Cabe Student-Athlete Success Center. In comparison, the \$13.8 million addition at Henderson State University was a result of an energy savings project and updates to Hickory House. Jonesboro had a reduction in buildings during the year for property that was demolished. The property was purchased recently due to it being adjacent to the campus. Beebe and Henderson State University also had retirements for fully depreciated buildings. Also, accumulated depreciation increased from \$391,310,136 in 2021 to \$405,600,260 in 2022. This is due to the annual amount of depreciation recorded by each campus. There were no large adjustments to the annual depreciation since the additions of buildings in the prior year were minor.

Improvements and infrastructure

The 3.64%, or \$5,432,305, decrease in improvements and infrastructure is attributable to the amount of depreciation exceeding the amount of additions during the year. In 2021, there were completed projects totaling approximately \$3.9 million. These projects included residence hall upgrades, parking overlays, improvements to the library, and renovations for utilities. In fiscal year 2022, there were \$5.7 million in additions; all of which were at Jonesboro, Beebe, and Henderson State University. The projects completed during the year at Jonesboro included renovations to the Armory, roof replacements, parking lot improvements, lab renovations, and enhancements for energy. The improvements at Henderson consisted of a roof replacement, residence hall renovation, and energy improvements. The amount of depreciation remained consistent with the amount in 2021, roughly \$11.1 million. Also, there was only one deletion during the year. This deletion was at Beebe; although the net amount was \$0 since the asset was fully depreciated.

Equipment

Equipment increased by 9.14%, or \$1,289,650, during the year. Equipment additions increased from \$3,660,323 in 2021 to \$5,281,186 in 2022; an increase of about \$1.6 million. Of the additions for fiscal year 2022, \$167,237 were capital gifts received by the campuses and noted on the Cash Flow Statement as a noncash transaction. For the past two years, the campuses had reduced spending in light of the COVID pandemic. Depreciation expense decreased from \$4,242,265 in 2021 to \$3,974,099 in 2022. The campuses disposed of equipment during the year with a net value of \$17,437.

Library/Audiovisual Holdings

The University's decrease of \$407,306, or 7.86%, is due to the amount of depreciation exceeding the amount of purchases during the year. Total purchases continue to decrease each year as online formats become in greater demand. During the fiscal year, there were \$353,962 in purchases compared to \$506,217 in 2021. Depreciation expense increased from \$735,463 in 2021 to \$761,268 in 2022. 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.

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Debt Administration

The University's financial statements indicate \$198,733,171 in bonds payable, \$37,518,169 in notes/bonds from direct placement payable, \$1,602,126 in leases payable, and \$20,862,191 in installment contracts payable at June 30, 2022.

The Jonesboro campus issued refunding bonds during 2022. The bonds that were refunded included:

\$3,305,000	Series 2012A
\$8,755,000	Series 2013A

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.

The \$37,518,169 in notes/bonds from direct placement payable consists of four notes for the Jonesboro campus. These include \$604,000 and \$600,000 notes for energy improvement projects through the state's sustainable revolving loan fund, and a \$1,000,000 note for pedestrian improvements. Additionally, there is a \$1,000,000 note for renovations to the Armory. The campus has benefited from securing zero or very low interest rates for each of these notes. At June 30, 2022, the outstanding amounts for these notes were \$201,922, \$210,000, \$211,400, and \$599,774 respectively. Henderson State University has \$32,775,095 in notes payable outstanding at June 30, 2022. These six notes payable include: \$2,750,000 for the Honors Hall, \$2,366,268 for energy savings, \$1,100,000 for energy savings related to an auxiliary renovation, \$10,136,926 for energy savings, a 2019 \$6,000,000 loan from the state of Arkansas used to assist with cash shortfalls for that year, and \$15,996,406 for property renovations. At June 30, 2022, the outstanding amounts for these notes were \$2,116,264, \$962,383, \$512,022, \$7,511,530, \$5,750,000, and \$14,976,446 respectively. Additionally, the campus has a new note payable for \$996,450. The outstanding amount for this note at year end was \$946,450. This is a 0% interest note that is being used for renovations. Additionally, Henderson State University has a bond from direct placement. The current outstanding amount is \$663,051 and the funds were used to renovate the Smith Dorm. 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 2022 are \$75,212, \$1,304,310, and \$752,121, respectively. Newport paid one of their energy performance improvements notes off early during fiscal year 2022. The notes payable for the Three Rivers campus include \$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. Both 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 \$153,740 and \$471,143 respectively.

The campuses recorded leases payable in accordance with GASB statement no. 87 during the fiscal year. Three campuses have leases payable at June 30, 2022. The Jonesboro campus has five leases payable for office space, land, and farm equipment. The outstanding amount of these leases is \$451,511. Henderson State University has one lease for office space with an outstanding amount of \$1,083,644. The Mid-South campus has two leases for copiers and printers with a total outstanding amount of \$66,971. Additional information on the types and terms of each lease may be found in Note 6.

The Jonesboro campus issued an installment contract payable 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 \$13,582,165. The Beebe and Newport campuses added installment contracts 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 \$4,554,173 and \$2,725,853, respectively at June 30, 2022.

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

ARKANSAS STATE UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

Economic Outlook

The economic outlook of the University remains sound.

Inflation rates have continued to rise throughout 2022, but are expected to decelerate in the near future. The Federal Open Market Committee's (FOMC) preferred inflation measure is the personal consumption expenditures price index (PCE inflation). PCE inflation is projected to decline from 5.8% in 2022 to 2.8% in 2023 to 2.3% in 2024 and back to the Federal Reserve's target rate of 2.0% in 2025.

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2022

Exhibit A

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

Cash and cash equivalents	\$ 101,987,974
Short-term investments	5,066,446
Accounts receivable (less allowances of \$3,372,967)	33,654,556
Leases receivable	641,050
Notes and deposits receivable (less allowances of \$129,610)	594,475
Accrued interest and late charges	193,545
Inventories	1,501,861
Deposits with trustees	1,483,032
Deposit with paying agent	50,000
Unamortized bond insurance	101,425
Prepaid expenses	369,791
Total Current Assets	145,644,155

Noncurrent Assets:

Cash and cash equivalents	86,602,162
Restricted cash and cash equivalents	4,364,026
Restricted investments	4,999,519
Endowment investments	15,663,028
Unrestricted investments	5,798,535
Other long-term investments	4,554,813
Irrevocable split-interest agreement	2,165,002
Accrued interest and late charges	759,035
Deposits with trustees	2,458,286
Accounts receivable	1,785,678
Leases receivable	11,846,079
Notes and deposits receivable (less allowances of \$511,583)	2,422,373
Right to use leased assets (net of amortization of \$2,847,522)	14,556,908
Capital assets (net of accumulated depreciation of \$619,462,842)	537,269,657
Total Noncurrent Assets	695,245,101

TOTAL ASSETS

840,889,256

DEFERRED OUTFLOWS OF RESOURCES

Excess of bond reacquisition costs over carrying value	4,560,602
Pensions	4,429,880
Other postemployment benefits (OPEB)	2,242,350

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

852,122,088

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:

Accounts payable and accrued liabilities	14,539,572
Bonds, notes, leases, and installment contracts payable	16,105,578
Compensated absences	5,993,741
Unearned revenue	12,664,744
Deposits	1,402,603
Interest payable	2,609,604
Other postemployment benefits (OPEB) liability	374,119
Total Current Liabilities	53,689,961

Noncurrent Liabilities:

Accounts payable and accrued liabilities	5,067
Bonds, notes, leases, and installment contracts payable	242,610,079
Compensated absences	6,009,771
Other postemployment benefits (OPEB) liability	11,282,522
Net pension liability	9,289,701
Deposits	330,725
Refundable federal advances	4,343,276
Total Noncurrent Liabilities	273,871,141

TOTAL LIABILITIES

327,561,102

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2022

Exhibit A

DEFERRED INFLOWS OF RESOURCES		
Pensions		\$ 15,717,463
Other postemployment benefits (OPEB)		13,688,534
Irrevocable split-interest agreement		2,165,002
Leases		12,053,671
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>371,185,772</u>
NET POSITION		
Net investment in capital assets		303,804,842
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		5,966,430
Renewal and replacement		967,261
Loans		210,400
Other-College and Department Purposes		9,666,064
Expendable:		
Scholarships and fellowships		1,001,491
Capital projects		1,132,723
Debt service		1,750,938
Renewal and replacement		1,644,054
Other		5,494,878
Unrestricted		<u>149,297,235</u>
TOTAL NET POSITION		<u>\$ 480,936,316</u>

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

ARKANSAS STATE UNIVERSITY SYSTEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

Exhibit A-1

ASSETS

Cash and cash equivalents	\$	10,941,322
Certificates of deposit		3,786,700
Prepaid expenses		59,961
Contributions receivable, net		5,210,881
Investments, at fair value		100,110,940
Property and equipment, net		2,336,507
Other assets		<u>121,730</u>
 Total Assets	 \$	 <u><u>122,568,041</u></u>

LIABILITIES

Accounts payable	\$	156,641
Annuity obligations		16,000
Due to Arkansas State University campuses		97,239
Due to Alumni Association		110
Amounts held on behalf of Arkansas State University related entities		<u>14,005,576</u>
Total Liabilities		<u><u>14,275,566</u></u>

NET ASSETS

Without donor restrictions		
Undesignated		1,157,195
Board designated		<u>6,653,735</u>
Total without donor restrictions		<u><u>7,810,930</u></u>
With donor restrictions		
Restricted as to purposes		15,405,873
Restricted in perpetuity		<u>85,075,672</u>
Total with donor restrictions		<u><u>100,481,545</u></u>
 Total Net Assets		 <u><u>108,292,475</u></u>
 Total Liabilities and Net Assets	 \$	 <u><u>122,568,041</u></u>

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

Exhibit A-2

ASSETS

Current Assets

Cash	\$	6,711,436
Cash - restricted		524,063
Investment securities		267
Receivables, current portion		1,970,684
Related party prepaid lease, current portion		1,700,000
		\$ 10,906,450

Property and Equipment

Buildings	\$	29,891,540
Furniture and equipment		680,506
Parking lot		57,005
		30,629,051
Less accumulated depreciation		(1,753,617)
		\$ 28,875,434

Other Assets

Receivables, net of current portion and amortization	\$	4,296,122
Related party prepaid lease, net of current portion		2,691,667
Real estate		206,100
Construction in progress		157,104
		\$ 7,350,993

Endowment Investments, at fair value

\$ 1,906,455

Total Assets

\$ 49,039,332

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	1,618,415
Accrued interest payable		40,056
Current portion long-term debt		2,695,226
Current portion deferred revenue		1,848,595
		\$ 6,202,292

Long-Term Liabilities

Long-Term Debt, net of current portion	\$	27,612,578
Deferred Revenue, net of current portion		6,425,281
		\$ 34,037,859

Total Liabilities

\$ 40,240,151

Net Assets

Without donor restrictions		
Undesignated	\$	(2,938,356)
Designated as board restricted		9,384,143
With donor restrictions		2,353,394
		\$ 8,799,181

Total Liabilities and Net Assets

\$ 49,039,332

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

Exhibit A-3

ASSETS

Cash and cash equivalents	\$	1,381,175
Investments		22,767,738
Accrued interest receivable		329
Contributions receivable, net		337,360
Works of art		480,778
		<hr/>
Total Assets	\$	<u>24,967,380</u>

LIABILITIES AND NET ASSETS

Liabilities

Note payable	\$	297,337
Total Liabilities		<u>297,337</u>

NET ASSETS

Without donor restrictions		335,159
With donor restrictions		24,334,884
Total Net Assets		<u>24,670,043</u>
		<hr/>
Total Liabilities and Net Assets	\$	<u>24,967,380</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$60,668,517)	\$ 71,463,532
Grants and contracts	38,524,894
Sales and services	1,599,588
Auxiliary enterprises (net of scholarship allowances of \$10,052,739)	34,380,782
Self-insurance	6,743,358
Other operating revenues	3,694,589
TOTAL OPERATING REVENUES	<u>156,406,743</u>
OPERATING EXPENSES	
Personal services	182,978,436
Scholarships and fellowships	54,137,972
Supplies and services	94,652,743
Self-insurance	23,546,876
Depreciation	31,069,319
Other	88,135
TOTAL OPERATING EXPENSES	<u>386,473,481</u>
OPERATING INCOME (LOSS)	<u>(230,066,738)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal appropriations	29,616
State appropriations	135,413,506
Grants and contracts	54,020,204
HEERF Grants-Related to COVID-19	50,556,671
Sales and use taxes	3,585,494
Property taxes	4,676,764
Gifts	3,480,778
Investment income (loss)	(1,900,450)
Interest on capital asset - related debt	(9,143,386)
Gain or loss on disposal on capital assets	(88,069)
Payment of student activity fee to fiduciary accounts	(266,000)
Refunds to grantors	(340,994)
Amortization of leases and reduction of lease receivable	(950,428)
Other nonoperating revenues (expenses)	1,421,651
NET NON-OPERATING REVENUES (EXPENSES)	<u>240,495,357</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>10,428,619</u>
Capital appropriations	1,201,455
Capital grants and gifts	1,639,612
Additions to endowments	250
Adjustments to capital assets	(165,834)
Right to use assets	13,880,104
Capitalization of library holdings at rate per volume	415
INCREASE (DECREASE) IN NET POSITION	<u>26,984,621</u>
NET POSITION - BEGINNING OF YEAR	453,687,491
RESTATEMENT FOR GASB 87 (NOTE 21)	264,204
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>453,951,695</u>
NET POSITION - END OF YEAR	<u>\$ 480,936,316</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, 2022

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 376,235	\$ 5,963,213	\$ 6,339,448
Investment loss, net	(936,574)	(11,666,040)	(12,602,614)
Other income	225,592	219,738	445,330
Net assets released from restrictions	5,566,815	(5,566,815)	-
 Total Revenue and Other Support	 5,232,068	 (11,049,904)	 (5,817,836)
 Expenses			
Program services	5,613,073		5,613,073
Management and general supporting services	181,987		181,987
Change in split-interest agreements		16,000	16,000
Total Expenses	5,795,060	16,000	5,811,060
 (Decrease) increase in net assets	 (562,992)	 (11,065,904)	 (11,628,896)
 Net assets at beginning of year	 8,373,922	 111,547,449	 119,921,371
 Net assets at end of year	 \$ 7,810,930	 \$ 100,481,545	 \$ 108,292,475

ARKANSAS STATE UNIVERSITY RED WOLVES FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support			
Contributions	\$ 3,177,053	\$ 587,735	\$ 3,764,788
In-kind contributions	382,957		382,957
Special events/fundraising	499,127		499,127
Other income	1,682,788	1,374	1,684,162
Investment income (expense)	42,334	(277,212)	(234,878)
Net assets released from restrictions	472,246	(472,246)	-
	\$ 6,256,505	\$ (160,349)	\$ 6,096,156
Expenses			
General and administrative	\$ 352,441		\$ 352,441
Athletic program services	7,714,277		7,714,277
Special events/fundraising	36,643		36,643
	\$ 8,103,361		\$ 8,103,361
Transfers			
ASU athletic programs		\$ 55,791	\$ 55,791
ASU other	\$ 1,497,375	62,265	1,559,640
	\$ 1,497,375	\$ 118,056	\$ 1,615,431
Increase (decrease) in net assets	\$ (3,344,231)	\$ (278,405)	\$ (3,622,636)
Beginning Net Assets	\$ (1,435,110)	\$ 13,908,427	\$ 12,473,317
Reclassifications	11,276,628	(11,276,628)	-
Prior period adjustments	(51,500)		(51,500)
Ending Net Assets	\$ 6,445,787	\$ 2,353,394	\$ 8,799,181

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B-3

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue Without Donor Restrictions

Investment return, net	\$ 523
Net assets released from restrictions	2,232,653

Total Support and Revenue Without Donor Restrictions	2,233,176
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Expenses

Program services	1,951,044
General and administrative supporting services	220,349

Total Expenses	2,171,393
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Increase in Net Assets Without Donor Restrictions	61,783
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions of cash and other financial assets	3,538,954
Contributions of nonfinancial assets	82,784
Investment return, net	(3,458,443)
Net assets released from restrictions	(2,232,653)

Increase (Decrease) in Net Assets With Donor Restrictions	(2,069,358)
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INCREASE (DECREASE) IN TOTAL NET ASSETS	(2,007,575)
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NET ASSETS, BEGINNING OF YEAR	26,677,618
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NET ASSETS, END OF YEAR	\$ 24,670,043
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ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 70,370,637
Grants and contracts	38,322,681
Auxiliary enterprises revenues	34,643,649
Sales and services	1,599,588
Self-insurance program receipts	6,488,924
Collection of principal and interest related to student loans	491,600
Other receipts	3,576,742
Payments to employees	(163,735,555)
Payments for employee benefits	(29,332,267)
Payments to suppliers	(98,194,052)
Scholarships and fellowships	(54,137,533)
Self-insurance program payments	(23,252,086)
Other payments	(514,388)
Net cash provided (used) by operating activities	<u>(213,672,060)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal appropriations	61,477
State appropriations	137,724,590
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners	1,527,000
Grants and contracts	53,281,535
HEERF Grants-Related to COVID-19	61,232,512
Private gifts and grants	4,256,387
Sales and use taxes	3,657,293
Property taxes	4,760,860
Direct lending, PLUS and FFEL loan receipts	89,450,794
Direct lending, PLUS and FFEL loan payments	(98,425,531)
Payment of student activity fee to fiduciary accounts	(208,714)
Refunds to grantors	(337,146)
Net cash provided (used) by noncapital financing activities	<u>256,981,057</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	764,407
Capital appropriations	1,436,549
Capital gift and grants	986,807
Proceeds from sale of capital assets	30,184
Purchases of capital assets	(15,082,381)
Payments to trustees for bond principal	(11,291,521)
Payments to trustees for bond interest and fees	(6,611,131)
Payments to trustees/paying agent for next fiscal year	(373,627)
Payments to debt holders for principal (other than bonds)	(3,568,904)
Payments to debt holders for interest and fees (other than bonds)	(1,768,926)
Property taxes remitted to bond trustees	(3,209,430)
Distribution of excess property taxes from bond trustees	1,831,157
Net cash provided (used) by capital and related financing activities	<u>(36,856,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	9,196,323
Interest on investments (net of fees)	1,209,344
Purchases of investments	(4,931,821)
Net cash provided (used) by investing activities	<u>5,473,846</u>
Net increase (decrease) in cash and cash equivalents	11,926,027
Cash and cash equivalents - beginning of year	181,028,135
Cash and cash equivalents - end of year	<u>\$ 192,954,162</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit C

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

Operating income (loss)	\$ (230,066,738)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	31,069,319
Change in assets and liabilities:	
Receivables, net	(1,350,722)
Inventories	504,335
Prepaid expenses	347,708
Accounts and salaries payable	(4,207,837)
Other postemployment benefits (OPEB)	(5,416,696)
Pension obligations	(4,054,442)
Unearned revenue	(377,932)
Deposits	795,409
Refundable federal advances	(654,358)
Compensated absences	(260,106)
Net cash provided (used) by operating activities	<u>\$ (213,672,060)</u>

Reconciliation of Cash and Cash Equivalents

Current Assets:	
Cash and Cash Equivalents	\$ 101,987,974
Noncurrent Assets:	
Cash and Cash Equivalents	86,602,162
Restricted Cash and Cash Equivalents	4,364,026
Total cash and cash equivalents	<u>\$ 192,954,162</u>

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$13,015,000, at a discount of \$68,794. The proceeds of this issue were utilized as follows: \$12,735,486 was remitted to an escrow agent and \$210,720 was used to pay the bond issuance costs.

