Henderson State University

Arkadelphia, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE

HENDERSON STATE UNIVERSITY
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INDEPENDENT AUDITOR'S REPORT

Henderson State University
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Henderson State University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Prior Year Comparative Information

We have previously audited the University's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated June 6, 2017. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-13, 64, and 65-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2018 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

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

Little Rock, Arkansas
August 17, 2018
EDHE10017

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

Henderson State University
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 discretely presented component unit of Henderson State University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated August 17, 2018. Our report includes a reference to other auditors who audited the financial statements of the Henderson State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Henderson State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the University in a separate letter dated August 17, 2018.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 17, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Henderson State University
Legislative Joint Auditing Committee

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, 2017, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2016	Fall Term 2016	Spring Term 2017	Summer I Term 2017
Student Headcount	805	3,565	3,194	770
Student Semester Credit Hours	3,463	46,405	41,432	3,345

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

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 17, 2018

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Management's Discussion and Analysis (Unaudited)

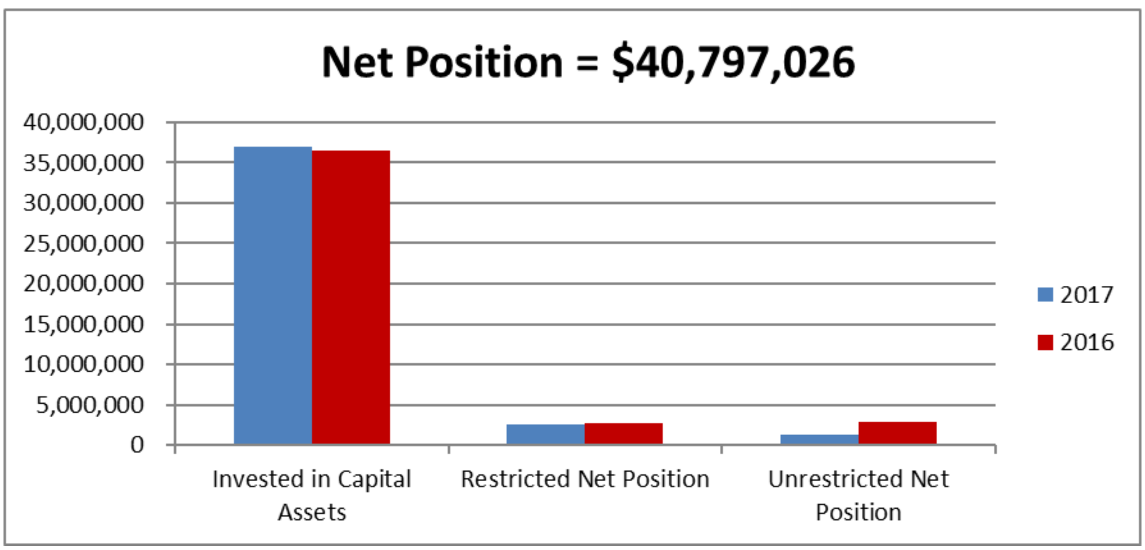
Overview of the Financial Statements and Financial Analysis

Henderson State University proudly presents its financial statements for fiscal year 2017 with comparative data presented for fiscal year 2016. The discussion and analysis of the University's financial statements which follows provides an overview of its financial activities for the current year. Discussion presented covers the Statements of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the Assets (current and noncurrent), Deferred Outflow of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows minus liabilities and deferred inflows) as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Henderson State University. The difference between current and non-current assets is discussed in the footnotes to the financial statements.

Readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution and how much the Institution owes vendors, lending institutions, and investors in the bonds of the University. The Statement of Net Position provides a picture of the net position, the net asset balances remaining after deducting liabilities, of the Institution and the availability of assets to pay expenditures of the Institution.



Net Position is divided into three major categories. Net investment in Capital Assets provides information on the Institution's equity in property, plant and equipment owned by the Institution, after deducting outstanding debt related to the investment. Restricted Net Positions is divided into two categories: Nonexpendable and Expendable. The corpus of the nonexpendable restricted resources is only available for specific purposes. Expendable restricted net position is available for expenditures by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted Net Position is available to the Institution for any lawful purpose of the institution.

Comparative Statement of Net Position June 30, 2017		
	2017	2016
Assets:		
Current Assets	$ 18,882,945	$ 18,551,443
Capital Assets, net	103,163,295	105,416,477
Other Assets	2,967,300	4,491,514
Total Assets	125,013,540	128,459,434
Deferred Outflow of Resources	2,572,331	1,881,372
Liabilities:		
Current Liabilities	8,978,478	7,883,689
Non-Current Liabilities	76,402,431	78,976,511
Total Liabilities	85,380,909	86,860,200
Deferred Inflow of Resources	1,407,936	1,447,770
Net Position:		
Invested in Capital Assets, Net of Debt	37,022,956	36,492,114
Restricted-Expendable	2,445,254	2,516,554
Restricted-Nonexpendable	116,686	156,645
Unrestricted	1,212,130	2,867,523
Total Net Position	$ 40,797,026	$ 42,032,836

Total Assets of the institution decreased by $3,445,894. A review of the Statement of Net Position will reveal that there are many offsetting variances, but the decrease was primarily due to a decrease in cash and deposits with trustee as of June 30, 2017 as construction projects were paid.

Total liabilities for the year decreased by $1,479,291. This net decrease was primarily due to the decline in long-term debt of $3.1 million as of June 30, 2017.

Statement of Revenues, Expenses and Changes in Net Position

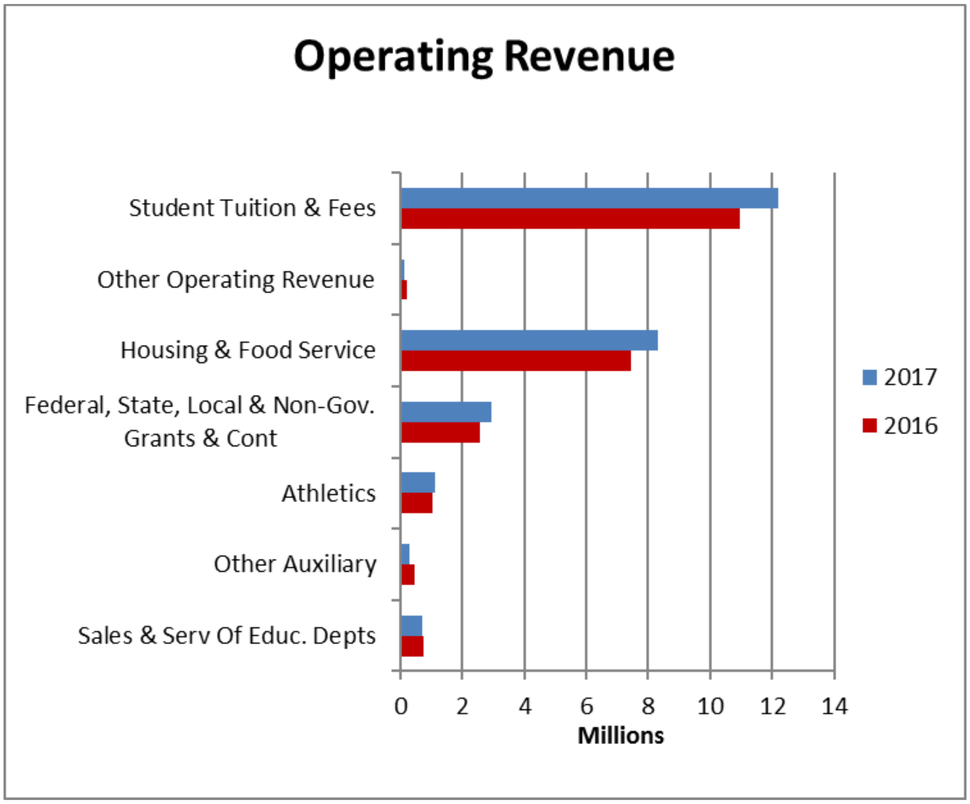
The changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received and the expenses paid by the Institution, both operating and non-operating, and any other revenues, expenses, gains or losses received or spent by the Institution.

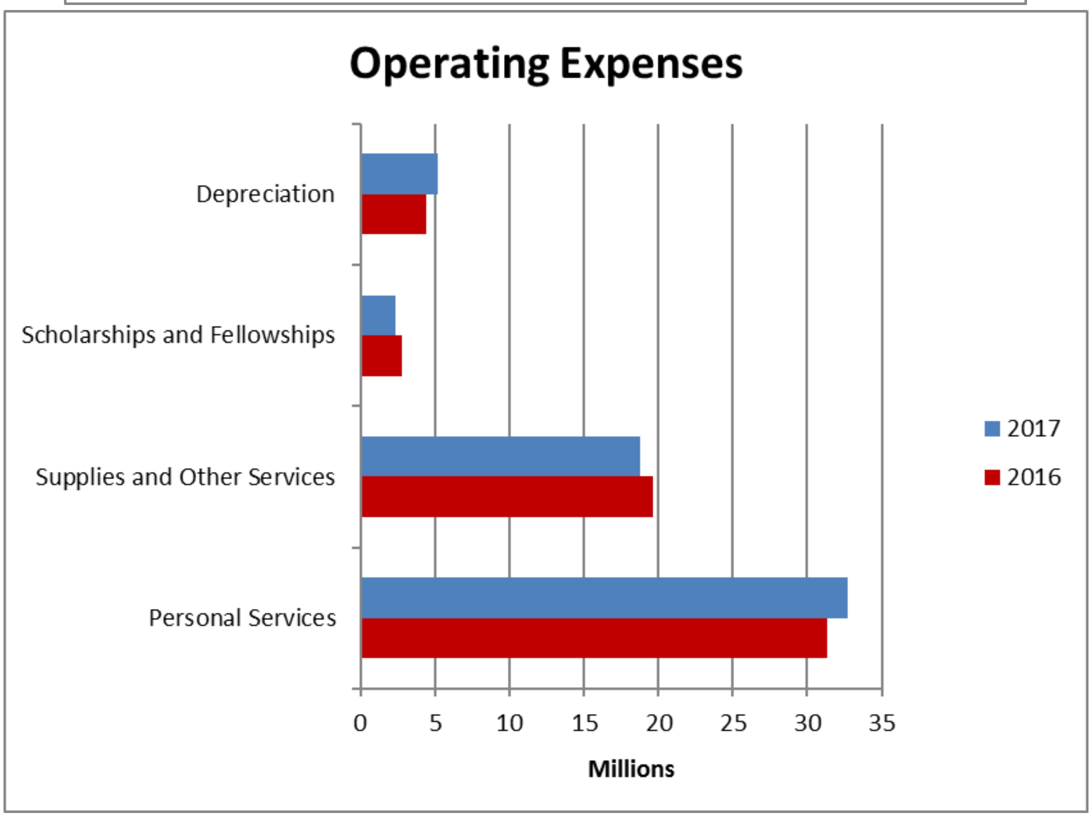
Operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which good or services are not provided. For example, the Governmental Accounting Standards Board (GASB) considers state appropriations as non-operating revenues because the revenue is provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services.

Comparative Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2017	2017	2016
Operating Revenues	$ 25,635,420	$ 23,402,299
Operating Expenses	59,057,157	58,274,209
Operating Loss	(33,421,737)	(34,871,910)
Non-Operating Revenues less Expenses	30,584,913	32,977,010
Income (Loss) Before Other Rev., Exp., Gains or Losses	(2,836,824)	(1,894,900)
Other Revenues, Expenses, Gains or Losses	1,601,014	1,025,655
Increases (Decreases) in Net Assets	(1,235,810)	(869,245)
Net Position at Beginning of Year	42,032,836	42,902,081
Net Position at End of Year	$ 40,797,026	$ 42,032,836

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in net position at the end of the year of $1,235,810. Highlights of the information presented on the statement are as follows:

- Student tuition and fees, net of scholarship allowances, increased by $1.25 million.
- Revenue from housing and dining services increased by approximately $850,000.
- Total operating expenses increased by approximately $800,000, primarily due to an increase in depreciation expense.
- Capital Gifts, Capital Appropriations and Capital Grants and Contracts decreased by approximately $300,000.


Operating Revenue
Student Tuition & Fees
Other Operating Revenue
Housing & Food Service
Federal, State, Local & Non-Gov. Grants & Cont
Athletics
Other Auxiliary
Sales & Serv Of Educ. Depts
0 2 4 6 8 10 12 14
Millions
2017
2016


Operating Expenses
Depreciation
Scholarships and Fellowships
Supplies and Other Services
Personal Services
0 5 10 15 20 25 30 35
Millions
2017
2016

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the Institution during the year. The statement is divided into the following five sections:

Comparative Statement of Cash Flows For the Fiscal Year Ended June 30, 2017	2017	2016
Cash Provided (used) by:		
Operating Activities	$ (28,599,356)	$ (31,025,810)
Non-capital Financing Activities	32,109,579	34,302,303
Investing Activities	89,287	12,803
Capital and Related Financing Activities	(5,654,942)	(6,316,928)
Net Change in Cash	(2,055,432)	(3,027,632)
Cash, Beginning of Year	11,128,909	14,156,541
Cash, End of year	$ 9,073,477	$ 11,128,909

- Operating Cash Flows provides detail of the operating cash flows and the net cash used by operating activities for the Institution.
- Non-Capital Financing activities reflect cash received and spent for non-operating financing activities.
- Cash flows from investing activities indicate the purchases, proceeds and interest received from investing activities.
- Capital and related financing activities provide specific information on the cash used for the acquisition and construction of capital and related items.

The last section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets and Debt Administration

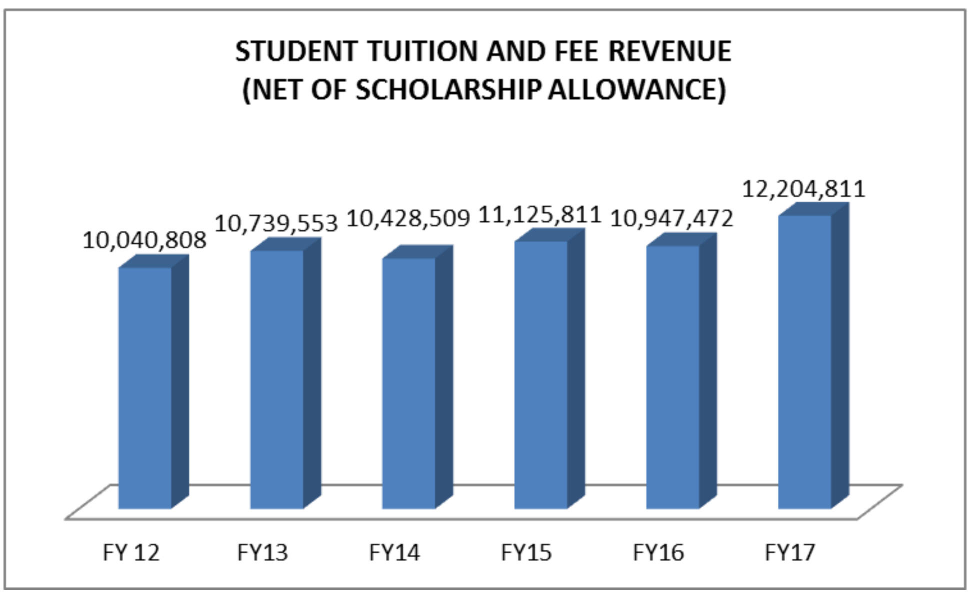
The University made an investment in the following additions or improvements in fiscal year 2017.

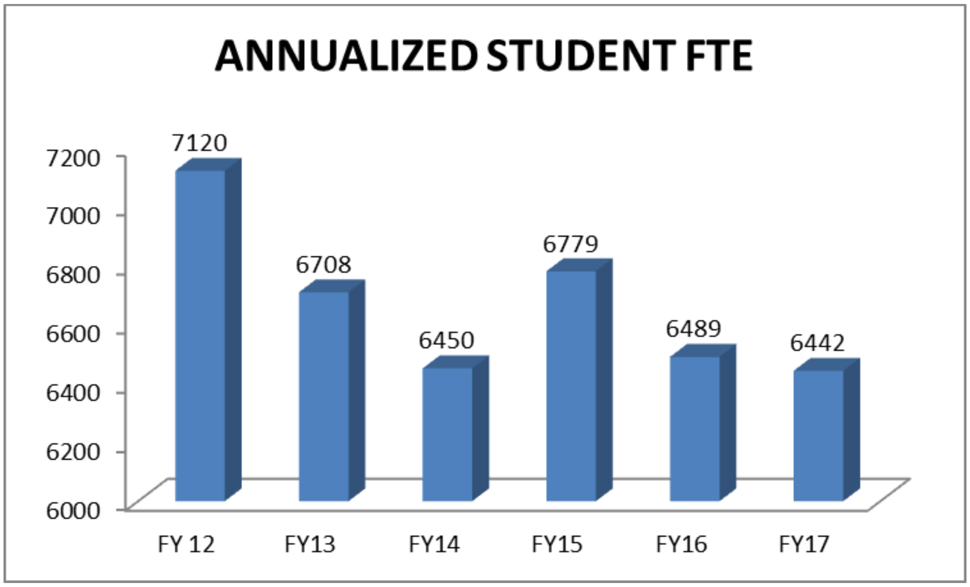
	Amount
Land	$ -
Construction in Progress	1,927,629
Improvements & Infrastructure (includes $10,386,113 of completed construction in progress)	10,458,297
Equipment	211,533
Library Holdings	555,981
Buildings (includes $984,315 of completed construction in progress)	1,200,158
Total	$ 14,353,598

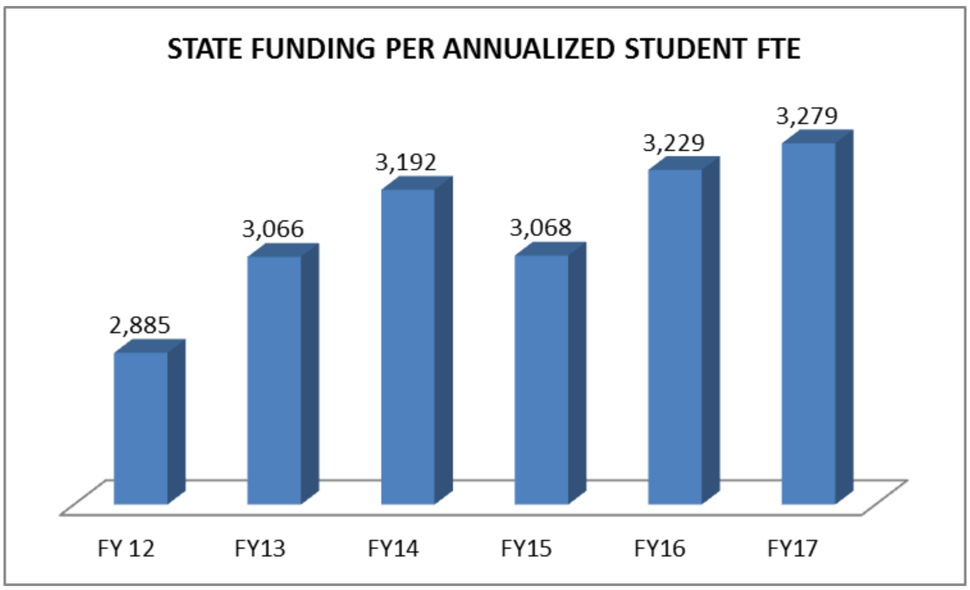
The University's long term debt (current and noncurrent) decreased from $71,895,517 to $68,826,131, a $3,069,386 net decrease as a result of principal payment on long term debt.

Economic Outlook

The following charts illustrate the current trends in Tuition, Annualized Student FTE and State Funding for Annualized Student FTE.







The University's overall financial position is strong even though a decline in Annualized Student FTE has occurred over the last six fiscal years.

Though the Arkansas economy is strong, with low unemployment, competition for state general revenue funding is heightened due to the significant needs across state government, including higher education. As a result, additional operating funds are not anticipated in the 2018 fiscal year. The Arkansas Department of Higher Education, under Governor Asa Hutchinson's direction, is developing an outcomes-based funding model to replace the existing enrollment driven model that has been in place for some time. The results are expected to provide evidence of student outcomes that will drive future funding opportunities. The University is in the midst of re-designing budgeting practices to align with this outcomes-based philosophy.