Equipment-capital gift of \$127,862

Value of equipment received from vendor discounts-\$88,548

Value of equipment received from vendor trade-ins-\$27,916

Interest earned on reserve accounts held by trustee-\$306

Interest paid from accounts held by trustee-\$115

Amount of loss on investments-\$2,320,858

Fees paid from accounts held by trustee-\$1,800

Right to use assets (less amortization)-\$13,054,853

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit C

NONCASH TRANSACTIONS (CONTINUED)

HENDERSON STATE UNIVERSITY

Interest earned on reserve accounts held by trustee-\$499

Principal paid from accounts held by trustee-\$257,788

Principal paid from accounts held by trustee from cash transferred in the prior fiscal year-\$240,000

Interest paid from accounts held by trustee-\$164,035

Interest paid from accounts held by trustee from cash transferred in the prior fiscal year-\$88,057

BEEBE

Equipment-capital gift of \$25,800

Interest earned on reserve accounts held by trustee-\$107

Interest paid from accounts held by trustee-\$28

MID-SOUTH

Equipment-capital gift of \$13,575

Interest earned on reserve accounts held by trustee-\$1,189

Trustee payments for retirement of bond principal-\$595,000

Trustee payment for bond interest-\$711,407

Trustee payment for bond fees-\$4,075

Unrealized loss on investments-\$481,246

Amount of interest earned on CD's reinvested with CD's-\$20,224

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-\$24

Interest paid from accounts held by trustee-\$6

NEWPORT

Interest earned on reserve accounts held by trustee-\$63

Interest paid from accounts held by trustee-\$103

Amount of interest earned on CD's reinvested with CD's-\$719

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

Exhibit D

ASSETS

Cash and cash equivalents	<u>\$ 1,246,083</u>
TOTAL ASSETS	<u>1,246,083</u>

LIABILITIES

Accounts payable	<u>63,259</u>
TOTAL LIABILITIES	<u>63,259</u>

NET POSITION

Restricted for:	
Individuals and organizations	<u>1,182,824</u>
TOTAL NET POSITION	<u><u>\$ 1,182,824</u></u>

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

ARKANSAS STATE UNIVERSITY SYSTEM
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2022

Exhibit E

ADDITIONS	
Gifts	\$ 716,808
Contributions	2,235,792
Transfer from Student Activity Fee	266,000
TOTAL ADDITIONS	<u>3,218,600</u>
 DEDUCTIONS	
Salaries	\$ 11,345
Supplies	719,875
Travel	26,251
Scholarships	2,632,460
Prior Year Correction	355,766
TOTAL DEDUCTIONS	<u>3,745,697</u>
 INCREASE (DECREASE) IN FIDUCIARY NET POSITION	 <u>(527,097)</u>
 NET POSITION-BEGINNING OF YEAR	 1,709,921
 NET POSITION-END OF YEAR	 <u>\$ 1,182,824</u>

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Jonesboro

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

Henderson State University

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

Beebe

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

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

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

Mountain Home

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

Newport

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Mid-South

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

Three Rivers

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

System

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

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

Component Units

Arkansas State University System Foundation, Inc.

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

During the year ended June 30, 2022, the ASU Foundation transferred property, equipment and funds of \$3,782,477 to the University for academic support. Complete financial statements for the ASU Foundation may be obtained from the ASU Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Arkansas State University Red Wolves Foundation, Inc.

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

During the year ended June 30, 2022, the RW Foundation transferred property, equipment and funds of \$1,615,431 to the University for support. Complete financial statements for the RW Foundation may be obtained from the RW Foundation at P.O. Box 2219, State University, AR 72467-1990.

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

Henderson State University Foundation, Inc.

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

During the year ended June 30, 2022, the HSU Foundation transferred property, equipment and funds of \$1,951,044 to the University for academic support. Complete financial statements for the HSU Foundation may be obtained from the HSU Foundation at 324 North 12th Street, Arkadelphia, AR 71923.

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

Financial Statement Presentation

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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

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

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

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

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

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

In June 2017, the GASB issued Statement no. 87, *Leases*. This statement improves accounting and financial reporting for leases.

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

Basis of Accounting

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

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

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

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

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

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

Right to Use Assets

The University has accounted for the authority to use these assets as on the Statement of Net Position and amortizes them over the term of the contract. These include the Welcome Center and the North End Zone of the Football Stadium.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Leases Payable

The University has leases including those for land, office space, and equipment. The leased asset is recorded on the Statement of Net Position and amortized over the term of the contract. The amount payable over the contract is recorded as a lease payable on the Statement of Net Position.

Detailed information on leases payable can be found in Note 6.

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, 2022. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

Investments

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Leases Receivable

The University has certain contractual agreements with outside parties to receive an amount regularly over the term of a contract. These agreements are recorded on the Statement of Net Position as a lease receivable and a deferred inflow.

Detailed information on leases receivable can be found in Note 6.

Inventories

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

Noncurrent Cash and Investments

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

Restricted/Unrestricted Resources

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

Unearned Revenues

Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2022 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, lease obligations with contractual maturities greater than one year, and installment contracts payable; (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) other postemployment benefits; (4) net pension liability; (5) estimated amounts for deposits held that will not be paid within the next fiscal year; and (6) the refundable federal portion of the Perkins Loan Program.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

Property Taxes

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

Sales and Use Taxes

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

Fiduciary Activities

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

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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 4,162,250	\$ 4,095,476
Collateralized:		
Collateral held by the pledging bank or pledging bank's agent in the University's name	197,500,636	199,951,530
Total Deposits	\$ 201,662,886	\$ 204,047,006

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 \$4,772,312 and \$58,342 at June 30, 2022, respectively. Also, the above amount does not include \$226,977 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 \$260,026 of money market funds classified as cash and cash equivalents. The above total deposits include certificates of deposits of \$12,780,298 reported as investments and classified as nonnegotiable certificates of deposit. Additionally, the deposits do not include money market checking accounts of \$337,765 reported as deposits with trustees. The above total deposits include cash held for fiduciary activities of \$1,246,083 reported on the Statement of Fiduciary Net Position.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's policy states that investments made by the University, excluding those funds donated for endowment purposes, should be secure with no risk of loss. All investments must be fully collateralized with such collateral being evidenced by a bonded, third-party custody receipt provided to the campus making the investment. Collateral may be of three types including: (a) United 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. The University's bank balance of \$204,047,006 was fully collateralized at June 30, 2022.

Deposits with Trustees

At June 30, 2022, the University's deposits with trustees totaled \$3,941,318. Other than the money market checking accounts of \$337,765, the details of the deposits with trustee by campus are below.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Jonesboro

At June 30, 2022, the University's deposits with trustee of \$377,821 were primarily invested in the Federated Hermes Treasury Obligations Fund, the Federated Hermes U.S. Treasury Cash Reserves, and Goldman Sachs Financial Square Government, all money market treasury funds. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 10 days. The Federated U.S. Treasury Cash Reserves consisted of short-term U.S. Treasury securities and had a weighted average maturity of 46 days. The Goldman Sachs Financial Square Government primarily consisted of short-term U.S. Treasury securities and had a weighted average maturity of 13 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, 2022 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>\$ 377,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,821</u>

Henderson State University

At June 30, 2022, the University's deposits with trustee of \$638,246 were primarily invested in the Federated Hermes Treasury Obligations Fund, a money market treasury fund and the Federated Hermes Government Obligations Fund, both money market treasury funds. These funds were rated Aaa-mf by Moody's Investors Service. The Federated Hermes Treasury Obligations Fund consisted primarily of repurchase agreements and short-term U.S. Treasury securities. The weighted average maturity was approximately 10 days. The Federated Hermes Government Obligations Fund consisted of short-term U.S. Treasury securities and had a weighted average maturity of 16 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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Henderson State University (Continued)

The fair value of the deposits with trustee at June 30, 2022 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	
\$ 638,246	\$ -	\$ -	\$ 638,246

Arkansas State University Mid-South

At June 30, 2022, the University's deposits with trustee of \$2,587,467 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 22 days.

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

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

The fair value of the deposits with trustee at June 30, 2022 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	
\$ 2,587,467	\$ -	\$ -	\$ 2,587,467

Arkansas State University Mountain Home

At June 30, 2022, the University's deposits with trustee of \$19 were invested in Morgan Stanley Government Portfolio, a money market treasury fund. This fund was rated Aaa-mf by Moody's Investors Service and consisted of Treasury bills, bonds and notes. The effective average maturity was approximately 32 days.

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mountain Home (Continued)

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

The fair value of the deposits with trustee at June 30, 2022 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>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>

University Investments (Excluding Endowment Funds)

At June 30, 2022, the University's investments, excluding endowment funds, consisted of corporate bonds of \$1,929,987, U.S. agencies of \$473,761, and U.S. Treasury notes of \$4,835,267. Details of the investments by campus are below.

Arkansas State University Jonesboro

At June 30, 2022, the University's investments, excluding endowment funds, consisted of corporate bonds of \$576,543 and U.S. agencies of \$278,270.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
<u>\$ -</u>	<u>\$ 576,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,543</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>\$ 70,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,918</u>	<u>\$ 278,270</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Jonesboro (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
\$ 97,885	\$ 379,438	\$ 99,220	\$ -	\$ -	\$ 576,543

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

Aaa	Aa	A	Baa	Not Rated	Total
\$ -	\$ -	\$ 207,918	\$ -	\$ 70,352	\$ 278,270

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 2.727 years at June 30, 2022. The U.S. agencies had an estimated weighted average maturity of 12.548 years at June 30, 2022. 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, 2022, none of the University's investments 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, 2022 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	
\$ 576,543	\$ -	\$ -	\$ 576,543

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Jonesboro (Continued)

The fair value of the U.S. agencies at June 30, 2022 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	
\$ 278,270	\$ -	\$ -	\$ 278,270

Arkansas State University Mid-South

At June 30, 2022, the University's investments consisted of corporate bonds of \$1,353,444, U.S. agencies of \$195,491, and U.S. Treasury notes of \$4,835,267.

The corporate bonds will mature as follows:

Less than one year	1 to 5 years	6 to 10 years	Greater than 10 years	Total
\$ -	\$ 1,043,426	\$ 310,018	\$ -	\$ 1,353,444

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
\$ 100,285	\$ 95,206	\$ -	\$ -	\$ 195,491

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
\$ 1,171,560	\$ 2,782,933	\$ 880,774	\$ -	\$ 4,835,267

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
\$ 143,072	\$ 238,227	\$ 972,145	\$ -	\$ -	\$ 1,353,444

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South (Continued)

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

Aaa	Aa	A	Baa	Not Rated	Total
\$ 195,491	\$ -	\$ -	\$ -	\$ -	\$ 195,491

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 4.221 years at June 30, 2022. The U.S. agencies had an estimated weighted average maturity of 1.742 years at June 30, 2022. The U.S. Treasury notes had an estimated weighted average maturity of 3.275 years at June 30, 2022. 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, 2022 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	
\$ 1,353,444	\$ -	\$ -	\$ 1,353,444

The fair value of the U.S. agencies at June 30, 2022 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	
\$ 195,491	\$ -	\$ -	\$ 195,491

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Arkansas State University Mid-South (Continued)

The fair value of the U.S. Treasury notes at June 30, 2022 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>\$ 4,835,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,835,267</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 \$4,920,226 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 9.93% or \$9,968,903 and consisted of the following types of investments:

Type	Amount
Bonds/Fixed Income Mutual Funds	\$ 2,244,470
Cash/Cash Equivalents	171,472
Domestic Equity Mutual Funds	2,058,553
Domestic Equities	1,495,764
Global Equity Funds	731,159
Hedge Fund	482,597
International Equities	541,102
International Equity Mutual Funds	1,445,979
Real Estate	103,286
Real Estate Funds	153,509
Venture Capital and Partnerships	<u>541,012</u>
Total	<u>\$ 9,968,903</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, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments (Continued)

The fair value of the investments at June 30, 2022 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	
\$ 6,805,142	\$ 2,036,866	\$ 1,126,895	\$ 9,968,903

The Beebe campus's portion of the investment pool administered by the Arkansas State University Foundation, Inc. was 0.77% or \$773,899 and consisted of the following types of investments:

Type	Amount
Bonds/Fixed Income Mutual Funds	\$ 174,621
Cash/Cash Equivalents	10,728
Domestic Equity Mutual Funds	161,649
Domestic Equities	116,216
Global Equity Funds	56,808
Hedge Fund	37,496
International Equities	42,042
International Equity Mutual Funds	112,347
Real Estate	8,025
Real Estate Funds	11,932
Venture Capital and Partnerships	42,035
Total	\$ 773,899

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, 2022 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	
\$ 528,086	\$ 158,257	\$ 87,556	\$ 773,899

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,343,667 consisted of the following types of investments held in trust by a third party for the Jonesboro campus:

Type	Amount
Bond Funds	\$ 233,036
Corporate Bonds	428,685
Cash Equivalents	168,686
U.S. Agencies	472,685
Equities	2,040,575
Total	\$ 3,343,667

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	\$ 8,964	\$ 229,520	\$ 128,539	\$ 61,662	\$ 428,685
U.S. Agencies	-	65,956	75,397	331,332	472,685
Total	\$ 8,964	\$ 295,476	\$ 203,936	\$ 392,994	\$ 901,370

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	-	\$ 35,693	\$ 220,257	\$ 136,152	\$ 36,583	\$ 428,685
U.S. Agencies	228,808	-	-	-	243,877	472,685
Total	\$ 228,808	\$ 35,693	\$ 220,257	\$ 136,152	\$ 280,460	\$ 901,370

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.579 and 17.977 years, respectively, at June 30, 2022.

The fair value of the investments at June 30, 2022 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	
\$ 3,343,667	-	-	\$ 3,343,667

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

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

The V.C. and Bertie H. Kays Educational Trust of \$1,576,559 consisted of the following types of investments held in trust by a third party:

<u>Type</u>	<u>Amount</u>
Bond Funds	\$ 127,828
Corporate Bonds	178,002
Cash Equivalents	89,462
U.S. Agencies	193,815
Equities	982,351
Other	5,101
Total	<u>\$ 1,576,559</u>

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

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
Corporate Bonds	\$ 3,984	\$ 99,275	\$ 51,400	\$ 23,343	\$ 178,002
U.S. Agencies	75	25,214	41,653	126,873	193,815
Total	<u>\$ 4,059</u>	<u>\$ 124,489</u>	<u>\$93,053</u>	<u>\$ 150,216</u>	<u>\$ 371,817</u>

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

	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 10,340	\$ 94,929	\$ 54,649	\$ 18,084	\$ 178,002
U.S. Agencies	93,068	-	-	-	100,747	193,815
Total	<u>\$ 93,068</u>	<u>\$ 10,340</u>	<u>\$ 94,929</u>	<u>\$ 54,649</u>	<u>\$ 118,831</u>	<u>\$ 371,817</u>

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.267 and 17.187 years, respectively, at June 30, 2022.