In October 2014, Moody's Investors Service assigned an initial bond rating for a $33 million bond issue, as A3; outlook stable. There has been no subsequent change in bond rating.

The University's strategic plan, Beyond the Horizon, was adopted in 2014 and calls for significant investments in the following priority areas:

- Growing enrollment, improving student life, and increasing retention to graduation
- Enhancing academic programs
- Enhancing the quality of life and the ability to recruit and retain a highly qualified and motivated faculty and staff
- Improving the physical environment and infrastructure
- Expanding and diversifying revenues
- Enhancing Henderson's regional, state, and national profile

Successful attainment of the goals contained within the plan, and ultimately the success of Henderson State students, is dependent on providing adequate support for the priorities of the plan. To provide this support, the University will undertake a budget prioritization and resource allocation design process during fiscal year 2018, with a goal of re-allocating operating budget priorities in the 2018 fiscal year and forward. This process will align the University with the expected outcomes-based funding model at the state level and will provide improved accountability for the resources provided.

Dr. Brett Powell
Vice President for Finance & Administration

Henderson State University
Comparative Statement of Net Position
June 30, 2017

	2017	2016
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$ 8,873,811	$ 10,466,102
Short Term Investments	695,788	709,704
Student Accounts Receivable	5,649,930	4,313,842
Accrued Interest Receivable	211	425
Inventories	133,398	119,690
Notes and Student Loans Receivable	119,050	161,561
Other Receivables	2,401,679	1,044,090
Deposits with Trustee	959,714	1,664,002
Prepaid Expenses	262	20,726
Unamortized Bond Insurance	49,102	51,301
Total Current Assets	18,882,945	18,551,443
Non-Current Assets:		
Cash and Cash Equivalents	199,666	662,807
Investments	286,212	255,023
Notes and Student Loans Receivable	885,816	890,318
Other Receivables	379,164	
Deposits with Trustee	1,216,442	2,683,366
Capital Assets, Net of Accumulated Depreciation ($75,916,288 and $70,937,369 respectively)	103,163,295	105,416,477
Total Non-Current Assets	106,130,595	109,907,991
Total Assets	125,013,540	128,459,434
Deferred Outflow of Resources:		
Deferral of Pension Liability	2,211,254	1,455,690
Deferral of Debt Defeasance, Net of Accumulated Amortization ($206,339 and $141,734 respectively)	361,077	425,682
Total Outflow of Resources	2,572,331	1,881,372

Henderson State University
Comparative Statement of Net Position
June 30, 2017

	2017	2016
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 4,058,728	$ 3,272,436
Funds Held in Trust for Others	666,457	741,230
Unearned Revenue	495,619	556,025
Employee Retirement	54,130	57,774
Compensated Absences Payable	174,603	151,997
Long-term Debt	3,494,072	3,069,386
Discount on Bonds	(2,330)	(2,331)
Deferral of Bond Premium	37,199	37,172
Total Current Liabilities	8,978,478	7,883,689
Non-Current Liabilities:		
Refundable Advance	931,883	1,136,862
Employee Retirement	48,719	70,919
Other Postemployment Benefits	2,262,252	1,839,562
Compensated Absences Payable	886,182	857,569
Long-term Debt	65,332,059	68,826,131
Pension Liability	6,303,890	5,573,032
Discount on Bonds Net of Accumulated Amortization ($12,992 and $10,783 respectively)	(33,111)	(35,320)
Bond Premium-Deferred, Net of Accumulated Amortization ($106,860 and $69,688 respectively)	670,557	707,756
Total Non-Current Liabilities	76,402,431	78,976,511
Total Liabilities	85,380,909	86,860,200
Deferred Inflow of Resources:		
Deferral of Pension Liability	1,407,936	1,447,770

Henderson State University
Comparative Statement of Net Position
June 30, 2017

	2017	2016
NET POSITION:		
Invested in Capital Assets, Net of		
Related Debt	$ 37,022,956	$ 36,492,114
Restricted for:		
Expendable:		
Scholarship and Fellowships	211,659	234,150
Capital Projects	196,599	662,807
Grants and Contracts	1,203,106	710,708
Loans	48,890	48,889
Debt Service	785,000	860,000
Nonexpendable:		
Loans	116,686	156,645
Unrestricted:		
Net Position	1,212,130	2,867,523
Total Net Position	$ 40,797,026	$ 42,032,836

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Henderson State University Foundation, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 2,562,920	$ 2,715,577
Accrued interest receivable		1,001
Amounts due for securities sold	20,213	
Contributions receivable, net	119,318	189,152
Investments	14,988,709	12,938,882
Prepaid expenses	15,334	19,167
TOTAL ASSETS	$ 17,706,494	$ 15,863,779
LIABILITIES AND NET ASSETS		
Total Liabilities	$ 178,637	$ 0
Net Assets		
Unrestricted	161,979	138,364
Temporarily restricted	6,216,908	5,164,816
Permanently restricted	11,148,970	10,560,599
Total Net Assets	$ 17,527,857	$ 15,863,779
TOTAL LIABILITIES AND NET ASSETS	$ 17,706,494	$ 15,863,779

Henderson State University
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For The Year Ended June 30, 2017

	2017	2016
OPERATING REVENUE:		
Student Tuition and Fees (net of scholarship allowances of $16,713,988 and $16,775,502, respectively)	$ 12,204,810	$ 10,947,472
Federal Grants and Contracts	1,987,301	1,779,239
State and Local Grants and Contracts	884,975	731,012
Non-Governmental Grants and Contracts	48,776	59,228
Sales and Services of Educational Departments	705,362	750,265
Athletics (net of scholarship allowances of $665,601 and $661,412, respectively)	1,100,533	1,018,923
Housing and Food Service (net of scholarship allowances of $3,101,958 and $3,054,808, respectively)	8,303,500	7,453,552
Bookstore	94,252	99,572
Garrison Center	12,899	20,165
Other Auxiliary Enterprises	174,982	333,465
Other Operating Revenues	118,030	209,406
TOTAL OPERATING REVENUES	25,635,420	23,402,299
OPERATING EXPENSES:		
Personal Services	32,725,206	31,355,739
Supplies and Other Services	18,762,492	19,655,216
Scholarships and Fellowships	2,337,389	2,813,262
Depreciation	5,232,070	4,449,992
TOTAL OPERATING EXPENSES	59,057,157	58,274,209
OPERATING INCOME (LOSS)	(33,421,737)	(34,871,910)
NON-OPERATING REVENUES (EXPENSES)		
State and Federal Appropriations	21,131,335	21,043,436
Federal and State Grants and Contracts	11,311,042	12,580,000
Gifts	545,113	1,232,744
Investment Income	109,897	49,983
Interest and Fees on Long Term Debt	(2,713,228)	(2,053,823)
Bond Issuance Cost		(106,482)
Bond Insurance Cost	(2,199)	(2,199)
Other	202,953	233,351
Net Non-operating Revenues	30,584,913	32,977,010

Henderson State University
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For The Year Ended June 30, 2017

	2017	2016
Income Before Other Revenues, Expenses, Gains/Losses	$ (2,836,824)	$ (1,894,900)
Capital Appropriations		312,500
Capital Gifts	145,995	582,999
Capital Grants and Contracts	1,783,074	747,000
Payments of Mandatory Fees to Agency Funds	(460,554)	(362,440)
Loss on Disposal of Assets	(4,282)	(186,040)
Insurance Proceeds on Capital Assets	26,079	
Adjustments to Prior Year Revenues and Expenses	110,702	(68,364)
INCREASE (DECREASE) IN NET ASSETS	(1,235,810)	(869,245)
NET POSITION - BEGINNING OF YEAR	42,032,836	42,902,081
NET POSITION - END OF YEAR	$ 40,797,026	$ 42,032,836

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Henderson State University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Support, Revenue and Gains		
Grants	$ 29,404	$ 385,775
Interest and dividends	26	
Gain on sale of property and equipment		58,210
Net assets released from restrictions	1,769,225	2,596,683
Total Unrestricted Support, Revenue and Gains	1,798,655	3,040,668
Expenses		
Program services	1,644,729	2,869,749
Supporting services		
General and administrative	130,311	136,813
Total Expenses	1,775,040	3,006,562
Increase in Unrestricted Net Assets	23,615	34,106
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,313,368	1,196,977
Interest and dividends	570,620	707,835
Net depreciation in fair value of investments	937,329	(545,143)
Net assets released from restrictions	(1,769,225)	(1,677,700)
Increase in temporarily restriced net assets	1,052,092	(318,031)
CHANGES IN PERMANENTLY RESTRICED NET ASSETS		
Contributions	584,069	473,827
Interest and dividends	4,302	
Net assets released from restrictions		(918,983)
(Decrease) Increase in Permanently Restricted Net Assets	588,371	(445,156)
(DECREASE) INCREASE IN TOTAL NET ASSETS	1,664,078	(729,081)
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	15,863,779	16,592,860
NET ASSETS, END OF YEAR	$ 17,527,857	$ 15,863,779

Henderson State University
Comparative Statement of Cash Flows
June 30, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees (Net of Scholarships)	$ 10,808,747	$ 10,197,984
Research Grants and Contracts	2,967,674	2,902,958
Collection of Loans and Interest to Students		
(includes Perkins and interest income)	128,696	153,332
Auxiliary Enterprises		
Athletics	1,100,533	1,018,923
Housing and Food Service	8,303,500	7,453,552
Bookstore	94,252	99,572
Student Union	12,899	20,165
Other Auxiliary Enterprises	144,404	346,018
Other Receipts	871,691	888,773
Payments to Suppliers	(18,633,885)	(19,723,255)
Payments to Employees	(25,008,811)	(24,403,374)
Payments of Employee Benefits	(6,979,749)	(7,140,643)
Loans issued to Students (includes Perkins)	(81,684)	(19,494)
Scholarships and Fellowships	(2,327,623)	(2,820,321)
Net Cash Provided (Used) by Operating Activities	(28,599,356)	(31,025,810)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	21,131,335	21,043,436
Federal and State Grants and Contracts	11,311,042	12,580,000
Loans to Students-Direct Loans & Private (Inflows)	17,641,952	17,186,380
Agency Funds (Net of Outflows)	(74,773)	71,191
Loans to Students-Direct Loans & Private (Outflows)	(17,641,952)	(17,186,380)
Payments of Mandatory Fees to Agency Funds	(460,554)	(362,440)
Gifts and Grants	545,113	1,232,744
Principal paid on non-capital loan	(150,863)	(146,356)
Interest paid on non-capital loan	(55,302)	(59,943)
Refund of federal perkins contributions	(204,978)	
Other	68,559	(56,329)
Net Cash Provided (Used) by Noncapital Financing Activities	32,109,579	34,302,303

Henderson State University
Comparative Statement of Cash Flows
For the Year Ended June 30, 2017

	2017	2016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations		$ 312,500
Acquisitions and Construction of Capital Assets	$ (2,090,857)	(2,743,716)
Capital Grants and Contracts	1,403,910	747,000
Insurance Proceeds on Capital Assets	26,079	
Principal Paid on Non-Bonded Debt	(338,523)	(115,533)
Interest and Fees Paid on Non-Bonded Debt	(204,694)	(286,256)
Payment to Trustee for Principal	(2,505,000)	(2,260,000)
Payment to Trustee for Interest and Fees	(1,945,857)	(1,970,923)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,654,942)	(6,316,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	$ 93,500	$ 394,299
Interest on Investments (net of fees)	67,083	53,633
Purchase of Investments	(71,296)	(435,129)
Net Cash Provided (Used) by Investing Activities	89,287	12,803
Net Increase (Decrease) in Cash	(2,055,432)	(3,027,632)
Cash - Beginning of Year	11,128,909	14,156,541
Cash - Ending of Year	$ 9,073,477	$ 11,128,909

Exhibit C

Henderson State University
Comparative Statement of Cash Flows
For the Year Ended June 30, 2017

	2017	2016
Reconcilation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (33,421,737)	$ (34,871,910)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	5,232,070	4,449,992
Receivables, Net	(676,751)	(334,220)
Inventories	(13,707)	32,108
Other Assets	20,464	(20,726)
Loans Receivable	47,012	133,838
Accounts Payable	(109,825)	(56,792)
Deferred Revenue	(60,406)	(132,881)
Employee Retirement	(25,844)	(20,230)
Compensated Absences	51,219	(118,913)
OPEB	422,689	122,348
Net Pension Liability	(64,540)	(208,424)
Net Cash Provided (Used) by Operating Activities	$ (28,599,356)	$ (31,025,810)
NONCASH TRANSACTIONS		
Donated Capital Assets	$ 145,995	$ 582,999
Loss on Capital Assets		(197,153)
Increase (decrease) in Fair Value of Investments	39,615	(66,888)
Discount on Bonds	(2,209)	(2,330)
Premium of Bonds	37,172	8,761
Deferral of Debt Defeasance	(64,605)	(58,111)
Capital Assets Acquired from Construction Bond Proceeds	(1,770,381)	(21,336,434)
Debt Service Reserve Funds to Refunding Bond Agent		(270,306)
Bond Proceeds Deposited into Debt Service Reserve		(273,206)
Bond Proceeds Paid to Refunding Bond Agent		(6,094,073)
Proceeds from Refunding Bonds Issued		6,465,000
Bond Issuance Cost Paid from Bond Proceeds		(106,482)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTE 1: Reporting Entity

Henderson State University (University) was founded in 1890 as a co-educational liberal arts college and was related to the Methodist church until 1929, when the Arkansas General Assembly enacted legislation (Act 46) to “establish a standard teachers’ college at Arkadelphia” and the Institution, known as Henderson-Brown College, was transferred to the State of Arkansas.

The University is a four-year institution of higher education. The governing body is the Board of Trustees comprised of seven members appointed by the Governor of the State.

Component Units

In May 2002, Governmental Accounting Standards Board, (GASB) issued Statement no. 39, *Determining Whether Certain Organizations are Component Units,* which amends GASB no. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with the fiscal year ended June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. There is one qualifying foundation for Henderson State University, the Henderson State University Foundation, Inc. Although the University does not control the timing or amount of receipts from this Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements. During the year ended June 30, 2017, the Foundation transferred property, equipment and funds of $409,142 to the University for proper accountability and academic support.

The Henderson State University Foundation, Inc. is a separate nonprofit organization, which 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 of the Foundation is made up of twelve (12) members including two (2) members who are also members of Henderson State University Board of Trustees, and two (2) Ex-officio members who are also employees of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 324 North 12th Street, Arkadelphia, AR 71923.

NOTE 2: Summary of Significant Accounting Policies

Financial Statement Presentation

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

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. All significant intra-agency transactions have been eliminated.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, library holdings, and construction in progress are reported at cost or estimated historical cost if actual data is not available. Donated capital assets are reported at acquisition value, as required by GASB Statement no. 72, when received. 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. Capitalization thresholds for intangible assets are $1,000,000 for internally developed software and $100,000 for all other applicable categories

Depreciation is computed using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 10-15 years for library books, and 3 to 7 years for equipment. Estimated lives for intangible assets will be determined at the time of capitalization.

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: this 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 federal, state, local and private grants are the main categories of operating revenues for the University.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 tuition and fee charges to students and auxiliary enterprises provided to students, faculty and staff. Accounts Receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University’s grants and contracts. Prior to fiscal year 2012, the University used the direct write off method for uncollectible student accounts but, in fiscal year 2012, due to a change in policy, recorded an allowance for uncollectible accounts. The University intends to incrementally increase the allowance, up to 25% of doubtful accounts, until it is equal to those accounts that are deemed uncollectible.

Investments

Investments, other than nonnegotiable certificates of deposits, are stated at fair value. Fair value is market value if a market price or quote is readily available. Carrying amounts of investments are adjusted for increases or decreases in value. Gains and losses on investment transactions are accounted for in the funds which owned such assets.

Deposits with Trustees

Deposits with trustees include principal, interest and paying agents fees made in advance of the due date and forwarded to the bond trustee. In addition, deposits with trustees include cash and investments held in debt service reserve accounts.

Notes Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the notes receivable. The program provides for cancellation of a loan at rates 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions.

Inventories

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

Noncurrent Cash and Investments
Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other nonrecurring assets, are classified as noncurrent assets in the Statement of Net Position.

Deferred Outflows of Resources
Deferred outflows include the deferred gains or losses on debt financing (debt refunding) and certain transactions related to pensions.

Deferred Inflow of Resources
Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.

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 and the Arkansas Teacher Retirement System (the respective Systems) and additions to/deductions from the respective Systems' fiduciary net position have been determined on the same basis as they are reported by the respective Systems. 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.

Compensated Absences Payable
Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Ten month faculty accrue sick leave at a rate of 240 hours per year. Non-classified and classified employees accrue annual leave at a variable rate (from 8 to 15 hours per month) depending upon the number of years employed in state government. Under the University's policy, an employee may carry accrued leave forward from one fiscal year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed. The University accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. This liability has been projected to be $967,518 at June 30, 2017. Classified employees with at least 50 days of accumulated sick leave are entitled to payment of accumulated leave. The University accrues the dollar value of sick leave benefits which are payable upon retirement or death of its classified employees. This liability is projected to be $91,138 at June 30, 2017. On June 10, 2011, the Board of Trustees voted to not compensate non-classified employees and faculty for unpaid sick leave until further research has been conducted. This vote was in response to ACT 337 of the 88th General Assembly Regular Session, 2011, amended Arkansas Code 21-4-505, to grant discretion to state-supported institutions of higher education on whether or not to compensate all employees for unpaid sick leave upon retirement. The University accrues compensatory time at time and one half of the hours worked over 8 hours per day for classified employees. The liability is projected to be $2,129 at June 30, 2017.

NOTE 2: Summary of Significant Accounting Policies (Continued)

Employee Retirement

Accrual was discontinued under Henderson State University's self-managed retirement program as of June 30, 1979. Employees of record on or before April 5, 1973 are eligible for benefits. As a result of this action the University calculated what the financial obligation would be for the life of this plan. Annual adjustments are made to record termination of obligation.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and installment contract obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences; (3) other postemployment benefits; (4) net pension liability; and other liabilities that will not be paid within the next fiscal year.

Refundable Federal Advances:

For reporting purposes, the University has shown the federal portion of the Perkins Loan Program fund balance as a noncurrent liability on the Statement of Net Position. In the event of the cessation of the program, this amount is refundable to the Federal government.

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 categories of net position:

Restricted, expendable: Restricted expendable net position include 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 consist 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.

NOTE 2: 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 charges and the amount actually paid by students and/or third parties making payments of 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 tuition, fees, and other student charges, the University has reported a corresponding scholarship discount or allowance.

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.

Capitalization of Interest:

The University capitalizes interest involving qualifying assets if material. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of the borrowings from the date of the borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount thereof that has been capitalized was $2,713,228 and $165,678 respectively, for the fiscal year ended June 30, 2017.

New Accounting Pronouncements

The GASB issued the following statements: Statement no. 83, effective for periods beginning after June 15, 2018, *Certain Asset Retirement Obligations,* addresses accounting and financial reporting for certain asset retirement obligations. Management has determined that this statement has no effect on current reporting and disclosures. Statement no. 84, effective fiscal years ending after December 15, 2018, *Fiduciary Activities,* addresses identification and reporting for fiduciary activities. Management has not yet determined the effects of these statements on the University's financial statements. Statement no. 85, effective for periods beginning after June 15, 2017, *Omnibus 2017*, addresses practice issues identified during implementation of previously issued GASB Statements. Management will address any issues identified. Statement no. 86, *Certain Debt Extinguishment Issues,* effective for reporting periods beginning after June 15, 2017, strives to improve consistency in accounting and financial reporting for in-substance defeasance of debt. Management has not yet determined the effects of this statement on the University's financial statement. Statement no. 87, effective for periods beginning after December 15, 2019, *Leases,* addresses accounting and reporting for leases by governments. Management has not yet determined the effects of these statements on the University's financial statements.