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 2: Public Fund Deposits and Investments (Continued)

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

The fair value of the investments at June 30, 2022 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>\$ 1,576,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,576,559</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, 2022

NOTE 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2022:

	Arkansas State University Jonesboro				
	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 8,209,551	\$ 78,490			\$ 8,288,041
Livestock for educational purposes	162,681			\$ (19,320)	143,361
Construction-in-progress	6,449,001	5,208,163 *	\$ (4,129,311)	(150,831)	7,377,022
Intangibles-Easements	2,675,000				2,675,000
Total nondepreciable capital assets	\$ 17,496,233	\$ 5,286,653	\$ (4,129,311)	\$ (170,151)	\$ 18,483,424
Other capital assets:					
Improvements and infrastructure	\$ 180,422,146	\$ 763,942	\$ 3,624,637		\$ 184,810,725
Buildings	373,304,274		504,674	\$ (96,823)	373,712,125
Equipment	50,210,656	2,837,383 *		(1,901,127)	51,146,912
Library/audiovisual holdings	12,154,257			(174,715)	11,979,542
Intangibles-Software	6,960,645				6,960,645
Total other capital assets	623,051,978	3,601,325	4,129,311	(2,172,665)	628,609,949
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	61,729,805	7,928,616			69,658,421
Buildings	201,154,280	5,783,885			206,938,165
Equipment	42,530,012	2,237,472		(1,883,780)	42,883,704
Library/audiovisual holdings	11,652,660	39,041		(174,715)	11,516,986
Intangibles-Software	5,440,036	464,043			5,904,079
Total accumulated depreciation	322,506,793	16,453,057	-	(2,058,495)	336,901,355
Other capital assets, net	\$ 300,545,185	\$ (12,851,732)	\$ 4,129,311	\$ (114,170)	\$ 291,708,594
Capital Asset Summary:					
Nondepreciable capital assets	\$ 17,496,233	\$ 5,286,653	\$ (4,129,311)	\$ (170,151)	\$ 18,483,424
Other capital assets, at cost	623,051,978	3,601,325	4,129,311	(2,172,665)	628,609,949
Total cost of capital assets	640,548,211	8,887,978	-	(2,342,816)	647,093,373
Less accumulated depreciation	322,506,793	16,453,057	-	(2,058,495)	336,901,355
Capital Assets, net	\$ 318,041,418	\$ (7,565,079)	\$ -	\$ (284,321)	\$ 310,192,018

*Includes \$29,685 for prior year additions for construction in progress and \$10,043 for prior year additions for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

	Henderson State University				Balance June 30, 2022
	Balance July 1, 2021	Additions	Transfers	Retirements	
Nondepreciable capital assets:					
Land and improvements	\$ 1,975,554				\$ 1,975,554
Construction-in-progress	502,088	\$ 613,365	\$ (502,086)		613,367
Intangibles-Software in development	758,762	1,043,867			1,802,629
Total nondepreciable capital assets	\$ 3,236,404	\$ 1,657,232	\$ (502,086)	\$ -	\$ 4,391,550
Other capital assets:					
Improvements and infrastructure	\$ 23,044,193	\$ 805,127	\$ 502,086		\$ 24,351,406
Buildings	155,590,691	310,162		\$ (4,842)	155,896,011
Equipment	6,230,725			(90) *	6,230,635
Library/audiovisual holdings	14,911,894	288,765			15,200,659
Intangibles-Software					-
Total other capital assets	199,777,503	1,404,054	502,086	(4,932)	201,678,711
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	9,432,696	934,977			10,367,673
Buildings	69,490,909	3,084,482		(4,842)	72,570,549
Equipment	5,248,218	314,017 *			5,562,235
Library/audiovisual holdings	10,976,288	590,907 *			11,567,195
Intangibles-Software					-
Total accumulated depreciation	95,148,111	4,924,383	-	(4,842)	100,067,652
Other capital assets, net	\$ 104,629,392	\$ (3,520,329)	\$ 502,086	\$ (90)	\$ 101,611,059
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,236,404	\$ 1,657,232	\$ (502,086)	\$ -	\$ 4,391,550
Other capital assets, at cost	199,777,503	1,404,054	502,086	(4,932)	201,678,711
Total cost of capital assets	203,013,907	3,061,286	-	(4,932)	206,070,261
Less accumulated depreciation	95,148,111	4,924,383	-	(4,842)	100,067,652
Capital Assets, net	\$ 107,865,796	\$ (1,863,097)	\$ -	\$ (90)	\$ 106,002,609

*Includes \$8,252 for prior year depreciation expense for equipment, \$28,440 for prior year depreciation expense for library/audiovisual holdings, and \$90 for prior year deletions for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

Arkansas State University Beebe					
	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 3,370,634				\$ 3,370,634
Livestock for educational purposes	63,205	\$ 4,301			67,506
Intangibles-Software in development	674,270	107,036			781,306
	<u>4,108,109</u>	<u>111,337</u>	<u>-</u>	<u>-</u>	<u>4,219,446</u>
Total nondepreciable capital assets					
Other capital assets:					
Improvements and infrastructure	\$ 22,037,187	\$ 8,330		\$ (127,928)	\$ 21,917,589
Buildings	67,052,336			(30,212)	67,022,124
Equipment	5,939,173	719,810 *		(194,704)	6,464,279
Library/audiovisual holdings	2,779,887	40,027		(28,551)	2,791,363
Intangibles-Software	1,935,886				1,935,886
	<u>99,744,469</u>	<u>768,167</u>	<u>-</u>	<u>(381,395)</u>	<u>100,131,241</u>
Total other capital assets					
Less accumulated depreciation for:					
Improvements and infrastructure	12,914,260	1,276,974		(127,928)	14,063,306
Buildings	36,183,207	1,788,250		(30,212)	37,941,245
Equipment	4,896,131	275,673		(194,704)	4,977,100
Library/audiovisual holdings	2,313,129	83,249		(28,551)	2,367,827
Intangibles-Software	580,767	193,588			774,355
	<u>56,887,494</u>	<u>3,617,734</u>	<u>-</u>	<u>(381,395)</u>	<u>60,123,833</u>
Total accumulated depreciation					
	<u>\$ 42,856,975</u>	<u>\$ (2,849,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,007,408</u>
Other capital assets, net					
Capital Asset Summary:					
Nondepreciable capital assets	\$ 4,108,109	\$ 111,337	\$ -	\$ -	\$ 4,219,446
Other capital assets, at cost	99,744,469	768,167	-	(381,395)	100,131,241
	<u>103,852,578</u>	<u>879,504</u>	<u>-</u>	<u>(381,395)</u>	<u>104,350,687</u>
Total cost of capital assets					
Less accumulated depreciation	56,887,494	3,617,734		(381,395)	60,123,833
	<u>46,965,084</u>	<u>(2,738,230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,226,854</u>
Capital Assets, net					

*Includes \$1,372 for prior year additions for equipment.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

Arkansas State University Mid-South					
	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 3,898,076				\$ 3,898,076
Intangibles-Software in development	502,179	\$ 350,379			852,558
Total nondepreciable capital assets	<u>\$ 4,400,255</u>	<u>\$ 350,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,750,634</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,538,828				\$ 7,538,828
Buildings	58,672,548				58,672,548
Equipment	10,658,120	\$ 406,910		\$ (6,890)	11,058,140
Library/audiovisual holdings	936,861	16,268			953,129
Total other capital assets	<u>77,806,357</u>	<u>423,178</u>	<u>-</u>	<u>(6,890)</u>	<u>78,222,645</u>
Less accumulated depreciation for:					
Improvements and infrastructure	5,137,732	206,454			5,344,186
Buildings	27,263,894	1,169,303			28,433,197
Equipment	9,532,745	271,223		(6,890)	9,797,078
Library/audiovisual holdings	871,193	9,378			880,571
Total accumulated depreciation	<u>42,805,564</u>	<u>1,656,358</u>	<u>-</u>	<u>(6,890)</u>	<u>44,455,032</u>
Other capital assets, net	<u>\$ 35,000,793</u>	<u>\$ (1,233,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,767,613</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 4,400,255	\$ 350,379	\$ -	\$ -	\$ 4,750,634
Other capital assets, at cost	77,806,357	423,178	-	(6,890)	78,222,645
Total cost of capital assets	<u>82,206,612</u>	<u>773,557</u>	<u>-</u>	<u>(6,890)</u>	<u>82,973,279</u>
Less accumulated depreciation	42,805,564	1,656,358	-	(6,890)	44,455,032
Capital Assets, net	<u>\$ 39,401,048</u>	<u>\$ (882,801)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,518,247</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

Arkansas State University Mountain Home

	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction-in-progress	59,896	\$ 554,251			614,147
Total nondepreciable capital assets	<u>\$ 2,994,704</u>	<u>\$ 554,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,548,955</u>
Other capital assets:					
Improvements and infrastructure	\$ 2,313,346				\$ 2,313,346
Buildings	38,285,223				38,285,223
Equipment	2,716,273	\$ 148,801			2,865,074
Library/audiovisual holdings	924,373	415			924,788
Total other capital assets	<u>44,239,215</u>	<u>149,216</u>	<u>-</u>	<u>-</u>	<u>44,388,431</u>
Less accumulated depreciation for:					
Improvements and infrastructure	2,247,975				2,247,975
Buildings	30,805,313	1,583,225			32,388,538
Equipment	2,168,624	151,140			2,319,764
Library/audiovisual holdings	820,273	17,232			837,505
Total accumulated depreciation	<u>36,042,185</u>	<u>1,751,597</u>	<u>-</u>	<u>-</u>	<u>37,793,782</u>
Other capital assets, net	<u>\$ 8,197,030</u>	<u>\$ (1,602,381)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,594,649</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,994,704	\$ 554,251	\$ -	\$ -	\$ 3,548,955
Other capital assets, at cost	44,239,215	149,216	-	-	44,388,431
Total cost of capital assets	<u>47,233,919</u>	<u>703,467</u>	<u>-</u>	<u>-</u>	<u>47,937,386</u>
Less accumulated depreciation	36,042,185	1,751,597	-	-	37,793,782
Capital Assets, net	<u>\$ 11,191,734</u>	<u>\$ (1,048,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,143,604</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

Arkansas State University Newport					
	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 1,451,050			\$ (6,315)	\$ 1,444,735
Construction-in-progress	756,641	\$ 437,170			1,193,811
Intangibles-Software in development	117,884	386,211			504,095
Total nondepreciable capital assets	<u>\$ 2,325,575</u>	<u>\$ 823,381</u>	<u>\$ -</u>	<u>\$ (6,315)</u>	<u>\$ 3,142,641</u>
Other capital assets:					
Improvements and infrastructure	\$ 7,651,852				\$ 7,651,852
Buildings	31,645,961				31,645,961
Equipment	6,509,884	\$ 821,984		\$ (72,565)	7,259,303
Library/audiovisual holdings	501,224	1,666			502,890
Intangibles-Software	1,709,844				1,709,844
Total other capital assets	<u>48,018,765</u>	<u>823,650</u>	<u>-</u>	<u>(72,565)</u>	<u>48,769,850</u>
Less accumulated depreciation for:					
Improvements and infrastructure	2,498,074	782,561			3,280,635
Buildings	20,377,522	817,082			21,194,604
Equipment	4,620,694	437,059		(72,565)	4,985,188
Library/audiovisual holdings	427,746	14,022			441,768
Intangibles-Software	488,526	251,408			739,934
Total accumulated depreciation	<u>28,412,562</u>	<u>2,302,132</u>	<u>-</u>	<u>(72,565)</u>	<u>30,642,129</u>
Other capital assets, net	<u>\$ 19,606,203</u>	<u>\$ (1,478,482)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,127,721</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,325,575	\$ 823,381	\$ -	\$ (6,315)	\$ 3,142,641
Other capital assets, at cost	48,018,765	823,650	-	(72,565)	48,769,850
Total cost of capital assets	<u>50,344,340</u>	<u>1,647,031</u>	<u>-</u>	<u>(78,880)</u>	<u>51,912,491</u>
Less accumulated depreciation	<u>28,412,562</u>	<u>2,302,132</u>	<u>-</u>	<u>(72,565)</u>	<u>30,642,129</u>
Capital Assets, net	<u>\$ 21,931,778</u>	<u>\$ (655,101)</u>	<u>\$ -</u>	<u>\$ (6,315)</u>	<u>\$ 21,270,362</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: Capital Assets (Continued)

Arkansas State University Three Rivers

	Balance July 1, 2021	Additions	Transfers	Retirements	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 790,262				\$ 790,262
Construction-in-progress	661,120	\$ 837,277			1,498,397
Total nondepreciable capital assets	\$ 1,451,382	\$ 837,277	\$ -	\$ -	\$ 2,288,659
Other capital assets:					
Improvements and infrastructure	\$ 339,912				\$ 339,912
Buildings	9,775,751				9,775,751
Equipment	3,127,180	\$ 346,298			3,473,478
Library/audiovisual holdings	510,401	6,821			517,222
Total other capital assets	13,753,244	353,119	-	-	14,106,363
Less accumulated depreciation for:					
Improvements and infrastructure	287,356	6,845			294,201
Buildings	6,035,011	98,951			6,133,962
Equipment	2,280,794	287,515			2,568,309
Library/audiovisual holdings	475,148	7,439			482,587
Total accumulated depreciation	9,078,309	400,750	-	-	9,479,059
Other capital assets, net	\$ 4,674,935	\$ (47,631)	\$ -	\$ -	\$ 4,627,304
Capital Asset Summary:					
Nondepreciable capital assets	\$ 1,451,382	\$ 837,277	\$ -	\$ -	\$ 2,288,659
Other capital assets, at cost	13,753,244	353,119	-	-	14,106,363
Total cost of capital assets	15,204,626	1,190,396	-	-	16,395,022
Less accumulated depreciation	9,078,309	400,750	-	-	9,479,059
Capital Assets, net	\$ 6,126,317	\$ 789,646	\$ -	\$ -	\$ 6,915,963

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022	Maturities To June 30, 2022
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 3,354,999	\$ 15,875,001
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	1,575,000	1,200,000
3/1/2012	3/1/2037	2 - 4%	3,425,000	2,425,000	1,000,000
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,045,000	455,000
3/1/2013	3/1/2034	1 - 5%	28,895,000	18,995,000	9,900,000
8/1/2013	8/1/2023	0.24%	1,000,000	201,922	798,078
12/1/2013	12/1/2043	2 - 5%	14,685,000	12,305,000	2,380,000
12/1/2014	11/30/2024	3.25%	563,810	158,494	405,316
11/1/2015	11/1/2025	0.00%	600,000	210,000	390,000
11/1/2015	11/1/2025	0.00%	604,000	211,400	392,600
12/17/2015	12/1/2035	3.21%	15,226,080	13,582,165	1,643,915
11/17/2016	3/1/2037	3 - 4%	13,870,000	10,930,000	2,940,000
11/17/2016	3/1/2037	2 - 4%	23,150,000	16,005,000	7,145,000
10/1/2017	9/30/2092	4.25%	222,521	222,521	-
11/1/2017	10/31/2022	4.25%	335,617	24,657	310,960
12/20/2017	3/1/2039	3 - 4%	11,740,000	9,140,000	2,600,000
7/25/2018	5/25/2028	0.00%	1,000,000	599,774	400,226
12/18/2019	3/1/2030	2 - 3%	1,640,000	1,200,000	440,000
12/18/2019	3/1/2042	2.004 - 3.651%	3,750,000	3,375,000	375,000
8/20/2020	8/20/2024	3.25%	43,428	26,039	17,389
3/15/2021	3/1/2042	0.515 - 2.794%	11,670,000	11,185,000	485,000
10/1/2021	6/30/2023	3.25%	39,126	19,800	19,326
4/28/2022	12/1/2038	2.25 - 4.15%	13,015,000	13,015,000	-
Unamortized discount			(90,264)	(82,212)	(8,052)
Unamortized premium			4,750,343	3,253,359	1,496,984
Totals			<u>\$ 173,639,661</u>	<u>\$ 122,977,918</u>	<u>\$ 50,661,743</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
8/31/2011	8/30/2036	5.74%	\$ 2,750,000	\$ 2,116,264	\$ 633,736
7/23/2012	7/23/2026	3.08%	2,366,268	962,383	1,403,885
2/14/2014	2/14/2028	4.98%	1,100,000	512,022	587,978
11/1/2014	11/1/2039	2 - 5%	33,000,000	27,185,000	5,815,000
6/1/2015	7/1/2026	1 - 3.2%	3,780,000	1,280,000	2,500,000
6/30/2015	6/1/2024	4.12%	6,513,437	6,513,437	-
6/30/2015	6/1/2035	4.12%	3,623,489	998,093	2,625,396
2/3/2016	7/1/2032	2 - 3%	6,465,000	4,670,000	1,795,000
9/19/2017	7/15/2035	2 - 3.25%	7,005,000	5,720,000	1,285,000
10/3/2017	9/1/2035	1.25 - 3.25%	3,315,000	2,700,000	615,000
* 8/14/2018	9/27/2023	3.75%	1,000,000	663,051	336,949
7/1/2019	6/30/2028	0.00%	6,000,000	5,750,000	250,000
8/20/2019	11/1/2039	3.73%	15,996,406	14,976,446	1,019,960
7/1/2020	3/31/2030	4.00%	1,299,585	1,083,644	215,941
7/1/2021	7/1/2031	0.00%	996,450	946,450	50,000
Unamortized discount			(49,704)	(35,519)	(14,185)
Unamortized premium-bonds			783,471	532,924	250,547
Unamortized premium-note			115,848	100,401	15,447
Totals			<u>\$ 96,060,250</u>	<u>\$ 76,674,596</u>	<u>\$ 19,385,654</u>

*The terms of this direct placement bond were amended on July 6, 2021; the rate was changed from 4.25% to 3.75% and the maturity date from 8-14-2021 to 9-27-2023.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Beebe

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
12/1/2012	12/1/2032	1 - 3%	\$ 1,890,000	\$ 1,145,000	\$ 745,000
4/1/2015	12/1/2023	1 - 3%	1,895,000	460,000	1,435,000
4/1/2015	4/1/2039	1 - 3.625%	8,005,000	6,195,000	1,810,000
5/1/2015	12/1/2035	2 - 4%	12,930,000	9,590,000	3,340,000
6/1/2015	9/1/2035	2 - 4%	9,185,000	6,740,000	2,445,000
8/8/2017	7/1/2032	1.31%	100,000	75,212	24,788
10/18/2017	10/1/2037	3.04%	4,930,498	4,554,173	376,325
Unamortized discount			(91,432)	(59,942)	(31,490)
Unamortized premium			404,190	254,862	149,328
Totals			<u>\$ 39,248,256</u>	<u>\$ 28,954,305</u>	<u>\$ 10,293,951</u>

Arkansas State University Mid-South

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
8/26/2010	2/1/2040	2 - 4.7%	\$ 5,180,000	\$ 3,855,000	\$ 1,325,000
8/1/2012	2/1/2042	1 - 4%	18,510,000	13,910,000	4,600,000
3/15/2018	3/15/2038	3.30%	1,537,658	1,304,310	233,348
9/1/2019	8/31/2023	2.99%	154,457	66,971	87,486
Unamortized discount			(47,842)	(28,707)	(19,135)
Unamortized premium			112,689	75,127	37,562
Totals			<u>\$ 25,446,962</u>	<u>\$ 19,182,701</u>	<u>\$ 6,264,261</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022	Maturities To June 30, 2022
12/18/2019	12/1/2032	2.004 - 3.119%	\$ 4,885,000	\$ 4,140,000	\$ 745,000
Totals			<u>\$ 4,885,000</u>	<u>\$ 4,140,000</u>	<u>\$ 745,000</u>

Arkansas State University Newport

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
12/1/2012	5/1/2028	0.666 - 3.82%	\$ 3,740,000	\$ 1,550,004	\$ 2,189,996
12/1/2012	12/1/2032	1 - 3%	1,875,000	1,145,000	730,000
8/8/2017	7/1/2032	1.31%	1,000,000	752,121	247,879
10/18/2017	10/1/2037	3.04%	2,951,079	2,725,853	225,226
Unamortized discount			<u>(22,328)</u>	<u>(11,724)</u>	<u>(10,604)</u>
Totals			<u>\$ 9,543,751</u>	<u>\$ 6,161,254</u>	<u>\$ 3,382,497</u>

Arkansas State University Three Rivers

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2022	Maturities To June 30, 2022
2/28/2011	3/1/2026	0.37%	\$ 565,000	\$ 153,740	\$ 411,260
4/25/2014	5/1/2029	0.24%	1,000,000	471,143	528,857
Totals			<u>\$ 1,565,000</u>	<u>\$ 624,883</u>	<u>\$ 940,117</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University Jonesboro

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	\$ 113,950,272	\$ 12,946,205	\$ 19,175,331 *	\$ 107,721,146	\$ 7,426,163
Notes payable	1,544,321		321,225 **	1,223,096	321,240
Leases payable	-	610,780	159,269	451,511	115,266
Installment contracts payable	14,113,961		531,796	13,582,165	596,360
Compensated absences	7,407,731	4,836,447	5,071,427	7,172,751	4,253,887
Totals	\$ 137,016,285	\$ 18,393,432	\$ 25,259,048	\$ 130,150,669	\$ 12,712,916

*Includes refunding of \$3,305,000 and advance refunding of \$8,755,000.