NOTE 3: Public Fund Deposits and Investments

Cash Deposits:

The University's cash deposits are carried at cost and year end balances are shown below:

Cash Deposits:	Carrying Amount	Bank Balance
Insured (FDIC)	$ 572,124	$ 572,124
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	8,785,906	9,390,064
Total Deposits	$ 9,358,030	$ 9,962,188

The above deposits do not include cash of $13,616 which was maintained in a money market fund administered by a third party and insured by the Securities Investor Protection Corporation (SIPC) along with cash on hand in the amounts of $23,860 at June 30, 2017. The above total deposits include $26 of cash that is reported as deposit with trustee, certificates of deposit of $42,138 reported as investments classified as nonparticipating contracts, $30,000 in certificates of deposits reported as deposits with trustee classified as nonparticipating contracts, and $249,865 in certificates of deposits reported as deposits with trustee classified as participating contracts.

Custodial Credit Risk – Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the University's bank balance of $9,962,188 was exposed to custodial credit risk.

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 or collateral securities that are in the possession of an outside party. The University does not have an investment policy for custodial credit risk.

NOTE 3: Public Fund Deposits and Investments (Continued)

The following table contains information on the credit risk disclosure for investments:

Type of Investment	Market Value (Not Rated)
Open ended Mutual Funds	$ 727,468
Equity Exchange Traded Funds (ETF)	137,195
Bond Exchange Traded Funds (ETF)	75,199
	$ 939,862

Concentration of Credit Risk:
The University does not limit the amount of operating fund invested in any one issuer.

Deposit with Trustees:
At June 30, 2017, the University's deposits with trustees of $2,176,156 excluding $26 cash, $30,000 in non-negotiable certificate of deposits, and $249,865 in negotiable certificates of deposit, were invested as follows:

Federated Treasury Obligations Fund of $1,381,757. The fund was rated AAAm by Standard and Poor's and Aaamf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 31 days.

Federated Government Obligations Fund of $108,187. The fund was rated AAAm by Standard and Poor's, Aaamf by Moody's Investors Service, and consisted of short-term repurchase agreements, government agencies notes and U.S. Treasuries. The effective average maturity was approximately 34 days.

State and Local Government Securities (SLGS) of $406,321.

The deposits with trustees consisted of funds obligated as debt reserves for the University's bond issues, and amounts being held to retire future debt requirements.

NOTE 4: Fair Value Measurement:

In February 2015, GASB issue Statement no. 72 *Fair Value Measurement and Application.* The statement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the University's perceived risk of that investment.

The tree levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.

Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on the market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.

Level 3 Inputs that are unobservable. Unobserved inputs are those that reflect the University's own Assumptions about assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds, and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

NOTE 4: Fair Value Measurement (Continued):

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the valuation, hierarchy, University invested funds, including amounts reported as deposits with bond trustees on the Statement of Net Position at June 30, 2017:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	6/30/2017			
Debt Securities:				
U.S. Treasury Securities	$ 406,321		$ 406,321	
Negotiable Certificates of Deposit	292,003	$ 292,003		
Private Equity Funds	939,862	727,468	212,394	
Total Investments at Fair Value	$ 1,638,186	$ 1,019,471	$ 618,715	

The Federated Government Obligations Fund

This fund operates as a "government money market fund" as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. Under normal conditions, this fund will invest its assets so that at least 80% of its net assets are invested in government securities and/or repurchase agreements that are collateralized fully by government securities.

Investments Measured at the NAV

Calculation of Net Asset Value – The Fund attempts to stabilize the NAV of its Shares at $1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the Fund calculates a market-based NAV per Share on a periodic basis. The Fund cannot guarantee that its NAV will always remain at $1.00 per Share. The Fund does not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the NYSE is open.

Security Description	Fair Value
Government Agencies[1]	44,465
Repurchase Agreements[2]	55,067
U.S. Treasury[1]	8,655
Total Investments Measured at the NAV	$ 108,187

NOTE 4: Fair Value Measurement (Continued):

The Federated Treasury Obligations Fund

This fund operates as a “government money market fund” as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. Under normal conditions, this fund will invest its assets so that at least 80% of its net assets are invested in government securities and/or repurchase agreements that are collateralized fully by government securities.

Investments Measured at the NAV

Calculation of Net Asset Value – The Fund attempts to stabilize the NAV of its Shares at $1.00 by valuing the portfolio securities using the amortized cost method. In addition, for regulatory purposes, the Fund calculates a market-based NAV per Share on a periodic basis. The Fund cannot guarantee that its NAV will always remain at $1.00 per Share. The Fund does not charge a front-end sales charge. Shares can be purchased, redeemed or exchanged any day the NYSE is open.

Security Description	Fair Value
Repurchase Agreements[2]	877,416
U.S. Treasury[1]	504,341
Total Investments Measured at the NAV	$ 1,381,757

1. *Government Agencies and U.S. Treasury – Fixed-Income Securities*. Fixed-income securities pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase the issuer’s earnings. This limits the potential appreciation of fixed –income securities as compared to equity securities.

A security’s yield measures the annual income earned on a security as a percentage of its price. A security’s yield will increase or decrease depending upon whether it costs less (a “discount”) or more (a “premium”) than the principal amounts. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

The following describes the types of fixed-income securities in which the Fund principally invests:

U.S. Treasury Securities – are direct obligations of the federal government of the United States.

Government Securities – are issued or guaranteed by a federal agency or instrumentality acting under federal authority. Some government securities, including those issued by Ginnie Mae, are supported by the full faith and credit of the United States and are guaranteed only as to the timely payment of interest and principal.

NOTE 4: Fair Value Measurement (Continued):

Other government securities receive support through federal subsidies, loans or other benefits, but are not backed by the full faith and credit of the United States. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Freddie Mac and Fannie Mae in support of such obligations.

Some government agency securities have no explicit financial support, and are supported only by the credit of the applicable agency, instrumentality or corporation. The U.S. government has provided financial support to Freddie Mac and Fannie Mae, but here is no assurance that it will support these or other agencies in the future.

Callable Securities – are certain U.S. Treasury or government securities in which the Fund invests are callable at the option of the issuer. Callable securities are subject to call risks.

2. *Repurchase Agreements.* Repurchase agreements are transactions in which the Fund buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting the Fund's return on the transaction. This return is unrelated to the interest rate on the underlying security. The Fund will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Adviser.

The Fund's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Adviser or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

NOTE 5: Income Taxes

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

NOTE 6: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2017:

Capital Assets:	Balance as of July 1, 2016	Additions	Transfers	Retirements	Balance as of June 30, 2017
Capital assets not being depreciated					
Land	$ 1,975,554				$ 1,975,554
Construction in progress	9,600,932	$ 1,927,629	$ (11,370,428)		158,133
Total capital assets not being depr.	$ 11,576,486	$ 1,927,629	$ (11,370,428)	-	$ 2,133,687
Other capital assets					
Improvements	$ 8,931,412	$ 72,184			$ 9,003,596
Infrastructure	3,604,053		$ 10,386,113		13,990,166
Buildings	131,996,337	215,843	984,315		133,196,495
Equipment	7,551,562	211,533		$ (174,053)	7,589,042
Library materials	12,693,996	555,981		(83,380)	13,166,597
Total other capital assets	164,777,360	1,055,541	11,370,428	(257,433)	176,945,896
Less accumulated depreciation for:					
Improvements	(2,435,880)	(363,169)			(2,799,049)
Infrastructure	(2,678,440)	(100,599)			(2,779,039)
Buildings	(51,069,973)	(3,919,652)			(54,989,625)
Equipment	(5,855,884)	(407,954)		169,771	(6,094,067)
Library materials	(8,897,192)	(440,696)		83,380	(9,254,508)
Total accumulated depreciation	(70,937,369)	(5,232,070)	-	253,151	(75,916,288)
Total other capital assets, net	$ 93,839,991	$ (4,176,529)	$ 11,370,428	$ (4,282)	$ 101,029,608
Capital Asset Summary:					
Capital assets not being depreciated	$ 11,576,486	$ 1,927,629	$ (11,370,428)		$ 2,133,687
Other capital assets, at cost	164,777,360	1,055,541	11,370,428	$ (257,433)	176,945,896
Total cost of capital assets	176,353,846	2,983,170	-	(257,433)	179,079,583
Less accumulated depreciation	(70,937,369)	(5,232,070)		253,151	(75,916,288)
Capital Assets, net of depreciation	$ 105,416,477	$ (2,248,900)	$ -	$ (4,282)	$ 103,163,295

NOTE 7: Long-Term Liabilities

Debt payments on bonds amounted to $4,475,121 for the fiscal year ended June 30, 2017. The amount of $1,122,348 was expended for debt payments on major capital leases and notes payable.

A summary of long-term debt is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2017	Maturities to June 30, 2017
12/1/2009	7/1/2018	2.00-3.375%	$ 1,540,000	$ 380,000	$ 1,160,000
10/1/2011	1/1/2020	2.0- 2.75%	1,960,000	455,000	1,505,000
10/1/2011	1/1/2020	2.0- 2.75%	1,370,000	505,000	865,000
8/31/2011	8/30/2036	5.74%	2,750,000	2,507,901	242,099
5/15/2012	6/30/2036	1.0- 4.125%	4,165,000	3,500,000	665,000
5/1/2012	9/1/2035	1.0- 4.125%	8,535,000	7,400,000	1,135,000
11/1/2014	11/1/2039	2-5%	33,000,000	31,875,000	1,125,000
6/1/2015	7/1/2026	1-3.2%	3,780,000	3,190,000	590,000
6/30/2015	6/1/2035	4.12%	10,136,926	9,920,630	216,296
7/23/2012	7/23/2026	3.08%	2,366,268	1,789,327	576,941
2/14/2014	2/14/2028	4.98%	1,100,000	838,273	261,727
2/3/2016	1/1/2032	2-3%	6,465,000	6,465,000	-
			$ 77,168,194	$ 68,826,131	$ 8,342,063

NOTE 7: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

	Balance as of July 1, 2016	Additions	Reductions	Balance as of June 30, 2017	Amounts due within one year
Bonds Payable	$ 56,350,000		$ 2,580,000	$ 53,770,000	$ 2,755,000
Notes Payable	13,605,327		338,523	13,266,804	583,562
Installment Contract	1,940,190		150,863	1,789,327	155,510
Discount on Bonds	(37,651)		(2,210)	(35,441)	(2,330)
Premium on Bonds	744,928		37,172	707,756	37,199
Comp Absences Pay.	1,009,566	$ 799,823	748,604	1,060,785	174,603
Employee Retire Pay.	128,693	28,286	54,130	102,849	54,130
	$ 73,741,053	$ 828,109	$ 3,907,082	$ 70,662,080	$ 3,757,674

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

Year Ended June 30, 2017	Principal	Interest	Total
2018	$ 3,494,072	$ 2,469,840	$ 5,963,912
2019	3,549,041	2,377,281	5,926,322
2020	3,054,545	2,285,321	5,339,866
2021	2,886,729	2,190,793	5,077,522
2022	2,979,545	2,098,605	5,078,150
2023-2027	16,487,771	8,819,635	25,307,406
2028-2032	16,304,446	5,724,216	22,028,662
2033-2037	14,154,982	2,545,078	16,700,060
2038-2039	5,915,000	361,100	6,276,100
	$ 68,826,131	$ 28,871,869	$ 97,698,000

NOTE 8: Commitments

The University was contractually obligated for the following at June 30, 2017:

Project Name	Expected Completion Date	Contract Balance
Reddie Café Interior Renovation	August 30, 2017	$ 88,719
Nursing Building Ventilation	November 16, 2017	129,338
Dining Hall Sidewalk Addition and Gaurdrail	January 10, 2018	36,384
		$ 254,441

Operating Leases:

The University is currently leasing 43 copiers. The University has no ownership of these items at the end of the lease agreement.

(1) Future minimum rental payments (aggregate) at June 30, 2017 totals $257,487.
(2) Contingent rental payments are determined on a cost basis.
(3) Future minimum rental payments for the three (3) succeeding fiscal years:

Fiscal Year Ending June 30,	Amount
2017	$ 108,528
2018	89,370
2019	59,589
Total Future Minimum Rental Payments (3 years)	$ 257,487

Rental payments for the current year total $116,860.

NOTE 9: Retirement 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. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. This plan also offers a variable annuity. Arkansas law authorizes participation in the plan.

Funding Policy: TIAA has contributory and non-contributory plans. Contributory members contribute a minimum of six percent of earnings to the plan. The University contributes ten percent to the plan. Employees may also request deductions for TIAA additional retirement, TIAA Supplemental Retirement Annuities and Fidelity Group. The University's and participants' contributions for the year ended June 30, 2017 were $1,798,217 and $1,363,814 respectively.

Arkansas Teacher Retirement System (ATRS):

Plan Description: Benefit provisions are set forth in the Arkansas Code Annotated, Title 24, Chapter 7 and may only be amended by the Arkansas General Assembly. ATRS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937. 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 fifteen members of the Board of Trustees of the Arkansas Teacher Retirement System (the Board). Membership includes eleven members who are elected and consist of seven active members of ATRS with at least five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial or ethnic group. There are also four ex-offico members, including the State Bank Commissioner, the Treasurer of the State, the Auditor of the State and the Commissioner of Education. ATRS issues a publicly available financial report that can be obtained at https://www.artrs.gov/publications.

Benefits Provided

ATRS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory	2.15%
Non-Contributory	1.39%

Members are eligible to retire with a full benefit under the following conditions:

- At age 60 with 5 years of credited service,
- At any age with 28 years of credited service,

NOTE 9: Retirement Plans (Continued)

Members with 25 years of credited service who have not attained age 60 may retire with a reduced benefit.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Survivor benefits are payable to qualified survivors upon the death of an active member with 5 years of service. The monthly benefit paid to eligible spouse survivors is computed as if the member had retired and elected the Joint & 100% Survivor option. Minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for noncontributory members. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation.

Funding Policy: Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 7. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the funded costs of benefit commitments for services previously rendered. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Employers are required to contribute at a rate established by the Board of Trustees of ATRS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.00% of applicable compensation for the fiscal year ended June 30, 2017. The University's contributions to ATRS for the years ended June 30, 2017, 2016 and 2015 were $143,722, $178,208 and $212,798, respectively, equal to the required contributions for each year.

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

At June 30, 2017, the University reported a liability of $1,916,598 for its proportionate share of the new pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the University's proportion was 0.0434 percent.

For the year ended June 30, 2017, the University recognized a reduction in pension expense of $5,063. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9: Retirement Plans (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 34,762	$ (26,582)
Net difference between projected and actual earnings on pension plan investments	293,723	
Changes in proportion and differences between employer contribution and share of contributions		(852,582)
University contributions subsequent to measurment date	143,722	
Total	$ 472,207	$ (879,164)

$143,722 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2018	(193,431)
2019	(193,431)
2020	(68,314)
2021	(61,204)
Thereafter	(34,299)

NOTE 9: Retirement Plans (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market; 20% corridor
Wage Inflation	3.25%
Salary Increases	3.25-9.10% including inflation
Investment Rate of Return	8%
Post-Retirement Cost-of_Living Increases	3% Simple
Mortality Table	RP-2000 Mortality table for males and females, projected 25 years using Projection Scale AA, (95% for men and 87% for women)
Retirement Age	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study for the period July 1, 2005-June 30, 2010

NOTE 9: Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return of each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	50.00%	5.00%
Fixed Income	20.00%	0.80%
Alternatives	5.00%	4.40%
Real Assets	15.00%	3.40%
Private Equity	10.00%	6.30%
Cash Equivalents	0.00%	-0.20%
	100.00%	

Discount Rate

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

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

The following presents the University's proportionate share of the net pension liability using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Sensitivity of Discount Rate		
1%	Discount	1%
Decrease	Rate	Increase
(7.0%)	(8.0%)	(9.0%)
2,879,692	1,916,598	1,109,129

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued ATRS financial report.

NOTE 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System:

Plan Description: APERS is a cost sharing multiple-employer, defined benefit plan administered by the State of Arkansas. 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 (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. APERS issues a publicly available financial report that can be obtained at http://www.apers.org/annualreports.

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

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

Members are eligible to retire with a full benefit under the following conditions:
- At age 65 with 5 years of service,
- At any age with 28 years of actual service,
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)

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

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

NOTE 9: Retirement Plans (Continued)

Funding Policy: Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the cost of benefits earned by members during the year and make a level payment that if paid annually cover a reasonable period of future years, will fully cover the unfunded costs of benefits commitments for services previously rendered. Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.76% of covered salaries. The University's contributions to APERS for the years ended June 30, 2017, 2016 and 2015 were $508,077, $480,373 and $548,803, respectively, equal to the required contributions for each year.

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

At June 30, 2017, the University reported a liability of $4,387,292 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the pension liability was based on the University's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the University's proportion was 0.1835 percent.

For the year ended June 30, 2017, the University recognized pension expense of $592,322. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9: Retirement Plans (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual	$ 4,142	
experience		$ (157,382)
Changes in assumptions	336,205	
Net difference between projected and	765,987	
actual earnings on pension plan investments		
Changes in proportion and differences between		
employer contribution and share of contributions	124,636	(371,390)
University contributions subsequent to		
measurment date	508,077	
Total	$ 1,739,047	$ (528,772)

$508,077 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statement as follows:

Year ended June 30:	
2018	140,851
2019	110,026
2020	292,169
2021	159,152
2022	0
Thereafter	0

NOTE 9: Retirement Plans (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.50%
Inflation Rate	2.50%.
Salary Increases	3.25% - 9.85%
Investment Rate of Return*	7.50%
Mortality Rate Table	RP-2000 Combined Healthy, projected to 2020 using projection scale BB, set forward 2 years for males and 1 year for females
*Net of investments and administrative expenses	

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 7/01/2007-6/30/2012, and were applied to all prior periods included in the measurement.

NOTE 9: Retirement Plans (Continued)

The long-term expected rate of return on pensions plan investments was determined using a building-block method in which best-estimate ranges of expected future real estate rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016-2025 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38.00%	6.82%
International Equity	24.00%	6.88%
Real Assets	16.00%	3.07%
Absolute return	5.00%	3.35%
Domestic Fixed	17.00%	0.83%
	100.00%	

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. 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 University's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

Sensitivity of Discount Rate		
1%	Discount	1%
Decrease	Rate	Increase
(6.5%)	(7.5%)	(8.5%)
6,641,262	4,387,292	2,511,448

NOTE 9: Retirement Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued APERS financial report.

NOTE 10: Natural Classifications with Functional Classifications

The University's operating expenses by functional classifications were as follows:

	Personal Services	Scholarships & Fellowships	Supplies & Services	Depreciation	Total
Instruction	$ 13,423,669		$ 583,128		$ 14,006,797
Research	8,676		103,679		112,355
Public Service	406,169		106,063		512,232
Academic Support	6,996,852		2,252,352		9,249,204
Student Services	4,080,055		1,021,901		5,101,956
Institutional Support	5,019,795		2,687,528		7,707,323
Schol. & Fellow.		$ 2,337,389			2,337,389
Oper. & Maint.			5,017,683		5,017,683
Aux. Enterprises	2,767,066		6,948,248		9,715,314
Depreciation				$ 5,232,070	5,232,070
Other	22,924		41,910		64,834
	$ 32,725,206	$ 2,337,389	$ 18,762,492	$ 5,232,070	$ 59,057,157

NOTE 11: Related Party Transactions

Mr. Ross Whipple is a member of the Board of Trustees of Henderson State University and the Henderson State University Foundation Board. Mr. Ross Whipple is the Managing Partner of Horizon Capital Management and is a director on the Board of the Bank of the Ozarks. The University has assets invested with Bank of the Ozarks.

Dr. Glendell Jones Jr. is President of Henderson State University. Dr. Jones is Chair of the Board of Southern Bancorp, Inc., a board member of Arkadelphia Regional Economic Development Alliance, and a board member of Baptist Health. Dr. Jones does not directly or indirectly own stock, have stock options, warrants or any vestiges of equity in Southern Bancorp Inc. The University has assets invested with Southern Bancorp of Arkansas.