**Includes \$226 reduction of note payable for revised payment schedule.

Henderson State University

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable*	\$ 44,231,492		\$ 2,179,087	\$ 42,052,405	\$ 2,244,089
Notes payable and bonds from direct placement*	34,356,461	\$ 996,450	1,814,364	33,538,547	1,909,308
Leases payable		1,183,608	99,964	1,083,644	115,254
Compensated absences	976,292	868,869	698,049	1,147,112	217,951
Totals	\$ 79,564,245	\$ 3,048,927	\$ 4,791,464	\$ 77,821,708	\$ 4,486,602

*The ending balance from June 30, 2021 has been amended to reflect the bond from direct placement of \$1,000,000.

Arkansas State University Beebe

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	\$ 25,801,820		\$ 1,476,900	\$ 24,324,920	\$ 1,531,899
Notes payable	75,212			75,212	6,401
Installment contracts payable	4,667,027		112,854	4,554,173	128,662
Compensated absences	1,280,705	\$ 898,154	989,632	1,189,227	900,000
Totals	\$ 31,824,764	\$ 898,154	\$ 2,579,386	\$ 30,143,532	\$ 2,566,962

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mid-South

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	\$ 18,408,582		\$ 597,162	\$ 17,811,420	\$ 617,162
Notes payable	1,365,482		61,172	1,304,310	63,191
Leases payable		\$ 106,036	39,065	66,971	55,633
Compensated absences	647,819	407,766	380,976	674,609	34,701
Totals	\$ 20,421,883	\$ 513,802	\$ 1,078,375	\$ 19,857,310	\$ 770,687

Arkansas State University Mountain Home

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	\$ 4,515,000		\$ 375,000	\$ 4,140,000	\$ 385,000
Compensated absences	519,357	\$ 247,941	253,266	514,032	10,281
Totals	\$ 5,034,357	\$ 247,941	\$ 628,266	\$ 4,654,032	\$ 395,281

Arkansas State University Newport

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable	\$ 3,007,160		\$ 323,880	\$ 2,683,280	\$ 343,884
Notes payable	1,543,207		791,086	752,121	64,011
Installment contracts payable	2,793,381		67,528	2,725,853	77,010
Compensated absences	995,757	\$ 427,403	503,333	919,827	540,426
Totals	\$ 8,339,505	\$ 427,403	\$ 1,685,827	\$ 7,081,081	\$ 1,025,331

*Includes early payoff of \$622,678.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Notes payable	\$ 805,458		\$ 180,575	\$ 624,883	\$ 105,045
Compensated absences	435,957	\$ 50,405	100,408	385,954	36,495
Totals	\$ 1,241,415	\$ 50,405	\$ 280,983	\$ 1,010,837	\$ 141,540

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

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

Year ended June 30,	Bonds payable		Notes payable		Leases payable*		Installment contracts payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 7,426,163	\$ 3,833,297	\$ 321,240	\$ 485	\$ 115,266	\$ 15,247	\$ 596,360	\$ 427,435
2024	7,756,162	3,520,653	321,482	243	73,141	12,374	665,319	407,292
2025	6,171,162	3,248,115	220,400		42,282	10,101	738,928	394,867
2026	5,951,162	3,045,263	160,200		615	9,385	817,457	360,008
2027	6,071,163	2,827,687	100,000		641	9,359	835,511	332,815
2028 - 2032	33,005,935	10,869,178	99,774		3,639	46,361	4,817,033	1,244,130
2033 - 2037	29,172,157	5,060,214			4,479	45,520	5,111,557	316,153
2038 - 2042	10,450,424	1,383,075			5,517	44,483		
2043 - 2047	1,716,818	84,338			6,793	43,207		
2048 - 2052					8,365	41,635		
2053 - 2057					10,300	39,700		
2058 - 2062					12,683	37,317		
2063 - 2067					15,617	34,383		
2068 - 2072					19,230	30,770		
2073 - 2077					23,678	26,322		
2078 - 2082					29,156	20,844		
2083 - 2087					35,902	14,098		
2088 - 2092					44,207	5,793		
Totals	\$ 107,721,146	\$ 33,871,820	\$ 1,223,096	\$ 728	\$ 451,511	\$ 486,899	\$ 13,582,165	\$ 3,482,700

*Additional information on leases payable can be found in Note 6.

**Includes discount amortization of \$5,064 and premium amortization of \$226,226.

***Includes interest payable of \$1,085,854 recorded as a current liability at June 30, 2022.

****Includes discount amortization of \$82,212 and premium amortization of \$3,253,359.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Henderson State University

Year ended June 30,	Bonds payable		Notes payable/Bonds from direct placement payable		Leases payable*	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,244,089	** \$ 1,429,485 ***	\$ 1,909,308	** \$ 1,072,530 ***	\$ 115,254	\$ 41,267
2024	2,334,088	1,348,253	1,961,224	1,008,683	121,935	36,516
2025	2,419,088	1,269,041	1,680,716	938,901	128,899	31,532
2026	2,484,088	1,196,603	1,727,438	874,440	136,186	26,224
2027	2,558,030	1,119,866	1,775,876	808,052	143,781	20,658
2028 - 2032	12,659,875	4,332,369	13,812,627	3,071,213	437,589	25,392
2033 - 2037	11,367,673	2,178,231	7,429,912	1,435,498		
2038 - 2040	5,985,474	361,100	3,241,446	243,742		
Totals	\$ 42,052,405	13,234,948	\$ 33,538,547	9,453,059	\$ 1,083,644	\$ 181,589

*Additional information on leases payable can be found in Note 6.

**Includes discount amortization of \$2,719 and premium amortization of \$37,600.

***Includes interest payable of \$858,399 recorded as a current liability at June 30, 2022.

****Total principal of \$42,052,405 includes discount amortization of \$35,519 and premium amortization of \$532,924.

*****Total principal of \$33,538,547 includes premium amortization of \$100,401.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

		Arkansas State University Beebe					
Year ended June 30,	Bonds payable		Notes payable		Installment contracts payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 1,531,899	* \$ 833,473	\$ 6,401	\$ 985	\$ 128,662	\$ 138,446	
2024	1,575,747	782,444	6,485	901	143,688	134,535	
2025	1,389,923	731,276	6,570	816	161,320	130,167	
2026	1,434,923	679,782	6,656	730	178,257	125,263	
2027	1,489,922	628,225	6,743	643	197,894	119,844	
2028 - 2032	8,259,615	2,333,394	35,065	1,868	1,262,790	498,506	
2033 - 2037	7,752,926	817,278	7,292	96	2,098,023	261,774	
2038 - 2039	889,965	48,394			383,539	11,658	
Totals	\$ 24,324,920	\$ 6,854,266	\$ 75,212	\$ 6,039	\$ 4,554,173	\$ 1,420,193	

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

**Includes interest payable of \$274,530 recorded as a current liability at June 30, 2022.

***Total principal of \$24,324,920 includes discount amortization of \$59,942 and premium amortization of \$254,862.

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Year ended June 30,	Bonds payable		Arkansas State University Mid-South Notes payable		Leases payable*	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 617,162	** \$ 691,495 ***	\$ 63,191	\$ 43,042 ***	\$ 55,635	\$ 15,463
2024	637,162	671,733	65,276	40,957	11,338	511
2025	657,162	650,940	67,430	38,803		
2026	682,162	626,508	69,656	36,578		
2027	707,162	604,033	71,954	34,279		
2028 - 2032	3,940,810	2,601,394	396,995	134,171		
2033 - 2037	4,760,810	1,782,760	466,968	64,198		
2038 - 2042	5,808,990	737,630	102,840	3,394		
Totals	\$ 17,811,420	\$ 8,366,493	\$ 1,304,310	\$ 395,422	\$ 66,971	\$ 15,974

*Additional information on leases payable can be found in Note 6.

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

***Includes interest payable of \$297,239 recorded as a current liability at June 30, 2022.

****Total principal of \$17,811,420 includes discount amortization of \$28,707 and premium amortization of \$75,127.

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Mountain Home
 Bonds payable

Year ended June 30,	Principal	Interest
2023	\$ 385,000	\$ 108,608 *
2024	390,000	99,972
2025	405,000	89,963
2026	415,000	78,684
2027	420,000	67,198
2028 - 2032	1,850,000	164,047
2033	275,000	4,289
Totals	<u>\$ 4,140,000</u>	<u>\$ 612,761</u>

*Includes interest payable of \$9,087 recorded as a current liability at June 30, 2022.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Year ended June 30,	Bonds payable		Arkansas State University Newport Notes payable		Installment contracts payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 343,884	* \$ 89,979	** \$ 64,011	\$ 92,719	** \$ 77,010	\$ 82,866
2024	353,884	78,035	64,851	89,539	86,003	80,525
2025	358,884	65,609	65,701	86,075	96,557	77,910
2026	358,884	52,610	66,561	82,279	106,694	74,975
2027	388,884	39,546	67,433	78,164	118,448	71,731
2028 - 2032	858,860	69,202	350,651	317,052	755,833	298,377
2033 - 2037			72,913	157,638	1,255,755	156,683
2038					229,553	6,978
Totals	\$ 2,683,280	*** \$ 394,981	\$ 752,121	\$ 903,466	\$ 2,725,853	\$ 850,045

*Includes discount amortization of \$1,116.

**Includes interest payable of \$84,117 recorded as a current liability at June 30, 2022.

***Total principal of \$2,683,280 includes discount amortization of \$11,724.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University Three Rivers
Notes payable

Year ended June 30,	Principal	Interest
2023	\$ 105,045	\$ 1,699 *
2024	105,347	1,398
2025	105,650	1,095
2026	105,954	791
2027	67,467	487
2028 - 2029	135,420	488
Totals	<u>\$ 624,883</u>	<u>\$ 5,958</u>

*Includes interest payable of \$378 recorded as a current liability at June 30, 2022.

Refunding of Debt

On April 28, 2022, the University issued \$13,015,000 in taxable refunding bonds for the Jonesboro campus with interest rates of 2.25 to 4.15 percent to refund \$3,305,000 of outstanding bonds (Series 2012A) dated March 1, 2012 with interest rates of 0.7 to 4.8 percent and to advance refund \$8,755,000 of outstanding bonds (Series 2013A) dated December 1, 2013 with interest rates of 0.864 to 5.779 percent. Net proceeds of \$12,735,486 after payment of \$210,720 for bond issuance costs and a discount of \$68,794 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, \$2 was transferred from the bond fund of the 2012A issue and \$1 was transferred from the bond fund of the 2013A issue. As a result of this refunding, the 2012A and 2013A Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012A bonds were called on May 16, 2022, and the 2013A bonds will be called on December 1, 2023. U.S. Treasury obligations yielding \$9,694,685 were purchased by the escrow agent for the retirement of the 2013A bonds. The University refunded the bonds to reduce its total debt service payments by \$1,015,396 over the next seventeen (17) years and to obtain an economic gain of \$791,925. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$699,502. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2039 using the straight-line method.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6: Leases

A. Leases Payable

The net value of assets held under leases totaled \$1,502,057 at June 30, 2022. Leases are amortized using the straight-line method. The details of the leases are as follows:

Arkansas State University Jonesboro						
Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Office Space	12/1/2014	11/30/2024	3.25%	\$ 563,810	\$ 422,857	\$ 140,953
Land	10/1/2017	9/30/2092	4.25%	222,521	14,093	208,428
Office Space	11/1/2017	10/31/2022	4.25%	335,617	313,242	22,375
Farm Equipment	8/20/2020	8/20/2024	3.25%	43,428	20,203	23,225
Office Space	10/1/2021	6/30/2023	3.25%	39,126	16,768	22,358
Total				<u>\$ 1,204,502</u>	<u>\$ 787,163</u>	<u>\$ 417,339</u>

Henderson State University						
Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Office Space	7/1/2020	3/31/2030	4.00%	\$ 1,299,585	\$ 259,917	\$ 1,039,668
Total				<u>\$ 1,299,585</u>	<u>\$ 259,917</u>	<u>\$ 1,039,668</u>

Arkansas State University Mid-South						
Type of Asset	Issue Date	Maturity Date	Rate of Interest	Asset Amount	Amortization	Net Amount
Copiers	9/1/2019	8/31/2023	2.99%	\$ 84,997	\$ 60,206	\$ 24,791
Printers	9/1/2019	8/31/2023	2.99%	69,460	49,201	20,259
Total				<u>\$ 154,457</u>	<u>\$ 109,407</u>	<u>\$ 45,050</u>

B. Leases Receivable

Arkansas State University Jonesboro

The University has three ground leases with outside parties. The deferred inflow for the leases are amortized using the straight-line method. Below are the details of each lease and a summary of the amounts:

On February 26, 2016, the University entered into a ground lease agreement with Hotel Partners, LLC to construct and operate a hotel, convention center, and restaurant on approximately 11 acres of land owned by the University. Hotel Partners, LLC is responsible for all construction costs, maintenance costs and operational costs of the project. The University will begin receiving rent annually for the use of the land beginning in fall 2022. The University will receive \$416,650 annually for two years and then will receive \$250,000 for each of the following years. The term of the lease is fifty years plus four (4) options for an additional ten (10 years) each.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6: Leases (Continued)

B. Leases Receivable (Continued)

Arkansas State University Jonesboro (Continued)

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 \$200,004 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.

The amount of principal and interest and amortization of deferred inflows for the next five years and in five year increments are:

Year ended June 30,	Principal	Interest	Amortization of Deferred Inflow
2023	\$ 525,277	\$ 196,377	\$ 242,371
2024	276,424	445,230	242,371
2025	121,562	433,442	242,371
2026	125,946	429,058	242,371
2027	130,489	424,515	242,371
2028 - 2032	726,561	2,048,459	1,211,855
2033 - 2037	867,542	1,907,478	1,211,855
2038 - 2042	1,036,030	1,738,990	1,211,855
2043 - 2047	1,237,432	1,537,588	1,211,855
2048 - 2052	1,478,224	1,296,796	1,211,853
2053 - 2057	102,219	1,147,781	333,545
2058 - 2062	128,913	1,121,087	333,545
2063 - 2067	162,580	1,087,420	333,545
2068 - 2072	205,039	1,044,961	333,545
2073 - 2077	258,588	991,412	333,546
2078 - 2082	326,121	923,879	333,550
2083 - 2087	411,290	838,710	333,550
2088 - 2092	518,701	731,299	333,550
2093 - 2097	654,166	595,834	333,550
2098 - 2102	825,009	424,991	333,550
2103 - 2107	1,040,467	209,533	333,550
2108	238,664	11,336	66,710
Totals	<u>\$ 11,397,244</u>	<u>\$ 19,586,176</u>	<u>\$ 11,006,864</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6: Leases (Continued)

B. Leases Receivable (Continued)

Henderson State University

The University has two building subleases with outside parties. The deferred inflow for the leases are amortized using the straight-line method. Below are the details of each lease and a summary of the amounts:

On July 1, 2020, the University entered into a building sublease agreement with the Arkansas Department of Commerce-Division of Workforce Services-Rehabilitation Services to sublease 5,462 square feet of a building that Henderson State University leases. The University will receive \$867,946 over the term of the lease. The lease ends on March 31, 2030.

On September 1, 2020, the University entered into a building sublease agreement with the Arkansas Department of Commerce-Division of Workforce Services to sublease 4,501 square feet of a building that Henderson State University leases. The University will receive \$702,516 over the term of the lease. The lease ends on March 31, 2030.

The amount of principal and interest and amortization of deferred inflows for the next five years and in five year increments are:

Year ended June 30,	Principal	Interest	Amortization of Deferred Inflow
2023	\$ 115,773	\$ 41,506	\$ 131,473
2024	122,787	36,729	131,473
2025	129,494	31,715	131,473
2026	137,125	26,377	131,473
2027	144,460	20,778	131,473
2028 - 2030	440,246	25,544	389,442
Totals	<u>\$ 1,089,885</u>	<u>\$ 182,649</u>	<u>\$ 1,046,807</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7: Commitments

The University was contractually obligated for the following at June 30, 2022:

Project Title	Estimated Completion Date	Contract Balance
<u>Jonesboro</u>		
Kays Hall Painting	August 2022	\$ 104,989
Greek Village Painting	August 2022	91,672
Collegiate Park Stairs Buildings 2 and 4	August 2022	51,263
Village Apartments Exterior Repairs	November 2022	283,756
Student Union Learning Commons	December 2022	589,512
Counseling Center Renovations	December 2022	449,838
Library Elevator	December 2022	366,416
Ed Comm Lighting	December 2022	60,800
Collegiate Park Doors	February 2023	139,349
Student Union Control Upgrades	March 2023	193,551
Museum Dehumidifier	March 2023	142,094
E-Sports Heating, Ventilation and Air Conditioning Upgrades	March 2023	50,284
Driver Street Improvements	May 2023	102,466
College of Business Variable Air Unit Replacement	June 2023	432,338
Lab Science West Fire Alarm Replacement	June 2023	304,971
ABI Uninterruptible Power Supply System Upgrade	June 2023	151,777
First National Bank Arena Air Handler Unit Phase I	June 2023	50,925
Northpark Commons Variable Air Unit Replacement	July 2023	156,511
Farmers Market	October 2023	2,541,117
Campus Lighting Phase III	December 2023	611,518
Student Union Kitchen Make Up Air Unit Replacement	TBD	71,688
University Hall Variable Air Unit Addition	TBD	52,500
Student Union Re-roof	TBD	50,948
<u>Henderson State University</u>		
Caddo Center Renovation Phase V	November 2022	692,097
ERP Implementation	December 2022	206,732

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7: Commitments (Continued)

Continued

Project Title	Estimated Completion Date	Contract Balance
<u>Beebe</u> ERP Implementation	December 2022	158,777
<u>Mid-South</u> Fire Alarm System-Magruder, Southland, Workforce ERP Implementation	September 2022 December 2022	91,700 73,525
<u>Mountain Home</u> ERP Implementation	December 2022	81,517
<u>Newport</u> ERP Implementation Canopy Project	December 2022 March 2023	110,823 379,874
<u>Three Rivers</u> Nursing Building expansion design ERP Implementation	December 2022 December 2022	294,000 70,861

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 2022, \$54,412 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2022 were \$11,724,002 and \$10,236,906 respectively.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

Variable Annuity Life Insurance Company (VALIC)

Plan Description

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

Funding Policy

The mandatory employee contribution is 6%, and the University contributes 10% of earnings for all eligible employees. The Three Rivers campus contributes 14% of earnings for all eligible employees. Current participants may also make voluntary contributions to the plan subject to current regulations. Employees vest after one year of service. For employees who do not meet the vesting requirement; the employer contributions are considered forfeited and are used to offset future employer contributions. During fiscal year 2022, \$7 of forfeitures were applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2022 were \$1,144,131 and \$892,618, 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 2022, there were no forfeitures applied to employer contributions. The University's and participants' contributions for the year ended June 30, 2022 were \$163,775 and \$82,216, respectively.