Dr. Lewis A. Shepherd Jr., Vice President for Student and External Affairs, is a member of the Arkansas State Police Commission, a position appointed by the Governor of the State of Arkansas.

NOTE 11: Related Party Transactions (Continued)

Ms. Deborah Nolan is a member of the Board of Trustees of Henderson State University and the Henderson State University Foundation Board.

Mr. Johnny Hudson is a member of the Board of Trustees of Henderson State University and the Henderson State University Foundation Board.

NOTE 12: Compensated Absences

Changes in Compensated Absences Payable are as follows:

Changes in Compensated Absences Payable:	Amount
Annual Leave as of June 30, 2016	$ 797,123
Earned Leave	708,911
Lost Leave over 240 hours	(80,354)
Annual Leave Used	(605,540)
Annual Leave as of June 30, 2017	$ 820,140

Employees with a sick leave balance of 50 days or more are eligible for payment for leave upon retirement. As of June 30, 2017 the University's liability for employees with sufficient leave balances was $81,996.

Employees with a compensatory time balance are eligible for payment for leave upon termination, retirement or death. As of June 30, 2017 the University's liability for employees with compensatory leave balances was $1,805.

The above figures do not include estimated fringe benefits on accrued leave in the amount of $156,844 as of June 30, 2017

NOTE 13: Employee Retirement

Changes in Employee Retirement:	Amount
Employee Retirement as of June 30, 2016	$ 128,693
Annual Revaluation	28,286
Amount Paid Out During 2016/2017	(54,130)
Employee Retirement as of June 30, 2017	$ 102,849

NOTE 14: Disaggregation of Receivable and Payable Balances

Accounts Receivable Consists of the Following:	Amount
Student Tuition and Fees, net of allowance of $1,352,196	$ 5,649,930
Auxiliary Enterprises	2,420,993
Other Receivables	98,368
Federal	55,541
State	206,152
Notes and Loans Receivable	1,004,866
Total Accounts Receivable	$ 9,435,850

Accounts Payable Consists of the Following:	Amount
Vendors	$ 611,039
Salary & Fringe Benefit Payable	211,780
Other Payables	2,436,184
State	20,031
Interest & Fees Payable	779,694
Total Accounts Payable	$ 4,058,728

NOTE 15: Other Postemployment Benefits (OPEB)

The University offers postemployment health care benefits and basic life insurance benefits to all employees who officially retire from the University and meet certain age and service related requirements. Health care benefits are offered through Health Advantage of Arkansas Blue Cross and Blue Shield. Our health insurance plan is the Blue Choice Open Access Plan 302. Life insurance benefits are offered through MetLife. Retiree life insurance is determined by multiplying the salary upon retirement by 65% and rounding to the next nearest thousand, with a maximum of $20,000 in coverage. University members are eligible to retire at age 55 if their age plus years of continuous University service equals at least 70. Medical coverage ceases when the retiree becomes Medicare eligible (currently age 65). At that time, any covered dependents are eligible to pay for their own coverage through COBRA for up to 36 months. The University pays the premiums for life insurance until the retiree reaches age 65. At age 65, the retiree has the option of continuing until age 70 by assuming the cost of the monthly premiums.

Eligible retired employees participating in the Health Advantage health care benefits and/or the MetLife life insurance benefits pay their premiums directly to the University. The University pays the total premium directly to Health Advantage for the health care benefits and is reimbursed by the retirees for the retirees' portion of the premium. The University paid the employer portion of the health care premiums directly to Health advantage in the amount of $159,886 for fiscal year 2017, compared to $137,242 for fiscal year 2016. The University paid the total premiums for life insurance benefits for eligible retirees, ages 55 to 65, directly to MetLife in the amount of $1,126 for fiscal year 2017, compared to $1,524 for fiscal year 2016. This represents a total of $161,012 paid by the University for the employer portion of the OPEB for fiscal year 2017, compared to $138,766 for fiscal year 2016.

The University adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The Health Care Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, and a prescription drug program for retirees and their eligible dependents until the retiree becomes Medicare eligible (currently age 65). The Life Insurance Plan is considered a single-employer plan and consists of basic life insurance coverage up to a maximum of $20,000 for retirees between the ages of 55 and 65. The authority under which either Plan's benefit provisions are established or amended is the University President. Recommendations for modifications are brought to the President by the Fringe Benefits Committee. Any amendments to the obligations of the plan members or employer to contribute to either plan are brought forth by the Fringe Benefits Committee and approved by the President and reported to the Board of Trustees.

Participants included in the actuarial valuation include retirees, eligible dependents, and active employees who may be eligible to participate in the Plan upon retirement. Expenditures for postretirement health care benefits are recognized monthly and financed on a pay-as-you-go basis. The University funds approximately 73.5% or $159,886 of the postretirement healthcare premiums, totaling $217,665 for the fiscal year ended June 30, 2017. Last year, the University funded approximately 76.5% or $137,242 of the postretirement healthcare premiums, totaling $179,367 for the fiscal year ended June 30, 2016. The retirees are responsible for funding approximately 26.5% of the healthcare premiums compared to 23.5% last year.

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Expenditures for postretirement life insurance benefits are recognized monthly and financed on a pay-as-you-go basis. The University funds 100% of the postretirement life insurance premiums for participating retirees, ages 55 to 65. The University paid $1,125 in postretirement life insurance benefits for the fiscal year ended June 30, 2017 and $1,524 in postretirement life insurance benefits for the fiscal year ended June 30, 2016. At age 65, the retiree has the option of continuing life insurance coverage until age 70 by assuming the cost of the monthly premiums.

In accordance with GASB Statement no. 45, the University accrued an additional $422,690 in retiree healthcare and life insurance expense during fiscal year 2017, compared to $122,347 during fiscal year 2016.

The Plan does not issue a stand-alone financial report. For inquiries relating to either Plan, please contact Dr. Brett A. Powell, Vice President for Finance and Administration, 1100 Henderson Street, P.O. Box 7804, Arkadelphia, AR 71999-0001.

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

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Determination of Annual Required Contribution (ARC) and End of Year Accrual:

	Fiscal Year Ending June 30, 2017		Fiscal Year Ending June 30, 2016	
Cost Element	Amount	% of Payroll [1]	Amount	% of Payroll [1]
1. Unfunded actuarial accrued liability	$ 4,803,435	24.30%	$ 2,762,594	13.96%
Annual Required Contribution (ARC)				
2. Normal Cost	$ 366,311		$ 156,263	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	256,057		140,945	
4. Amortization of beginning of year accrual				
5. Annual Required Contribution (ARC = 2 + 3+4)	$ 622,368	3.15%	$ 297,208	1.50%
Annual OPEB Cost (Expense)				
6. Normal Cost	$ 366,311		$ 156,263	
7. Amortization of the unfunded acruarial accrued liability over 30 year using open amortization	256,057		140,945	
8. Amortization of beginning of year accrual	(93,853)		(87,611)	
9. Interest on beginning of year accrual	55,187		51,516	
10. Annual OPEB cost (6+7+8+9)	$ 583,702	2.95%	$ 261,113	1.32%
End of year Accrual (Net OPEB Obligation)				
11. Beginning of year accrual	$ 1,839,562		$ 1,717,215	
12. Annual OPEB cost	583,702		261,113	
13. Employer contribution (benefit payments)[2]	161,012		138,766	
14. End of year accrual (11 + 12 - 13)	$ 2,262,252	11.44%	$ 1,839,562	9.30%

[1] Annual payroll for the 406 plan participants as of July 1, 2016 is $19,769,407 and for the 406 plan participants as of July 1, 2015 is $19,788,162.

[2] Actual contributions paid in fiscal year 2017 of $218,791 less participant contributions of $57,779, and in fiscal year 2016 of $180,891 less participant contributions of $42,125. The employer contributed 27.59% of annual OPEB cost during fiscal year 2017, compared to 53.14% in fiscal year 2016.

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2017	$ 583,702	$ 161,012	27.59%
June 30, 2016	$ 261,113	$ 138,766	53.14%
June 30, 2015	$ 312,118	$ 115,028	36.85%

[3]Since there is no funding; these are actual benefit payments of $218,791 less retiree contributions of $57,779 for 2017 and $180,891 less retiree contributions of $42,125 for 2016 and $141,614 less retiree contributions of $26,586 for 2015.

Schedule of Funding Progress:

The schedule of funding progress presents multi-year information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll[4] (c)	UAAL as a Percentage Of Covered Payroll[4] [(b)-(a)/(c)]
June 30, 2017	$	$ 4,803,435	$ 4,803,435	0.00%	$ 19,769,407	24.30%
June 30, 2016	$	$ 2,762,594	$ 2,762,594	0.00%	$ 19,788,162	13.96%
June 30, 2015	$	$ 2,820,804	$ 2,820,804	0.00%	$ 21,019,124	13.42%

[4]Estimated payroll as of July 1, 2016, July 1, 2015, and July 1, 2014 includes only plan participants.

Note: The annual OPEB cost of $583,702 for fiscal year 2017 and accrual of $2,262,252 as of June 30, 2017, are based on a current decision not to fund in a segregated GASB qualified trust; $261,113 and $1,839,562 respectively, in the fiscal year 2016; and $312,118 and $1,717,215, respectively, in the fiscal year 2015.

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Three-Year Schedule of Percentage of OPEB Cost Contributed:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 583,702	27.59%	$ 2,262,252
June 30, 2016	$ 261,113	53.14%	$ 1,839,562
June 30, 2015	$ 312,118	36.85%	$ 1,717,215

Summary of Key Actuarial Methods and Assumptions:

Methods:

Valuation Year:	July 1, 2016 – June 30, 2017, rolled forward
Actuarial Cost Method:	Projected Unit Credit, level dollar
Amortization Method:	30 years, level dollar open amortization[5]
Asset Valuation Method:	N/A

[5]Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Assumptions:

Discount Rate:	3.0%
Inflation Rate:	2.5%
Projected Payroll Growth Rate	N/A

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Health Care Cost Trend Rate For
Medical & Prescription Drugs

Year	Medical Trend Rate
1	8.00%
2	7.00%
3	6.00%
4	5.00%
5 and after	4.00%

In addition, a 4% annual trend rate is assumed for life insurance premiums paid by the University.