Defined Benefit Pension Plans

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

Plan Descriptions

Arkansas Teacher Retirement System

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

Defined Benefit Pension Plans (Continued)

Arkansas Public Employees Retirement System

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

Benefits Provided

Arkansas Teacher Retirement System

Benefit provisions are set forth in Arkansas Code Annotated, Chapter 24 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Members are eligible for full retirement benefits at age 60 with five or more years of actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members, as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

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

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credit. 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 contributions and accumulation of service credit will cease once a member enters T-DROP. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits will be calculated beginning with the member's plan benefit reduced by 1% for each year of credited service. The Board of Trustees may authorize early participation in T-DROP for members with at least 28 years but less than 30 years of credited service. The plan deposit for early participation will be calculated the same as the regular T-DROP deposit with a further reduction of at least .5% but not more than 1% for each month of credited service under 30 years. 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, roll it into another tax-deferred account, or defer the distribution into a T-DROP cash balance account held by ATRS.

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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

Benefits Provided (Continued)

Arkansas Teacher Retirement System (Continued)

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 or more of actual service. The minimum benefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and years of contributory service up to a \$10,000 maximum.

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

The University reported payables to ATRS in the amount of \$123,767 as of June 30, 2022. 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 any age with 28 years of credited service,
- At age 65 with 5 years of actual service except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly, or
- At age 55 with 35 years of credited service as an elected or public safety member.

The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. The plan also provides for disability and survivor benefits.

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

The University reported payables to APERS in the amount of \$69,965 as of June 30, 2022. 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, 2022

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 907 of 1999, effective July 1, 1999, requires all new under contract for 181 or more days to be contributory. Act 443 of 2021, effective July 1, 2021, increased the required number of contract days to 185 or more days. Act 385 of 2005 allows noncontributory members 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 14.75% for the fiscal year ending June 30, 2022. Contributory members are required to contribute 6.75% 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 APERS Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan.

The public employees retirement plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date that are noncontributory have the option to become a contributory member at any time.

Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022.

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

The collective net pension liability of \$3,537,675,064 (\$2,768,842,762 related to ATRS and \$768,832,302 related to APERS) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At June 30, 2022, the University reported a liability of \$9,289,701 (\$6,256,752 related to ATRS and \$3,032,949 related to APERS) for its proportionate share of the net pension liability. At June 30, 2021, the University's proportion of the collective net pension liability was .23% for ATRS and .39% for APERS.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

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

For the year ended June 30, 2022, the University recognized total pension expense of (\$2,010,555). (\$866,646) of this amount was related to ATRS and (\$1,143,909) was related to APERS. At June 30, 2022, 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	\$ 318,337	\$ 54,085
Changes of assumptions	1,885,175	
Net difference between projected and actual earnings on pension plan investments		5,183,700
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,428	3,186,675
Contributions subsequent to the measurement date	1,022,726	
Totals	\$ 3,262,666	\$ 8,424,460
APERS		
Differences between expected and actual experience	\$ 69,414	\$ 194,515
Changes of assumptions		21,246
Net difference between projected and actual earnings on pension plan investments		5,323,855
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,639	1,753,387
Contributions subsequent to the measurement date	1,021,161	
Totals	\$ 1,167,214	\$ 7,293,003
Totals		
Differences between expected and actual experience	\$ 387,751	\$ 248,600
Changes of assumptions	1,885,175	21,246
Net difference between projected and actual earnings on pension plan investments	-	10,507,555
Changes in proportion and differences between employer contributions and proportionate share of contributions	113,067	4,940,062
Contributions subsequent to the measurement date	2,043,887	
Totals	\$ 4,429,880	\$ 15,717,463

The above amount of \$2,043,887 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, 2023. 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
2023	\$ (1,724,587)	\$ (2,057,961)	\$ (3,782,548)
2024	(1,444,815)	(1,799,224)	(3,244,039)
2025	(1,345,915)	(1,674,137)	(3,020,052)
2026	(1,711,019)	(1,615,628)	(3,326,647)
2027	41,816		41,816

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

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

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2021 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; funding to retirement	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years	26 years closed
Asset valuation method corridor	4-year smoothed market for funding purposes; 20% corridor	4-year smoothed market; 25%
Discount rate	7.25%	7.15%
Wage inflation	2.75%	3.25%
Salary increases	2.75 – 7.75% including inflation	3.25 – 9.85%
Investment rate of return	7.25%	7.15%* *Net of investment and administrative expenses

Mortality rate table

ATRS

Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

<u>Table</u>	<u>Scaling Factor</u>	
	<u>Males</u>	<u>Females</u>
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

APERS

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

The actuarial assumptions used in the June 30, 2021 valuation for ATRS were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

All other actuarial assumptions used in the June 30, 2021 valuation for APERS were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2021, 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%	4.8%
Fixed income	15%	0.4%
Alternatives	5%	3.8%
Real assets	15%	4.7%
Private equity	12%	6.5%
Cash equivalents	0%	-0.2%
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 current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 - 2030 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

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

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 8: Retirement Plans (Continued)

Discount Rate

Arkansas Teacher Retirement System

A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates as of June 30, 2022 were 6.75% and 14.75% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in fiscal year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Arkansas Public Employees Retirement System

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

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	6.25%	\$ 13,090,354	7.25%	\$ 6,256,752	8.25%	\$ 586,659
APERS	6.15%	\$ 9,072,745	7.15%	\$ 3,032,949	8.15%	\$ (1,955,052)

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9: Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2022 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self- insurance	Depreciation	Other	Total
Instruction	\$ 88,720,173	\$ 2,482,679	\$ 12,916,874				\$ 104,119,726
Research	5,706,642	522,031	2,587,889				8,816,562
Public service	13,360,280	7,500	6,790,546				20,158,306
Academic support	14,782,016	83,731	8,414,247				23,279,994
Student services	17,409,090	275,951	5,717,402				23,402,443
Institutional support	23,044,468	45,698	17,293,798				40,383,964
Scholarships and fellowships		42,672,022					42,672,022
Operation and maintenance of plant	10,011,623		21,592,100				31,603,723
Auxiliary enterprises	9,944,164	8,048,360	19,339,887				37,332,411
Self-insurance				\$ 23,546,876			23,546,876
Depreciation					\$ 31,069,319		31,069,319
Other						\$ 88,135	88,135
Totals	\$ 182,978,436	\$ 54,137,972	\$ 94,652,743	\$ 23,546,876	\$ 31,069,319	\$ 88,135	\$ 386,473,481

*Includes \$306,268 of HEERF-CRRSAA direct payments to students and \$28,817,168 of HEERF-ARPA direct payments to students due to COVID-19

NOTE 10: Receivable and Payable Balances

Accounts Receivables at June 30, 2022 as reported in the Statement of Net Position, were as follows:

	Arkansas State University Jonesboro		
	Current	Noncurrent	Total
Student receivables, net	\$ 7,305,921		\$ 7,305,921
Grants and contracts	4,407,009		4,407,009
Construction projects	311,750	\$ 271,405	583,155
Travel advances/repayments	3,975		3,975
Auxiliary enterprises	1,540,629		1,540,629
Miscellaneous	3,055,229	54,203	3,109,432
Totals	\$ 16,624,513	\$ 325,608	\$ 16,950,121

	Henderson State University		
	Current	Noncurrent	Total
Student receivables, net	\$ 3,828,136		\$ 3,828,136
Grants and contracts	231,048		231,048
Construction projects	465,371		465,371
Direct Lending	54,203		54,203
Miscellaneous	52,427		52,427
Totals	\$ 4,631,185	\$ -	\$ 4,631,185

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Beebe			
	Current	Noncurrent	Total
Student receivables, net	\$ 765,970		\$ 765,970
Grants and contracts	1,943,799		1,943,799
Sales and use tax	214,679		214,679
Auxiliary enterprises	115,341		115,341
Totals	\$ 3,039,789	\$ -	\$ 3,039,789

Arkansas State University Mid-South			
	Current	Noncurrent	Total
Student receivables, net	\$ 147,049		\$ 147,049
Grants and contracts	2,494,730		2,494,730
Auxiliary enterprises	3,876		3,876
Property tax accrual		\$ 1,460,070	1,460,070
Miscellaneous	264,381		264,381
Totals	\$ 2,910,036	\$ 1,460,070	\$ 4,370,106

Arkansas State University Mountain Home			
	Current	Noncurrent	Total
Student receivables, net	\$ 137,284		\$ 137,284
Grants and contracts	805,001		805,001
Property tax accrual	879,790		879,790
Sales tax rebates	1,329		1,329
Miscellaneous	258,027		258,027
Totals	\$ 2,081,431	\$ -	\$ 2,081,431

Arkansas State University Newport			
	Current	Noncurrent	Total
Student receivables, net	\$ 1,626,710		\$ 1,626,710
Grants and contracts	698,424		698,424
Sales and use tax	106,360		106,360
Direct lending	165,658		165,658
Miscellaneous	57,801		57,801
Totals	\$ 2,654,953	\$ -	\$ 2,654,953

Arkansas State University Three Rivers			
	Current	Noncurrent	Total
Student receivables, net	\$ 530,463		\$ 530,463
Grants and contracts	1,062,685		1,062,685
Miscellaneous	119,501		119,501
Totals	\$ 1,712,649	\$ -	\$ 1,712,649

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University System			
	Current	Noncurrent	Total
Student receivables, net	\$ 14,341,533		\$ 14,341,533
Grants and contracts	11,642,696		11,642,696
Sales and use tax	321,039		321,039
Construction projects	777,121	\$ 271,405	1,048,526
Travel advances/repayments	3,975		3,975
Property tax accrual	879,790	1,460,070	2,339,860
Auxiliary enterprises	1,659,846		1,659,846
Direct lending	219,861		219,861
Sales tax rebates	1,329		1,329
Miscellaneous	3,807,366	54,203	3,861,569
Totals	\$ 33,654,556	\$ 1,785,678	\$ 35,440,234

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$3,372,967 at June 30, 2022. 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, 2022 were as follows:

Arkansas State University Jonesboro			
	Current	Noncurrent	Total
Notes receivable, net	\$ 479,444	\$ 1,892,408	\$ 2,371,852
Deposits receivable	4	5,759	5,763
Totals	\$ 479,448	\$ 1,898,167	\$ 2,377,615

Henderson State University			
	Current	Noncurrent	Total
Notes receivable, net	\$ 115,027	\$ 524,206	\$ 639,233

Arkansas State University System			
	Current	Noncurrent	Total
Notes receivable, net	\$ 594,471	\$ 2,416,614	\$ 3,011,085
Deposits receivable	4	5,759	5,763
Totals	\$ 594,475	\$ 2,422,373	\$ 3,016,848

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2022 was reduced by an allowance for doubtful accounts of \$129,610 for the current portion and \$511,583 for the noncurrent portion.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10: Receivable and Payable Balances (Continued)

Accounts Payable and Accrued Liabilities at June 30, 2022 are detailed below:

Arkansas State University Jonesboro			
	Current	Noncurrent	Total
Vendors	\$ 6,219,674	\$ 5,067	\$ 6,224,741
Health claims	1,791,700		1,791,700
Salaries and other payroll related items	2,154,139		2,154,139
Sales tax and use tax	4,783		4,783
Miscellaneous	47,486		47,486
Totals	\$ 10,217,782	\$ 5,067	\$ 10,222,849

Henderson State University			
	Current	Noncurrent	Total
Vendors	\$ 891,408		\$ 891,408
Salaries and other payroll related items	492,338		492,338
Totals	\$ 1,383,746	\$ -	\$ 1,383,746

Arkansas State University Beebe			
	Current	Noncurrent	Total
Vendors	\$ 232,059		\$ 232,059
Salaries and other payroll related items	26,698		26,698
Miscellaneous	149,918		149,918
Totals	\$ 408,675	\$ -	\$ 408,675

Arkansas State University Mid-South			
	Current	Noncurrent	Total
Vendors	\$ 1,166,844		\$ 1,166,844
Sales tax and use tax	985		985
Arkansas Delta Training and Education Consortium	316,237		316,237
Salaries and other payroll related items	450,038		450,038
Miscellaneous	117,384		117,384
Totals	\$ 2,051,488	\$ -	\$ 2,051,488

Arkansas State University Mountain Home			
	Current	Noncurrent	Total
Vendors	\$ 85,482		\$ 85,482
Students	923		923
Salaries and other payroll related items	41,217		41,217
Totals	\$ 127,622	\$ -	\$ 127,622

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10: Receivable and Payable Balances (Continued)

Arkansas State University Newport			
	Current	Noncurrent	Total
Vendors	\$ 87,647		\$ 87,647
Salaries and other payroll related items	91,614		91,614
Miscellaneous	1,000		1,000
Totals	\$ 180,261	\$ -	\$ 180,261

Arkansas State University Three Rivers			
	Current	Noncurrent	Total
Vendors	\$ 75,390		\$ 75,390
Salaries and other payroll related items	43,634		43,634
Miscellaneous	50,974		50,974
Totals	\$ 169,998	\$ -	\$ 169,998

Arkansas State University System			
	Current	Noncurrent	Total
Vendors	\$ 8,758,504	\$ 5,067	\$ 8,763,571
Student	923		923
Sales tax and use tax	5,768		5,768
Health claims	1,791,700		1,791,700
Arkansas Delta Training and Education Consortium	316,237		316,237
Salaries and other payroll related items	3,299,678		3,299,678
Miscellaneous	366,762		366,762
Totals	\$ 14,539,572	\$ 5,067	\$ 14,544,639

NOTE 11: Museum Collection

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

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

Plan Description

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

Benefits Provided

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Benefits Provided

Employees electing retirement will receive the following benefits:

- Medical benefits – Pre-Medicare benefits are available to retirees and their eligible dependents (if covered at the time the employee retires) under the Arkansas Blue Advantage Plan.
- Life insurance benefits – The beneficiary of a retiree who dies prior to age 65 receives an amount equal to 1.5 times the retiree's final salary immediately prior to retirement, rounded to the next highest multiple of \$1,000. The maximum benefit is \$50,000. Benefits are not payable to a beneficiary of a retiree who dies after attaining age 65. Certain retirees from the Mid-South campus are eligible for a life insurance benefit that continues beyond age 65 for the lifetime of the retiree. Dependents of retirees are eligible for a death benefit of \$2,000. Benefits are not payable after the retiree attains age 65.

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.

For campuses other than Three Rivers, employees hired on or after January 1, 2019 are not eligible to receive these postemployment benefits. For Three Rivers, employees hired after January 1, 2020 are not eligible to receive these postemployment benefits.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

	<u>Medical benefits</u>	<u>Life insurance benefits*</u>
<u>Active employees</u>		
Fully eligible	453	
Not yet fully eligible	1,057	
	<u>1,510</u>	
 <u>Retired employees</u>		
Retirees	93	133
Spouses	21	n/a
Surviving spouses	7	n/a
	<u>121</u>	<u>133</u>
 Totals	 <u>1,631</u>	 <u>133</u>

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

Total OPEB Liability

The University's total OPEB liability of \$10,392,160 was measured as of June 30, 2022 and determined by an actuarial valuation dated January 1, 2022.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.09% for June 30, 2021 measurement date and fiscal 2022 expense development 4.09% for June 30, 2022 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-2021.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the rates shown below. Blended pre-Medicare trend applies to stop loss premiums and retiree contributions.

Year	Medical	Rx	Blended
2022	5.00%	7.00%	5.40%
2023 - 2024	5.00%	6.50%	5.30%
2025	5.00%	6.40%	5.30%
2026 - 2028	4.90%	6.30%	5.20%
2029 - 2030	4.80%	6.20%	5.10%
2031	4.80%	6.10%	5.10%
2032	4.80%	5.70%	5.00%
2033 - 2036	4.80%	5.20%	4.90%
2037 and beyond	4.80%	4.80%	4.80%

The discount rate is based on the S & P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

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

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

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

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

Aging factors were set based on a combination of Lockton proprietary data and SOA research "Health Care Costs – From Birth to Death".

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study from January 1, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	\$ 11,969,320
Changes for the year:	
Service cost	578,805
Interest	259,201
Differences between expected and actual experience	(371,524)
Changes in assumptions or other inputs*	(1,749,839)
Benefit payments	(293,803)
Net changes	(1,577,160)
Balance, June 30, 2022	\$ 10,392,160

*The discount rate was updated from 2.09% as of June 30, 2021 to 4.09% as of June 30, 2022 to reflect the current economic environment, and is based solely on the S & P Municipal Bond Index rather than an average of three indices.

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 4.09%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB Liability	\$ 11,085,244	\$ 10,392,160	\$ 9,761,251

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

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 5.40% decreasing to 4.80%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.40% decreasing to 3.80%) or 1 percentage point higher (6.40% decreasing to 5.80%) than the current rate:

	1% Decrease (4.40% decreasing to 3.80%)	Current Healthcare Cost Trend Rates (5.40% decreasing to 4.80%)	1% Increase (6.40% decreasing to 5.80%)
Total OPEB Liability	\$ 9,671,940	\$ 10,392,160	\$ 11,209,696

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

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

For the year ended June 30, 2022, the University recognized OPEB expense of (\$2,127,983). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,267,314	\$ (6,931,939)
Changes of assumptions or other inputs	321,137	(4,798,116)
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
Totals	\$ 1,588,451	\$ (11,730,055)

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
2023	\$ (2,965,989)
2024	(2,981,025)
2025	(2,905,979)
2026	(1,288,611)
 Total	 (10,141,604)

Henderson State University

Plan Description

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

Benefits Provided

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Benefits Provided (Continued)

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 BlueAdvantage plans for medical and the EBRx plans for prescription drugs.
- Life insurance benefits – For retirements prior to January 1, 2022, the beneficiary of a retiree who dies prior to age 65 receives \$20,000. After age 65 but before age 70, retirees can elect to pay the full cost of life insurance benefits. For retirements after January 1, 2022, 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, round 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. Dependents of retirees are eligible for a death benefit of \$2,000. Benefits are not payable after the retiree attains age 65.

For retirees prior to July 1, 2022, medical contributions are equal to the active contribution rate and benefits end for both the retiree and the spouse when the retiree becomes eligible for Medicare.

For retirees on July 1, 2022 and later, medical contributions are equal to 100% of the employee plus employer premium. 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 cost for Employee Only coverage. The 2022 monthly retiree contributions by plan are shown below:

Retirees prior to July 1, 2022

<u>Plan</u>	<u>Retiree only</u>	<u>Retiree plus spouse</u>
Classic	\$ 104	\$ 377
Premier	124	414
Health Savings Account	45	263

Retirees on or after July 1, 2022

<u>Plan</u>	<u>Retiree only</u>	<u>Retiree plus spouse</u>	<u>Spouse only</u>
Classic	\$ 616	\$ 1,217	\$ 616
Premier	636	1,254	636
Health Savings Account	557	1,103	557

No contributions are required for the pre-65 life insurance benefit.

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

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

	<u>Medical benefits</u>
<u>Active employees</u>	
Fully eligible	86
Not yet fully eligible	96
	182
 <u>Retired employees</u>	
Retirees	25
Spouses	4
Surviving spouses	-
	29
 Totals	211

Total OPEB Liability

The University's total OPEB liability of \$1,264,481 was measured as of June 30, 2022 and determined by an actuarial valuation dated January 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability for June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.16% for June 30, 2021 measurement date and fiscal 2022 expense determination 4.09% for June 30, 2022 measurement date
Inflation rate	2.00%
Salary increases	1.00% for 2022; 2.50% per year 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-2021.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the rates shown below. Blended pre-Medicare trend applies to stop loss premiums and retiree contributions.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Actuarial Assumptions and Other Inputs (Continued)

Year	Medical	Rx	Blended
2022	5.00%	7.00%	5.40%
2023 - 2024	5.00%	6.50%	5.30%
2025	5.00%	6.40%	5.30%
2026 - 2028	4.90%	6.30%	5.20%
2029 - 2030	4.80%	6.20%	5.10%
2031	4.80%	6.10%	5.10%
2032	4.80%	5.70%	5.00%
2033 - 2036	4.80%	5.20%	4.90%
2037 and beyond	4.80%	4.80%	4.80%

The discount rate is based on the S & P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

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

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

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

Aging factors were set based on a combination of Lockton proprietary data and SOA research "Health Care Costs – From Birth to Death".

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study from January 1, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	\$ 5,590,897
Changes for the year:	
Service cost	331,660
Interest	125,991
Changes of benefit terms	(2,985,766)
Differences between expected and actual experience	(850,318)
Changes in assumptions or other inputs*	(767,749)
Benefit payments	(180,234)
Net changes	(4,326,416)
Balance, June 30, 2022	\$ 1,264,481

*The discount rate was updated from 2.16% as of June 30, 2021 to 4.09% as of June 30, 2022 to reflect the current economic environment, and is based on the S & P Municipal Bond Index rather than the Bond Buyer 20-Bond GO Index.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12: Other Postemployment Benefits (OPEB) (For campuses other than Henderson State University) (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 4.09%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09)	1% Increase (5.09%)
Total OPEB Liability	\$ 1,320,332	\$ 1,264,481	\$ 1,211,802

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

The following presents the total OPEB liability of the University using the healthcare (medical and pharmacy) cost trend rate of 5.40% decreasing to 4.80%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.40% decreasing to 3.80%) or 1 percentage point higher (6.40% decreasing to 5.80%) than the current rate:

	1% Decrease (4.40% decreasing to 3.80%)	Current Healthcare Cost Trend Rates (5.40% decreasing to 4.80%)	1% Increase (6.40% decreasing to 5.80%)
Total OPEB Liability	\$ 1,209,107	\$ 1,264,481	\$ 1,326,400

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

For the year ended June 30, 2022, the University recognized OPEB expense of (\$2,814,676). At June 30, 2022, 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	\$ 633,084	\$ (1,209,611)
Changes of assumptions or other inputs	20,815	(748,868)
Net difference between projected and actual earnings on OPEB plan investments		
Contributions subsequent to the measurement date		
 Totals	 \$ 653,899	 \$ (1,958,479)

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
2023	\$ (286,561)
2024	(286,561)
2025	(272,752)
2026	(245,214)
2027	(213,492)
Total	\$ (1,304,580)

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13: Self-insurance Program

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

At June 30, 2022, approximately 4,832 active employees, their dependents, former employees and retirees were participating in the program. The University offers three health plans: the Classic Plan which uses the Arkansas True-Blue network, the Premium Plan, and the Health Savings Plan which both use the Arkansas True-Blue network and the National Blue Care network. For those participating in single coverage, the University pays 84% of the total premium. The University pays 74% of the total premium for those participating in full family coverage, 70% for those participating in employee & spouse coverage, and 69% for those participating in employee and children coverage. Retirees (for campuses other than Henderson State University), including early retirees, pay 50% of their coverage and the University covers the other 50%. Henderson State University retirees pay the same rates as active employees. 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, 2022 to be \$1,791,700 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 2022	FY 2021
Unpaid claims and claims adjustment expenses at beginning of year	\$ 1,543,100	\$ 1,457,300
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	16,906,615	16,806,084
Adjustment in provision for insured events of prior years		
Total incurred claims and claim adjustment expenses	18,449,715	18,263,384
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	15,114,915	15,262,984
Claims and claim adjustment expenses attributable to insured events of prior years	1,543,100	1,457,300
Total payments	16,658,015	16,720,284
Total unpaid claims and claims adjustment expenses at end of year	\$ 1,791,700	\$ 1,543,100

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

NOTE 14: Endowment Funds

Arkansas State University Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as cash or investments. Investments reported at fair value, include bonds/fixed income securities, mutual funds and other managed investments. The endowment net position at June 30, 2022 was \$13,999,835. Of this amount, \$12,918,124 was nonexpendable and the remaining \$1,081,711 was expendable.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14: Endowment Funds (Continued)

Arkansas State University Jonesboro (Continued)

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

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

Arkansas State University Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net assets at June 30, 2022 were \$773,665. All of this amount was nonexpendable.

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, 2022

NOTE 15: Pledged Revenues

The University's pledged revenues at June 30, 2022 are as follows:

Arkansas State University Jonesboro

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 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	\$ 3,118,160	\$ 19,230,000	\$ 1,370,000	\$ 236,250	\$ 3,354,999	\$ 283,500	51.51%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,064,007	3,425,000	115,000	97,780	2,425,000	787,150	20.00%
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	110,000	53,856	1,575,000	358,438	0.19%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,064,007	1,500,000	55,000	32,894	1,045,000	284,213	8.26%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall and Construction of Family Housing Phase II	Housing Fees	4,289,512	28,895,000	3,240,000	759,600	18,995,000	4,981,025	46.51%
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	325,000	586,150	12,305,000	7,641,344	1.07%

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2016 Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Student Fee-Construction of Recreation Center	Recreation Center Fee	\$ 1,436,732	\$ 13,870,000	\$ 535,000	\$ 416,538	\$ 10,930,000	\$ 3,294,000	66.37%
Series 2016 Housing Refunding	11/17/2016	3/1/2037	Refinance Series 2007 Housing-Construction of Honors Hall, Red Wolf Den apartments,refinance Collegiate Park	Housing Fees	2,942,953	23,150,000	1,300,000	664,713	16,005,000	4,837,213	66.76%
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	1,725,868	11,740,000	540,000	357,775	9,140,000	2,667,444	52.02%
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	150,000	34,893	1,200,000	126,013	0.22%
Series 2019 Taxable Housing Refunding	12/18/2019	3/1/2042	Refinance Series 2012C Taxable Housing-Construction of sorority housing	Housing Fees	880,560	3,750,000	125,000	113,353	3,375,000	1,354,591	27.07%
Series 2021 Taxable Housing Refunding	3/15/2021	3/1/2042	Refinance Series 2012A Taxable Housing-Construction of sorority housing and refinance Series 2012B and Series 2012D Housing-construction of honors housing	Housing Fees	1,279,011	11,670,000	485,000	230,810	11,185,000	3,079,801	55.97%
Series 2012A Taxable Refunding	Refunded below	Refunded below	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and Fees	see below	5,340,000	215,000	148,685	-	-	0.43%

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Continued	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022		Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
							Principal Paid	Interest Paid			
Series 2013A Student Fee	Refunded below		Construction of Student Activities Center	Gross Tuition and Fees	see below	\$ 11,130,000	\$ 325,000	\$ 244,589	\$ -	\$ -	0.67%
Series 2022 Taxable Student Fee Refunding	4/28/2022	12/1/2038	Refinance Series 2004 Student Fee-Property Purchase and Refinance Series 2013A Student Fee-Construction of Student Activities Center	Gross Tuition and Fees	see below	13,015,000	-	-	13,015,000	4,177,088	0.00%

Note: Issues with Tuition and Fees pledged, 2022 Gross Revenue--\$84,808,885

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Henderson State University

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2014 Auxiliary Refunding	11/1/2014	11/1/2039	Purchase of an existing apartment complex, construction of two new residence halls, renovation of the football stadium, baseball and softball fields, construction of an intramural field, renovation of residence halls, and construction of parking lots	Auxiliary Revenue	see below	\$ 33,000,000	\$ 1,010,000	\$ 1,080,881	\$ 27,185,000	\$ 10,463,810	22.60%
Series 2015 Refunding	6/1/2015	6/1/2035	Renovation of Arkansas Hall, Mooney Hall, and Proctor Hall, property purchases, campus chiller replacements, campus lighting, and other capital improvements	Gross Tuition and Fees	see below	3,780,000	240,000	40,492	1,280,000	99,812	1.20%
Series 2016 Refunding	2/3/2016	1/1/2032	Refinance Series 2007- Construction of parking and the student recreation center	Gross Tuition and Fees	see below	6,465,000	410,000	132,683	4,670,000	752,930	2.33%
Series 2017A Auxiliary Refunding	8/15/2017	7/1/2036	Construction of two residence halls	Auxiliary Revenue	see below	7,005,000	330,000	170,744	5,720,000	1,303,972	5.41%
Series 2017B Auxiliary Refunding	8/31/2017	7/1/2036	Construction of a residence hall	Auxiliary Revenue	see below	3,315,000	160,000	79,650	2,700,000	614,425	2.59%
Auxiliary Enterprises Revenue Secured Bond	8/14/2018	9/27/2023	Renovation of Smith Hall residential facilities	Auxiliary Revenue	see below	\$ 1,000,000	331,525	46,874	663,051	17,196	4.09%

Note: Issues with Tuition and Fees pledged, 2022 Gross Revenue--\$23,313,047
Issues with Auxiliary Revenue pledged, 2022 Revenue--\$9,250,181

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Beebe

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022		2022		Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
					Gross Revenue	Amount Issued	Principal Paid	Interest Paid			
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	\$ 93,000	\$ 1,145,000	\$ 191,756	\$ 1,145,000	1.58%
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	223,000	460,000	17,100	13,800	3.06%
Series 2015 Refunding Auxiliary Enterprises	4/1/2015	4/1/2039	Refinance Series 2010 Auxiliary Enterprises-Construction of new residence halls	Housing Fees	\$ 554,787	8,005,000	273,000	6,195,000	217,923	2,112,189	87.95%
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	520,000	9,590,000	351,364	2,525,322	11.24%
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	360,000	6,740,000	263,533	2,011,199	8.04%

Note: Issues with Tuition and Fees pledged, 2022 Gross Revenue-\$7,750,569

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Mid-South

Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
8/26/2010	2/1/2040	Construction of Facilities	Property Tax Millage	\$ 3,147,435	\$ 5,180,000	\$ 120,000	\$ 177,506	\$ 3,855,000	\$ 2,095,673	9.45%
8/1/2012	2/1/2042	Construction of Facilities and Refunding	Property Tax Millage	3,147,435	18,510,000	475,000	533,901	13,910,000	6,270,820	32.05%

Arkansas State University Mountain Home

Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
12/18/2019	12/1/2032	Refinance Series 2012 Refunding Student Fee-Construction of Community Development Center	Gross Tuition and Fees	\$ 3,762,874	\$ 4,885,000	\$ 375,000	\$ 116,751	\$ 4,140,000	\$ 612,761	13.07%

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15: Pledged Revenues (Continued)

Arkansas State University Newport

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2022 Gross Revenue	Amount Issued	2022 Principal Paid	2022 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Refunding	12/1/2012	5/1/2028	Refinance Series 2008 Building-Construction of Student Community Building	Gross Tuition and Fees	see below	\$ 3,740,000	\$ 240,000	\$ 66,774	\$ 1,550,000	\$ 203,225	4.30%
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	84,996	32,62E	1,145,000	191,756	1.65%

Note: Issues with Tuition and Fees pledged, 2022 Gross Revenue-\$7,138,107

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

NOTE 17: Lease Obligations with Red Wolves Foundation

Arkansas State University 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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18: Right to Use Assets

Arkansas State University Jonesboro

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.

The University has recorded the transaction as a right to use asset over the life of the agreement in the amount of \$1,013,300. This amount is amortized annually using the straight-line method. Accumulated amortization as of June 30, 2022 is \$121,596.

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.

The University has recorded the transaction as a right to use asset over the life of the agreement in the amount of \$13,732,587. This amount is amortized annually using the straight-line method. Accumulated amortization as of June 30, 2022 is \$1,569,439.

NOTE 19: Deficit Net Position

Henderson State University

The University's unrestricted net position at June 30, 2022, as stated on the Statement of Net Position is \$148,405,312. All the campuses had a positive unrestricted net position with the exception of Henderson State University. Their unrestricted net position totaled (\$8,464,921). Included in this deficit was the effect of the net pension liability and related inflows and outflows of \$4,853,139 and the effect of the other postemployment benefits liability and related inflows and outflows of \$2,569,061. Excluding the above liabilities and related inflows and outflows; the unrestricted net position was (\$1,042,721).

NOTE 20: Capital Asset Impairment

Henderson State University

In October 2019, two labs in the Reynolds Science Center were damaged by a chemical spill. Due to safety concerns, the building was closed until the labs were decontaminated. The building partially reopened for classes later that month with substantial reoccupation of the building occurring the spring semester of 2020. The building was insured when the spill occurred, however, the insurance carrier has denied the claim using the policy's pollution exclusion. Other avenues for funds to replace the labs are being explored, however, the cost of replacement has not yet been determined.

The Reynolds Science Center building was constructed in 1971 with additions/renovations in 1979, 2001, and 2017 bringing the historical cost of the building to \$9,056,535. The accumulated depreciation of the building as of June 30, 2022 is \$6,683,747 and the carrying value at June 30, 2022 is \$2,372,788. The labs represent 1.9% of the total square footage of the building. The University received an estimate in January 2022 that the cost to restore the larger of the two labs would be \$733,460. The cost to restore the second lab has not been determined. While the total cost of restoring the two labs remains undetermined, the University does not consider this to be an impairment under the guidelines of GASB statement no. 42.

NOTE 21: GASB 87 Restatement

The University has restated its fiscal year beginning net position in accordance with GASB no. 87, *Leases*. GASB no. 87 states if restatement of all prior periods presented is not practical, the cumulative effect of applying this statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. The University has chosen to restate the FY 21 beginning net position.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 21: GASB 87 Restatement (Continued)

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The adoption of GASB no. 87 had the following impact on the financial statements for the year ended June 30, 2022:

FY 21 Ending Net Position	\$453,687,491
FY 22 Beginning Net Position	\$453,951,695

NOTE 22: Subsequent Events

Arkansas State University Jonesboro

On March 31, 2022, Dr. Kelly Dampousse announced his resignation as chancellor effective June 30, 2022, after completing five years of service to A-State.

On July 11, 2022, Dr. Todd Shields was appointed as the next chancellor. Since 2014, Dr. Shields had been the dean of the Fulbright College of Arts and Sciences at the University of Arkansas. He officially began as chancellor on August 15, 2022.

Henderson State University

On March 14, 2022, the Higher Learning Commission designated the University in financial distress after a declaration of financial exigency was declared by the University on February 3, 2022. The Higher Learning Commission reaffirmed the University's accreditation in April and is currently scheduled to visit the campus in June 2023. On August 19, 2022, the Higher Learning Commission removed the designation.

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability*					
Service cost	\$ 578,805	\$ 1,132,078	\$ 1,426,881	\$ 1,521,697	\$ 1,433,006
Interest	259,201	457,646	839,994	743,196	671,522
Changes of benefit terms		14,863	999,479		
Differences between expected and actual experience	(371,524)	(1,755,623)	(10,257,463)	3,151,798	
Changes in assumptions or other inputs	(1,749,839)	(5,386,746)	(519,149)	594,755	324,555
Benefit payments	(293,803)	(232,232)	(148,694)	(766,360)	(948,092)
Net change in total OPEB liability	(1,577,160)	(5,770,014)	(7,658,952)	5,245,085	1,480,991
Total OPEB liability, beginning of year	11,969,320	17,739,334	25,398,286	20,153,200	18,672,209
Total OPEB liability, end of year	\$ 10,392,160	\$ 11,969,320	\$ 17,739,334	\$ 25,398,285	\$ 20,153,200
Covered-employee payroll	\$ 97,905,505	\$ 125,853,377	\$ 123,777,641	\$ 115,592,428	\$ 117,067,546
Total OPEB liability as a percentage of covered-employee payroll	10.61%	9.51%	14.33%	21.97%	17.22%

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

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

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

A. Changes in benefit terms

There were no significant changes in benefit terms for the year ended June 30, 2022.

B. Changes in assumptions

- The discount rate was updated to reflect the current economic environment, and is based solely on the S & P Municipal Bond Index rather than an average of three indices.
- The mortality projection scales were updated based on recent research by the Society of Actuaries.
- Aging factors were updated to reflect recent research by Lockton.
- Healthcare trend rates were updated to reflect anticipated future experience.
- Per capita claim costs and administrative expenses were updated to reflect recent plan experience.
- HSA (Health Savings Account) utilization assumptions were added.

C. Method and assumptions used in calculations

Valuation date	January 1, 2022
Measurement date	June 30, 2022
Discount rate	2.09% for June 30, 2021 measurement date and fiscal 2022 expense development 4.09% for June 30, 2022 measurement date
Inflation rate	2.00%
Salary increases	1.00% through 2022; 2.50% thereafter
Mortality rate table	Pub-2010 Headcount-Weighted Mortality Tables for General Employees, separately for males and females, and separately for employees and retirees. Mortality includes a generational projection for future mortality improvements using Scale MP-2020.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the rates shown below. Blended pre-Medicare trend applies to stop loss premiums and retiree contributions.