General Overview of the Valuation Methodology:

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2008.

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

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

Valuation Year: July 1, 2016– June 30, 2017, rolled forward

Date of Census Data: January, 2017

Actuarial Cost Method: Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Retiree Premiums:

Retiree Premiums	Employee Cost	Employer Cost	Total
Health Insurance (Monthly Rate)			
Single	$ 70.38	$ 470.99	$ 541.37
Family	$ 568.73	$ 524.98	$ 1,093.71
Life Insurance			
Basic	$	$ .14 per $1000	

Discount Rate: 3.00% per annum

Inflation Rate: 2.5% per annum

Spouse Age Difference: Husbands are assumed to be three years older than wives for current and future retirees who are married.

Mortality: RP-2014 Mortality Table with Improvement Scale MP-2016

Participation Rates: Active employees are assumed to elect the same postretirement health insurance coverage upon retirement

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Retirement Rates:

Employees are assumed to retire according to the following schedule:

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

NOTE 15: Other Postemployment Benefits (OPEB) (Continued)

Sample Withdrawal and Disability Rates:

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

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

In addition, a select and ultimate assumption provides that total termination in the first year of employment is 32.0%, in the second year is 15.0%, in the third year is 11.0%, in the fourth year is 7.5%, and 5.0% in the fifth year.

NOTE 16: Pollution Remediation Obligations

In 2006, GASB issued Statement no. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* GASB Statement no. 49 establishes standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Management has determined to begin recognizing a liability at the time that an obligating event exists. At this time no obligation exists.

NOTE 17: Pledged Revenues

The University has pledged future student recreation center revenue to repay $6,465,000 in student recreation center refunding bonds issued in 2016. Proceeds from the Series 2007 bonds provided financing for the construction of the student recreation center which was refunded in 2016. The bonds are payable solely from the student recreation center fee revenues and are payable through 2032. Annual principal and interest payments on the bonds currently require 20.62% of gross revenues. The total principal and interest remaining to be paid on the bonds is $7,956,843. Principal and interest paid for the current year and total customer gross revenues were $160,383 and $777,803 respectively.

The University has pledged future other auxiliary revenue to repay $49,125,000 in other auxiliary revenue bonds issued in 2009, 2011, 2012 and 2014. Proceeds from the bonds provided financing for the capital repairs renovation and maintenance of other auxiliary services and the refunding of other auxiliary services bond issues and student housing debt issues. The bonds are payable solely from auxiliary revenues and are payable to maturity with dates ranging from 2017 through 2040. Annual principal and interest payments on the bonds currently require 26.35% of gross revenues. The total principal and interest remaining to be paid on the bonds is $64,247,131. Principal and interest paid for the current year and total customer gross revenues were $3,353,608 and $12,725,381 respectively.

The University has pledged future student tuition and fees to repay $5,740,000 in refunding bonds issued in 2011 and 2015 to refund capital improvement bonds for various capital projects. The bonds are payable solely from student tuition and fees and are payable to maturity dates of 2020 and 2027. Annual principal and interest payments on the bonds currently require 3.32% of gross revenues. The total principal and interest remaining to be paid on the bonds is $4,030,219. Principal and interest paid for the current year and gross student tuition and fees were $961,130 and $28,918,798 respectively.

NOTE 18: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The University carries commercial insurance for directors or officers covering legal judgments and settlements. The University pays an annual premium for this coverage.

The University participates in the Arkansas Public Employees Claims Division-Workers' Compensation Program under the Arkansas Department of Insurance. The program is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Division is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against the University. The University contributes quarterly to this program.

NOTE 18: Risk Management (Continued)

The University participates in the Arkansas Multi-Agency Insurance Trust (AMAIT) for insurance coverage for property and vehicles. In its administrative capacity, AMAIT is responsible for monitoring, negotiating and settling claims that have been filed against its members. The University pays annual premiums for buildings, contents and vehicles.

The University carries commercial insurance related to the operation and maintenance of University owned aircraft as well as airport liability coverage. The University pays an annual premium for this coverage.

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to $300,000 with a $2,500 deductible. The Department of Finance and Administration withholds the premium from the University's State Treasury funds.

Settled claims have not exceeded the commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The University is self-funded for insurance for student athletes up to the NCAA catastrophic deductible of $90,000. The University requires student athletes to obtain insurance which covers competitive sports and the University covers the deductible and co-pays for the student athlete that meets the NCAA requirement.

NOTE 19: Financial Commitment from Food Service Vendor

On May 31, 2017 the University terminated its contract with Aramark Educational services, LLC (Aramark) to provide meals to students and catering services to the University. In July 2010, Aramark agreed to make a financial commitment to the University in the amount of $2,500,000 to be used towards construction of a new dining facility. The financial commitment from Aramark was to be amortized on a straight-line basis over 10 years. Upon termination of the agreement the University must reimburse Aramark for the unamortized balance on the date of termination of the contract. On May 31, 2017 the unamortized balance was $1,944,445. On June 7, 2017, the University agreed to a contract with Sodexo Operations, LLC (Sodexo) to provide meals to students and catering services to the University, effective June 17, 2017. The contract includes a financial investment of $2,350,000 which will be amortized on a straight-line basis over 10 years.

NOTE 20: Subsequent Events

On September 19, 2017 the University issued bonds in the amount of $7,005,000 to refinance the 2012A Auxiliary Enterprises Revenue Refunding Bonds dated May 1, 2012 for the University to realize present value savings.

On October 3, 2017, the University issued bonds in the amount of $3,315,000 to refinance the 2012B Auxiliary Enterprises Revenue Refunding Bonds dated May 15, 2012 for the University to realize present value savings.

On August 14, 2018, the University issued an auxiliary enterprises revenue secured bond to Southern Bancorp Bank of $1,000,000 for the purpose of renovating Smith Hall.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2017	$ 583,702	$ 161,012	27.59%
June 30, 2016	$ 261,113	$ 138,766	53.14%
June 30, 2015	$ 312,118	$ 115,028	36.85%

[3]Since there is no funding; these are actual benefit payments of $218,791 less retiree contributions of $57,779 for 2017 and $180,891 less retiree contributions of $42,125 for 2016 and $141,614 less retiree contributions of $26,586 for 2015.

Schedule of Funding Progress:

The schedule of funding progress presents multi-year information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll[4] (c)	UAAL as a Percentage Of Covered Payroll[4] [(b)-(a)/(c)]
June 30, 2017	$	$ 4,803,435	$ 4,803,435	0.00%	$ 19,769,407	24.30%
June 30, 2016	$	$ 2,762,594	$ 2,762,594	0.00%	$ 19,788,162	13.96%
June 30, 2015	$	$ 2,820,804	$ 2,820,804	0.00%	$ 21,019,124	13.42%

[4]Estimated payroll as of July 1, 2016, July 1, 2015, and July 1, 2014 includes only plan participants.

NET PENSION LIABILITY:

<u>Employee Benefits</u>

Henderson State University's Proportionate Share of the Net Pension Liability Arkansas Teacher Retirement System						
		2015*		**2016***		**2017***
Plan Net Pension Liability- End of Year	$	2,625,006,279	$	3,256,909,830	$	4,411,442,759
University's proportion (percentage) of net pension liability (asset)		0.0760%		0.052%		0.0434%
University's proportionate share of net pension liability	$	1,993,959	$	1,701,814	$	1,916,598
University's covered payroll	$	2,196,473	$	1,522,661	$	1,278,135
University's proportionate share of net pension liability as a percentage of the employer's covered payroll		90.78%		111.77%		149.95%
Plan fiduciary net position as a percentage of the total pension liability		84.98%		82.20%		76.75%

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

Henderson State University's Schedule of Contributions Arkansas Teacher Retirement System						
		2015		**2016**		**2017**
Contractually required contribution	$	212,798	$	178,208	$	143,722
Contributions in relation to the contractually required contribution		212,798		178,208		143,722
contribution deficiency (excess)		-		-		-
University's covered payroll	$	1,522,661	$	1,278,135	$	1,030,257
Contributions as a percentage of covered payroll		14%		13.94%		14%

Note: Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Henderson State University
Required Supplementary Information
June 30, 2017

Henderson State University's Proportionate Share of the Net Pension Liability Arkansas Public Employees Retirement System						
		2015*		**2016***		**2017***
Plan Net Pension Liability- End of Year	$	1,418,912,236	$	1,841,733,371	$	2,391,348,072
University's proportion (percentage) of net pension liability (asset)		0.1981%		0.210%		0.1835%
University's proportionate share of net pension liability	$	2,811,127	$	3,871,218	$	4,387,292
University's covered payroll	$	3,502,800	$	3,729,152	$	3,317,293
University's proportionate share of net pension liability as a percentage of the employer's covered payroll		80.25%		103.81%		132.26%
Plan fiduciary net position as a percentage of the total pension liability		84.15%		80.39%		75.50%
*The amounts presented were determined as of June 30 of the previous year.						

Note: Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Henderson State University's Schedule of Contributions Arkansas Public Employees Retirement						
		2015		**2016**		**2017**
Statutorily required contribution	$	548,803	$	480,373	$	508,077
Contributions in relation to the contractually required contribution		548,803		480,373		508,077
contribution deficiency (excess)		-		-		-
University's covered payroll	$	3,729,152	$	3,317,293	$	3,444,590
Contributions as a percentage of covered payroll		14.72%		14.48%		14.75%

HENDERSON STATE UNIVERSITY
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets and Deferred Outflows	$ 127,585,871	$ 130,340,806	$ 135,527,367	$ 89,807,778	$ 86,111,623
Total Liabilities and Deferred Inflows	86,788,845	88,307,970	92,625,286	40,926,439	41,245,740
Total Net Position	40,797,026	42,032,836	42,902,081	48,881,339	44,865,883
Total Operating Revenues	25,635,420	23,402,299	22,662,431	22,454,109	21,739,690
Total Operating Expenses	59,057,157	58,274,209	55,912,750	55,170,305	56,768,875
Total Net Non-Operating Revenues	30,584,913	32,977,010	33,018,934	33,628,442	34,374,981
Total Other Revenues, Expenses, Gains or Losses	1,601,014	1,025,655	324,136	3,103,210	2,257,571