Year	Medical	Pharmacy	Blended
2022	5.00%	7.00%	5.40%
2023 - 2024	5.00%	6.50%	5.30%
2025	5.00%	6.40%	5.30%
2026 - 2028	4.90%	6.30%	5.20%
2029 - 2030	4.80%	6.20%	5.10%
2031	4.80%	6.10%	5.10%
2032	4.80%	5.70%	5.00%
2033 - 2036	4.80%	5.20%	4.90%
2037 and beyond	4.80%	4.80%	4.80%

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability*					
Service cost	\$ 331,660	\$ 267,688	\$ 205,099	\$ 408,676	\$ 425,068
Interest	125,991	101,637	146,819	142,755	146,882
Changes of benefit terms	(2,985,766)	22,202		(322,074)	
Differences between expected and actual experience	(850,318)	932,539	75,817	(611,793)	(568,658)
Changes in assumptions or other inputs	(767,749)	32,575	(117,395)	(135,703)	(2,899)
Benefit payments	(180,234)	(192,969)	(154,573)	(144,314)	(149,314)
Net change in total OPEB liability	(4,326,416)	1,163,672	155,767	(662,453)	(148,921)
Total OPEB liability, beginning of year	5,590,897	4,427,225	4,271,458	4,933,911	5,082,832
Total OPEB liability, end of year	\$ 1,264,481	\$ 5,590,897	\$ 4,427,225	\$ 4,271,458	\$ 4,933,911
Covered-employee payroll	\$ 10,733,476	\$ 13,483,283	\$ 13,653,248	\$ 13,712,574	\$ 20,613,947
Total OPEB liability as a percentage of covered-employee payroll	11.78%	41.47%	32.43%	31.15%	23.93%

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

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

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

A. Changes in benefit terms

There were no significant changes in benefit terms for the year ended June 30, 2022.

B. Changes in assumptions

- The discount rate was updated to reflect the current economic environment and is based solely on the S&P Municipal Bond Index rather than the Bond Buyer 20-GO Index.
- Mortality projection scales were updated based on recent research by the SOA.
- Healthcare trend rates were updated to reflect anticipated future experience.
- Assumptions such as claims, administrative expenses, and plan selection related to the fully-insured plans were removed and were updated to reflect the self-funded plan options.
- Aging factors were updated to reflect recent research by Lockton.
- HSA utilization assumptions were added.
- Assumptions related to the dependent life insurance benefit were added.
- The participation assumption was updated to reflect the higher cost-sharing required by retirees in the future.

C. Method and assumptions used in calculations

Valuation date	January 1, 2022
Measurement date	June 30, 2022
Discount rate	2.16% for June 30, 2021 measurement date and fiscal 2022 expense determination 4.09% for June 30, 2022 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-2021.
Healthcare cost trend rates	Healthcare costs are assumed to increase each year according to the rates shown below. Blended pre-Medicare trend applies to stop loss premiums and retiree contributions.

Year	Medical	Rx	Blended
2022	5.00%	7.00%	5.40%
2023 - 2024	5.00%	6.50%	5.30%
2025	5.00%	6.40%	5.30%
2026 - 2028	4.90%	6.30%	5.20%
2029 - 2030	4.80%	6.20%	5.10%
2031	4.80%	6.10%	5.10%
2032	4.80%	5.70%	5.00%
2033 - 2036	4.80%	5.20%	4.90%
2037 and beyond	4.80%	4.80%	4.80%

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

Pension Plans

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

Arkansas Teacher Retirement System

	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Proportion of the net pension liability (asset)	0.23%	0.26%	0.27%	0.25%	0.29%	0.32%	0.35%	0.36%
Proportionate share of the net pension liability (asset)	\$ 6,256,752	\$ 14,459,284	\$ 11,226,933	\$ 9,255,617	\$ 12,297,190	\$ 14,053,207	\$ 11,434,400	\$ 9,331,442
Covered payroll	\$ 7,157,217	\$ 7,646,671 ****	\$ 8,157,125 ****	\$ 7,547,210 ***	\$ 8,589,558	\$ 9,199,761	\$ 10,241,904 **	\$ 10,114,727
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	87.42%	189.09%	137.63%	122.64%	143.16%	152.76%	111.64%	92.26%
Plan fiduciary net position as a percentage of the total pension liability	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

Schedule of University Contributions
 Arkansas Teacher Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,022,726	\$ 1,100,000	\$ 1,063,230	\$ 955,533	\$ 1,085,490	\$ 1,211,404	\$ 1,305,613	\$ 1,320,906
Contributions in relation to the contractually required contribution	\$ (1,022,726)	\$ (1,100,000)	\$ (1,063,230)	\$ (955,533)	\$ (1,085,490)	\$ (1,211,404)	\$ (1,305,613)	\$ (1,320,906)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,360,511	\$ 7,157,217	\$ 7,028,649	\$ 6,715,577	\$ 7,547,210	\$ 8,589,558	\$ 9,199,761	\$ 9,404,438
Contributions as a percentage of covered payroll	16.08%	15.37%	15.13%	14.23%	14.38%	14.10%	14.19%	14.05%

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

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, 2021.

B. Changes in assumptions

There were no significant changes in assumptions for the year ended June 30, 2021.

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2022

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

Arkansas Public Employees Retirement System

	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Proportion of the net pension liability (asset)	0.39%	0.45%	0.28%	0.28%	0.33%	0.36%	0.39%	0.44%
Proportionate share of the net pension liability (asset)	\$ 3,032,949	\$ 12,858,706 ***	\$ 6,750,262 **	\$ 6,214,764	\$ 8,480,922	\$ 8,493,072	\$ 7,228,228	\$ 6,175,989
Covered payroll	\$ 7,886,602	\$ 8,500,187	\$ 5,391,683	\$ 5,102,828	\$ 5,769,334	\$ 6,303,819	\$ 6,903,139	\$ 7,573,967
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.46%	151.28%	125.20%	121.79%	147.00%	134.73%	104.71%	81.54%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 JUNE 30, 2022

Schedule of University Contributions
 Arkansas Public Employees Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,021,161	\$ 1,215,029	\$ 778,595	\$ 727,761	\$ 771,954	\$ 858,174	\$ 928,244	\$ 1,027,156
Contributions in relation to the contractually required contribution	\$(1,021,161)	\$(1,215,029)	\$(778,595)	\$(727,761)	\$(771,954)	\$(858,174)	\$(928,244)	\$(1,027,156)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,656,833	\$ 7,886,602	\$ 5,009,381	\$ 4,797,303	\$ 5,102,828	\$ 5,769,334	\$ 6,303,819	\$ 6,903,139
Contributions as a percentage of covered payroll	18.05%	15.41%	15.54%	15.17%	15.13%	14.87%	14.73%	14.88%

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2022

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

The maximum number of years employees are eligible to remain in the deferred retirement program was extended from 7 to 10 years effective March 31, 2021. Beginning July 1, 2022, all contributory plan member rates will increase by 0.25% for the next eight fiscal years until it reaches a maximum of 7%. For members first hired on or after July 1, 2002, the final average compensation period will increase from three years to five years, and the cost of living adjustment on benefit payments will be the lesser of 3.0% or the increase in the Consumer Price Index.

B. Changes in assumptions

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

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

Valuation date: June 30, 2018

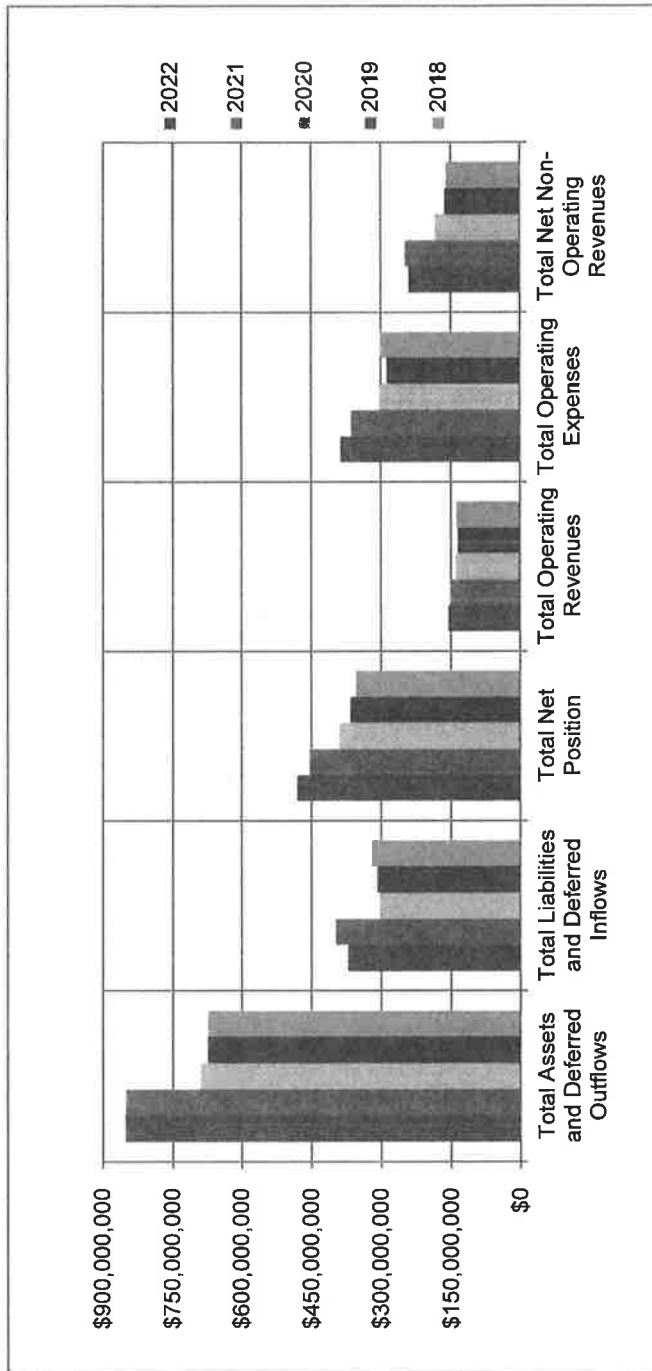
The actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	26 year closed
Asset valuation method	4 year smoothed market with 25% corridor
Investment rate of return	7.15%
Salary increases	3.25 – 9.85%
Inflation rate	3.25%
Mortality table	Based on RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets and Deferred Outflows	\$ 852,122,088	\$ 851,753,665	\$ 690,233,726	\$ 674,937,920	\$ 673,645,848
Total Liabilities and Deferred Inflows	371,185,772	398,066,174	300,275,480	308,619,927	319,567,427
Total Net Position	480,936,316	453,687,491	389,958,246	366,317,993	354,078,421
Total Operating Revenues	156,406,743	148,405,029	139,716,341	135,719,229	137,925,804
Total Operating Expenses	386,473,481	363,809,589	303,061,524	287,437,568	302,102,075
Total Net Non-Operating Revenues	240,495,357	248,086,762	185,256,880	163,170,941	159,618,107
Total Other Revenues, Expenses, Gains or Losses	16,556,002	11,198,066	236,094	786,970	1,950,563



ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2022

Schedule 2

	Jonesboro June 30, 2022	Henderson June 30, 2022	Beebe June 30, 2022	Mid-South June 30, 2022	Mountain Home June 30, 2022	Newport June 30, 2022	Three Rivers June 30, 2022	Total June 30, 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Current Assets:								
Cash and cash equivalents	\$ 49,869,000	\$ 6,244,340	\$ 23,698,503	\$ 5,163,136	4,736,377	\$ 7,144,247	\$ 5,132,371	\$ 101,987,974
Short-term investments	400,000		605,418	2,011,028		2,050,000		5,066,446
Accounts receivable (less allowances of \$3,372,967)	16,624,513	4,631,185	3,039,789	2,910,036	2,081,431	2,654,953	1,712,649	33,654,556
Leases receivable	525,277	115,773						641,050
Notes and deposits receivable (less allowances of \$129,610)	479,448	115,027						594,475
Accrued interest and late charges	187,048		78	909	4,609	901		193,545
Inventories	1,058,887	13,453	46,614	15,699		344,345	22,863	1,501,861
Deposit with paying agent	70,374	512,331	1,414	898,853		60		1,483,032
Unamortized bond insurance		50,000						50,000
Prepaid expenses	33,298	38,109	8,437			21,581		101,425
	6,362	1,871	1,871	114,512	27,161	169,921	49,964	369,791
Total Current Assets	69,254,207	11,720,218	27,402,124	11,114,173	6,849,578	12,386,008	6,917,847	145,644,155
Noncurrent Assets:								
Cash and cash equivalents	75,728,694	522,064		7,622,885	2,728,519			86,602,162
Restricted cash and cash equivalents	3,136,852	842,640		384,534				4,364,026
Restricted investments				4,855,237		144,282		4,999,519
Endowment investments	14,889,129		773,899					15,663,028
Unrestricted investments				3,540,907		2,257,628		5,798,535
Other long-term investments	854,813				3,700,000			4,554,813
Irrevocable split-interest agreement	2,165,002							2,165,002
Accrued interest and late charges	720,359							759,035
Deposits with trustees	307,447	462,206		38,676				2,458,286
Accounts receivable	325,608			1,688,614	19			1,785,678
Leases receivable	10,871,967	974,112		1,460,070				11,846,079
Notes and deposits receivable (less allowances of \$511,583)	1,898,167	524,206						2,422,373
Right to use leased assets (net of amortization of \$2,847,522)	13,472,191	1,039,667		45,050				14,556,908
Capital assets (net of accumulated depreciation of \$619,462,842)	310,192,018	106,002,609	44,226,854	38,518,247	10,143,604	21,270,362	6,915,963	537,269,657
Total Noncurrent Assets	434,562,247	110,367,504	45,000,753	58,154,220	16,572,142	23,672,272	6,915,963	695,245,101
TOTAL ASSETS	503,816,454	122,087,722	72,402,877	69,268,393	23,421,720	36,058,280	13,833,810	840,889,256

DEFERRED OUTFLOWS OF RESOURCES

Excess of bond reacquisition costs over carrying value	3,543,370	288,850	610,418	49,822	54,224	33,918		4,560,602
Pensions	2,029,435	688,239	569,799	105,703	27,967	331,852	676,885	4,429,880
Other postemployment benefits (OPEB)	1,046,152	653,899	222,832	69,566	77,900	104,787	67,214	2,242,350

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	510,435,411	123,698,710	73,805,926	69,493,484	23,581,811	36,528,837	14,577,909	852,122,088
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ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2022

Schedule 2

	Jonesboro June 30, 2022	Henderson June 30, 2022	Beebe June 30, 2022	Mid-South June 30, 2022	Mountain Home June 30, 2022	Newport June 30, 2022	Three Rivers June 30, 2022	Total June 30, 2022
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES								
Current Liabilities:								
Accounts payable and accrued liabilities	10,217,762	1,383,746	408,675	2,051,488	127,622	180,261	169,998	14,539,572
Bonds, notes, leases, and installment contracts payable	8,459,029	4,268,651	1,666,962	735,386	385,000	484,905	105,045	16,105,578
Compensated absences	4,253,887	217,951	900,000	34,701	10,281	540,426	36,495	5,993,741
Unearned revenue	11,439,634	896,969		139,496	130,650	57,995		12,664,744
Deposits	1,123,186	222,933	3,290	123		53,071		1,402,603
Interest payable	1,085,854	858,399	274,530	297,239	9,087	84,117	378	2,609,604
Other postemployment benefits (OPEB) liability	148,125	149,209	31,551	9,950	11,030	14,837	9,517	374,119
Total Current Liabilities	36,727,497	7,997,858	3,285,008	3,268,883	673,670	1,415,612	321,433	53,689,961
Noncurrent Liabilities:								
Accounts payable and accrued liabilities	5,067							5,067
Bonds, notes, leases, and installment contracts payable	114,518,899	72,405,945	27,287,343	18,446,715	3,755,000	5,676,349	519,838	242,610,079
Compensated absences	2,918,864	929,161	289,227	639,908	503,751	379,401	349,459	6,009,771
Other postemployment benefits (OPEB) liability	6,696,142	1,115,272	1,426,286	445,272	498,620	670,710	430,220	11,282,522
Net pension liability	4,321,109	1,704,326	1,152,625	211,402	49,769	632,270	1,218,180	9,289,701
Deposits	330,725							330,725
Refundable federal advances	3,585,992	757,284						4,343,276
Total Noncurrent Liabilities	132,376,788	76,911,988	30,155,481	19,743,297	4,807,160	7,358,730	2,517,697	273,671,141
TOTAL LIABILITIES	169,104,285	84,909,846	33,440,489	23,012,180	5,480,830	8,774,342	2,839,130	327,561,102
DEFERRED INFLOWS OF RESOURCES								
Pensions	6,477,325	3,837,052	2,099,380	352,181	99,796	1,077,360	1,774,363	15,717,463
Other postemployment benefits (OPEB)	7,725,403	1,958,479	1,645,520	513,715	575,263	773,800	496,349	13,688,534
Irrevocable split-interest agreement	2,165,002							2,165,002
Leases	11,006,864	1,046,807						12,053,671
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	196,478,879	91,752,184	37,185,389	23,878,076	6,155,889	10,625,513	5,109,842	371,185,772

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2022

Schedule 2

	Jonesboro June 30, 2022	Henderson June 30, 2022	Beebe June 30, 2022	Mid-South June 30, 2022	Mountain Home June 30, 2022	Newport June 30, 2022	Three Rivers June 30, 2022	Total June 30, 2022
NET POSITION								
Net investment in capital assets	203,928,715	37,049,226	15,882,966	19,430,418	6,057,829	15,164,608	6,291,080	303,804,842
Restricted for:								
Nonexpendable:								
Scholarships and fellowships	5,153,728		773,899				38,803	5,966,430
Renewal and replacement				967,261				967,261
Loans	189,459	(9,059)	20,000				10,000	210,400
Other-College and Department Purposes	9,666,064							9,666,064
Expendable:								
Scholarships and fellowships	733,295	32,400	9,533	226,263				1,001,491
Capital projects	398,245	734,478						1,132,723
Debt service				1,750,938				1,750,938
Renewal and replacement	660,583	2,604,402	272,924	341,976	1,314,772	300,221		1,644,054
Other	93,226,443	(8,464,921)	19,661,215	21,254,498	10,053,321	10,438,495	3,128,184	5,494,878
Unrestricted								149,297,235
TOTAL NET POSITION	\$ 313,956,532	\$ 31,946,526	\$ 36,620,537	\$ 45,615,408	\$ 17,425,922	\$ 25,903,324	\$ 9,468,067	\$ 480,936,316

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2022

	Jonesboro 2022	Henderson 2022	Beebe 2022	Mid-South 2022	Mountain Home 2022	Newport 2022	Three Rivers 2022	Total 2022
OPERATING REVENUES								
Student tuition and fees (net of scholarship allowances of \$60,668,517)	\$ 49,050,925	\$ 9,376,642	\$ 4,609,365	\$ 1,404,553	\$ 1,332,143	\$ 4,145,512	\$ 1,544,392	\$ 71,463,532
Grants and contracts	19,509,441	2,556,698	4,247,704	4,106,981	1,257,369	2,365,951	4,480,750	38,524,894
Sales and services	1,116,240	425,072	55,627	449				1,599,588
Auxiliary enterprises (net of scholarship allowances of \$10,052,739)	23,606,548	9,250,181	409,397	94,190	236,362	595,893	188,211	34,380,782
Self-insurance	6,743,358							6,743,358
Other operating revenues	2,457,962	540,433	163,430	223,580	60,186	121,581	127,417	3,694,589
TOTAL OPERATING REVENUES	102,486,474	22,149,026	9,485,723	5,829,304	2,886,509	7,228,937	3,340,770	156,406,743
OPERATING EXPENSES								
Personal services	105,980,032	23,498,322	16,706,576	9,165,501	7,625,814	12,058,442	7,943,749	182,978,436
Scholarships and fellowships	25,472,815	7,920,276	8,410,711	3,289,968	3,373,626	4,203,786	1,466,790	54,137,972
Supplies and services	49,767,589	17,389,803	7,520,419	5,946,143	4,512,211	4,979,274	4,537,304	94,652,743
Self-insurance	23,546,876							23,546,876
Depreciation	16,453,057	4,887,691	3,617,734	1,656,358	1,751,597	2,302,132	400,750	31,069,319
Other	80,302	7,833						88,135
TOTAL OPERATING EXPENSES	221,300,671	53,703,925	36,255,440	20,057,970	17,263,248	23,543,634	14,348,593	386,473,481
OPERATING INCOME (LOSS)	(118,814,197)	(31,554,899)	(26,769,717)	(14,228,666)	(14,376,739)	(16,314,697)	(9,007,823)	(230,066,738)
NON-OPERATING REVENUES (EXPENSES)								
Federal appropriations	29,616							29,616
State appropriations	73,446,355	22,166,496	14,277,612	7,866,719	4,759,016	8,333,844	4,563,464	135,413,506
Grants and contracts	27,865,943	6,713,029	5,740,144	2,044,195	3,478,437	4,596,080	1,582,376	54,020,204
HEERF Grants-Related to COVID-19	17,888,185	12,235,746	7,280,160	2,540,611	3,482,471	4,520,082	2,609,416	50,556,671
Sales and use taxes			2,403,995			1,181,499		3,585,494
Property taxes				3,147,435	1,529,329			4,676,764
Gifts	2,638,124	176,738	393,537	272,379	272,379			3,480,778
Investment income (loss)	(1,627,686)	69,112	(27,404)	(399,357)	39,180	30,920	14,785	(1,900,450)
Interest on capital asset - related debt	(4,350,863)	(2,626,655)	(1,043,865)	(780,418)	(121,280)	(215,835)	(4,470)	(9,143,386)
Gain or loss on disposal of capital assets	(66,819)		2,233	1,157		5,360		(88,069)
Payment of student activity fee to fiduciary accounts	(266,000)							(266,000)
Amortization of leases and reduction of lease receivable	(148,916)		(34,594)	(86,326)	(20,185)			(340,994)
Other nonoperating revenues (expenses)	(803,686)	(108,128)	(10,250)	(38,614)	(1,500)	(1,000)		(950,428)
NET NON-OPERATING REVENUES (EXPENSES)	(114,196,344)	42,092,343	28,588,031	15,035,244	13,417,847	18,450,950	8,714,598	240,495,357
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(4,617,853)	10,537,444	1,818,314	806,578	(958,892)	2,136,253	706,775	10,428,619
Capital appropriations	9,094	418,338					774,023	1,201,455
Capital grants and gifts	1,410,617	6,600	25,800	13,575	183,020			1,639,612
Additions to endowments			250					250
Adjustments to capital assets	(130,424)	(36,782)	1,372					(165,834)
Right to use assets	13,880,104							13,880,104
Capitalization of library holdings at rate per volume					415			415
INCREASE (DECREASE) IN NET POSITION	10,551,538	10,925,600	1,845,736	820,153	(775,457)	2,136,253	1,480,798	26,984,621

ARKANSAS STATE UNIVERSITY SYSTEM
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY CAMPUS
 FOR THE YEAR ENDED JUNE 30, 2022

	Jonesboro	Henderson	Beebe	Mid-South	Mountain Home	Newport	Three Rivers	Total
NET POSITION - BEGINNING OF YEAR	303,125,682	21,013,662	34,774,801	44,817,527	18,201,379	23,767,071	7,987,269	453,687,491
RESTATEMENT FOR GASB 87 (NOTE 21)	279,312	7,264		(22,372)				284,204
NET POSITION - BEGINNING OF YEAR, AS RESTATED	303,404,994	21,020,926	34,774,801	44,795,255	18,201,379	23,767,071	7,987,269	453,951,695
NET POSITION - END OF YEAR	\$ 313,956,532	\$ 31,946,526	\$ 36,620,537	\$ 45,615,408	\$ 17,425,922	\$ 25,903,324	\$ 9,468,067	\$ 480,936,316

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2022

	Jonesboro 2022	Henderson 2022	Beebe 2022	Mid-South 2022	Mountain Home 2022	Newport 2022	Three Rivers 2022	Total 2022
CASH FLOWS FROM OPERATING ACTIVITIES								
Student tuition and fees	\$ 48,827,455	\$ 9,226,580	\$ 4,552,941	\$ 1,385,794	\$ 1,308,858	\$ 3,721,920	\$ 1,347,089	\$ 70,370,637
Grants and contracts	19,147,494	2,683,596	4,109,589	4,291,254	1,170,666	2,664,617	4,255,465	38,322,681
Auxiliary enterprises revenues	23,675,224	9,223,823	573,657	95,163	234,063	653,508	188,211	34,643,649
Sales and services	1,118,240	425,072	55,827		449			1,599,588
Self-insurance program receipts	6,488,924							6,488,924
Collection of principal and interest related to student loans	500,979	(9,379)						491,600
Other receipts	1,469,432	1,384,031	167,681	251,531	55,069	121,581	127,417	3,576,742
Payments to employees	(99,156,331)	(22,183,592)	(13,409,769)	(7,382,634)	(5,847,201)	(9,622,102)	(6,133,926)	(163,735,555)
Payments for employee benefits	(10,302,556)	(5,576,792)	(4,344,932)	(2,151,106)	(1,881,706)	(2,883,784)	(2,191,391)	(29,332,267)
Payments to suppliers	(49,758,979)	(21,875,195)	(7,336,273)	(5,331,746)	(4,439,903)	(4,805,447)	(4,646,509)	(98,194,052)
Scholarships and fellowships	(25,472,815)	(7,920,276)	(8,410,711)	(3,289,968)	(3,373,187)	(4,203,786)	(1,466,790)	(54,137,533)
Self-insurance program payments	(23,252,086)							(23,252,086)
Other payments	(514,388)							(514,388)
Net cash provided (used) by operating activities	(107,229,407)	(34,622,132)	(24,041,990)	(12,131,712)	(12,772,892)	(14,353,493)	(8,520,434)	(213,672,060)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Federal appropriations	61,477							61,477
State appropriations	77,332,020	22,166,496	14,277,612	6,322,986	4,759,016	8,302,993	4,563,464	137,724,590
Funding from state treasury funds for the Arkansas Delta Training and Education Consortium (ADTEC) - University Partners				1,527,000		4,449,894	1,582,377	1,527,000
Grants and contracts	27,902,894	8,642,290	5,740,144	1,442,571	3,521,365	4,449,894	1,582,377	53,281,535
HEERF Grants-Related to COVID-19	30,866,294	12,153,889	5,910,248	2,487,226	2,885,389	4,320,048	2,609,416	61,232,512
Private gifts and grants	3,578,227	179,440	2,385,203	201,355	297,365	1,272,090	4,256,387	4,256,387
Sales and use taxes				3,208,235	1,552,627		3,657,293	3,657,293
Property taxes					1,066,825	1,493,607	1,408,343	4,760,860
Direct lending, PLUS and FFEL loan receipts	71,547,996	12,385,285	1,548,738		1,066,825	1,493,607	1,408,343	89,450,794
Direct lending, PLUS and FFEL loan payments	(80,302,872)	(12,439,488)	(1,548,738)		(1,066,825)	(1,659,265)	(1,408,343)	(98,425,531)
Payment of student activity fee to fiduciary accounts	(266,000)	57,286						(208,714)
Refunds to grantors	(148,916)	(9,020)	(9,020)	(86,326)	(14,022)	(27,889)	(50,973)	(337,146)
Net cash provided (used) by noncapital financing activities	130,571,120	43,087,912	28,361,473	15,103,050	13,001,740	18,151,478	8,704,284	256,981,057

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from capital debt	29,929	794,478						764,407
Capital appropriations	75,838	586,688					774,023	1,436,549
Capital gifts and grants	797,187	6,600			183,020			986,807
Proceeds from sale of capital assets	17,352			1,157		11,675		30,184
Purchases of capital assets	(8,483,634)	(2,017,419)	(726,769)	(314,196)	(702,936)	(1,647,031)	(1,190,396)	(15,082,381)
Payments to trustees for bond principal	(6,890,000)	(2,241,525)	(1,460,000)		(375,000)	(324,896)		(11,291,521)
Payments to trustees for bond interest and fees	(4,014,239)	(1,484,778)	(894,570)		(116,245)	(99,299)		(6,611,131)
Payments to trustees/paying agent for next fiscal year		(373,627)						(373,627)
Payments to debt holders for principal (other than bonds)	(1,012,064)	(1,304,580)	(112,854)	(100,237)	(858,614)	(858,614)	(180,575)	(3,568,904)
Payments to debt holders for interest and fees (other than bonds)	(457,163)	(971,105)	(141,771)	(77,092)	(115,960)	(115,960)	(5,815)	(1,768,926)
Property taxes remitted to bond trustees				(3,209,430)				(3,209,430)
Distribution of excess property taxes from bond trustees				1,831,157				1,831,157
Net cash provided (used) by capital and related financing activities	(19,936,794)	(7,065,248)	(3,335,964)	(1,868,641)	(1,013,161)	(3,034,245)	(602,763)	(36,856,816)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2022

	Jonesboro 2022	Henderson 2022	Beebe 2022	Mid-South 2022	Mountain Home 2022	Newport 2022	Three Rivers 2022	Total 2022
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturities of investments	1,071,000	66,602	4,320,641	1,501,059		2,303,623		9,196,323
Interest on investments (net of fees)	833,686		111,461	113,343	38,984	30,484	14,784	1,209,344
Purchases of investments			(604,210)	(2,027,611)		(2,300,000)		(4,931,821)
Net cash provided (used) by investing activities	1,904,686	66,602	3,827,892	(413,209)	38,984	34,107	14,784	5,473,846
Net increase (decrease) in cash and cash equivalents	5,309,605	1,467,134	4,811,411	689,488	(745,329)	797,847	(404,129)	11,926,027
Cash and cash equivalents - beginning of year	123,424,941	6,141,910	18,887,092	12,481,067	8,210,225	6,346,400	5,536,500	181,028,135
Cash and cash equivalents - end of year	\$ 128,734,546	\$ 7,609,044	\$ 23,698,503	\$ 13,170,555	\$ 7,464,896	\$ 7,144,247	\$ 5,132,371	\$ 192,954,162

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

Operating income (loss)	\$ (118,814,197)	\$ (31,554,899)	\$ (26,769,717)	\$ (14,228,666)	\$ (14,376,739)	\$ (16,314,697)	\$ (8,007,823)	\$ (230,066,738)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	16,453,057	4,887,691	3,617,734	1,656,358	1,751,597	2,302,132	400,750	31,069,319
Change in assets and liabilities:								
Receivables, net	(1,630,821)	198,451	17,338	278,350	(52,203)	55,371	(217,208)	(1,350,722)
Inventories	234,660	105,211	105,211	5,810		149,336	9,318	504,335
Prepaid expenses	235,312	426	426	70,988	26,988	(12,808)	26,802	347,708
Accounts and salaries payable	223,342	(4,962,106)	90,272	535,680	(23,461)	73,761	(145,325)	(4,207,837)
Other postemployment benefits (OPEB)	(1,706,734)	(2,994,910)	(276,181)	(197,058)	(8,284)	(153,113)	(80,416)	(5,416,696)
Pension obligations	(1,751,169)	(957,109)	(692,229)	(123,342)	(44,001)	(235,443)	(251,149)	(4,064,442)
Unearned revenue	(257,358)	366,997	(43,376)	(156,597)	(41,464)	(40,754)	(205,380)	(377,932)
Deposits	673,839	222,933	10	(25)		(101,348)		795,409
Refundable federal advances	(654,358)							(654,358)
Compensated absences	(234,980)	170,820	(91,478)	26,790	(5,325)	(75,930)	(50,003)	(260,106)
Net cash provided (used) by operating activities	\$ (107,229,407)	\$ (34,622,132)	\$ (24,041,990)	\$ (12,131,712)	\$ (12,772,892)	\$ (14,353,493)	\$ (8,520,434)	\$ (213,672,060)

Reconciliation of Cash and Cash Equivalents

Current Assets:								
Cash and Cash Equivalents	49,869,000	6,244,340	23,698,503	5,163,136	4,736,377	7,144,247	5,132,371	101,987,974
Noncurrent Assets:								
Cash and Cash Equivalents	75,728,694	522,064	-	7,622,885	2,728,519	-	-	86,602,162
Restricted Cash and Cash Equivalents	3,136,852	842,640	-	384,534	-	-	-	4,364,026
Total cash and cash equivalents	128,734,546	7,609,044	23,698,503	13,170,555	7,464,896	7,144,247	5,132,371	192,954,162

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 4

NONCASH TRANSACTIONS

JONESBORO

The University issued refunding bonds of \$13,015,000, at a discount of \$68,794. The proceeds of this issue were utilized as follows: \$12,735,486 was remitted to an escrow agent and \$210,720 was used to pay the bond issuance costs.

Equipment-capital gift of \$127,862

Value of equipment received from vendor discounts-\$88,548

Value of equipment received from vendor trade-ins-\$27,916

Interest earned on reserve accounts held by trustee-\$306

Interest paid from accounts held by trustee-\$115

Amount of loss on investments-\$2,320,858

Fees paid from accounts held by trustee-\$1,800

Right to use assets (less amortization)-\$13,054,853

HENDERSON

Interest earned on reserve accounts held by trustee-\$499

Principal paid from accounts held by trustee-\$257,788

Principal paid from accounts held by trustee from cash transferred in the prior fiscal year-\$240,000

Interest paid from accounts held by trustee-\$164,035

Interest paid from accounts held by trustee from cash transferred in the prior fiscal year-\$88,057

BEEBE

Equipment-capital gift of \$25,800

Interest earned on reserve accounts held by trustee-\$107

Interest paid from accounts held by trustee-\$28

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 4

NONCASH TRANSACTIONS

MID-SOUTH

Equipment-capital gift of \$13,575
Interest earned on reserve accounts held by trustee-\$1,189
Trustee payments for retirement of bond principal-\$595,000
Trustee payment for bond interest-\$711,407
Trustee payment for bond fees-\$4,075
Unrealized loss on investments-\$481,246
Amount of interest earned on CD's reinvested with CD's-\$20,224

MOUNTAIN HOME

Interest earned on reserve accounts held by trustee-\$24
Interest paid from accounts held by trustee-\$6

NEWPORT

Interest earned on reserve accounts held by trustee-\$63
Interest paid from accounts held by trustee-\$103
Amount of interest earned on CD's reinvested with CD's-\$719

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Jonesboro June 30, 2022	Henderson June 30, 2022	Beebe June 30, 2022	Mid-South June 30, 2022	Mountain Home June 30, 2022	Newport June 30, 2022	Three Rivers June 30, 2022	Total June 30, 2022
ASSETS								
Cash and cash equivalents	\$ 561,200	\$ 362,461	\$ 62,154	\$ 43,959	\$ 34,026	\$ 119,545	\$ 62,738	\$ 1,246,083
TOTAL ASSETS	<u>561,200</u>	<u>362,461</u>	<u>62,154</u>	<u>43,959</u>	<u>34,026</u>	<u>119,545</u>	<u>62,738</u>	<u>1,246,083</u>
LIABILITIES								
Accounts payable	5,024	52,065		291	5,818	61		63,259
TOTAL LIABILITIES	<u>5,024</u>	<u>52,065</u>		<u>291</u>	<u>5,818</u>	<u>61</u>		<u>63,259</u>
NET POSITION								
Restricted for:								
Individuals and organizations	556,176	310,396	62,154	43,668	28,208	119,484	62,738	1,182,824
TOTAL NET POSITION	<u>\$ 556,176</u>	<u>\$ 310,396</u>	<u>\$ 62,154</u>	<u>\$ 43,668</u>	<u>\$ 28,208</u>	<u>\$ 119,484</u>	<u>\$ 62,738</u>	<u>\$ 1,182,824</u>

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 6

	Jonesboro June 30, 2022	Henderson June 30, 2022	Beebe June 30, 2022	Mid-South June 30, 2022	Mountain Home June 30, 2022	Newport June 30, 2022	Three Rivers June 30, 2022	Total June 30, 2022
ADDITIONS								
Gifts								
Contributions	\$ 1,799,999	\$ 4,000	\$ 87,323	\$ 3,324	\$ 524	\$ 621,637	\$ 70,989	\$ 716,808
Transfer from Student Activity Fee	266,000	114,638		17,105	12,243	220,818		2,235,792
TOTAL ADDITIONS	2,065,999	118,638	87,323	20,429	12,767	842,455	70,989	3,218,600
DEDUCTIONS								
Salaries	\$ 156	\$ 11,189						\$ 11,345
Supplies	338,907	185,415	\$ 82,456	\$ 18,760	\$ 15,203	\$ 6,224	\$ 72,910	719,875
Travel	17,795	2,179			2,899		3,378	26,251
Scholarships	1,824,741	32,286		3,300	3,388	768,745		2,632,460
Prior Year Correction	56,830	298,936						355,766
TOTAL DEDUCTIONS	2,238,429	530,005	82,456	22,060	21,490	774,969	76,288	3,745,697
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(172,430)	(411,367)	4,867	(1,631)	(8,723)	67,486	(5,299)	(527,097)
NET POSITION-BEGINNING OF YEAR	728,606	721,763	57,287	45,299	36,931	51,998	68,037	1,709,921
NET POSITION-END OF YEAR	\$ 556,176	\$ 310,396	\$ 62,154	\$ 43,668	\$ 28,208	\$ 119,484	\$ 62,738	\$ 1,182,824

