

Henderson State University

Arkadelphia, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE



HENDERSON STATE UNIVERSITY
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Arkansas

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Senate Vice Chair



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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT 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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henderson State University Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, the beginning net position of the College has been restated due to the adoption of Governmental Accounting Standards Board Statement no. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement no. 27*, and GASB Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement no. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-12, 53, and 54-55 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. Such information 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 July 27, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
July 27, 2016
EDHE10015

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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 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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated July 27, 2016. 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 opinion 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

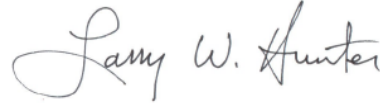
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which 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 certain matters that we reported to management of the University in a separate letter dated July 27, 2016.

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 result 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

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 27, 2016

Arkansas

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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, 2015, 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:

	<u>Summer II Term</u> <u>2014</u>	<u>Fall Term</u> <u>2014</u>	<u>Spring Term</u> <u>2015</u>	<u>Summer I Term</u> <u>2015</u>
Student Headcount	782	3,625	3,231	844
Student Semester Credit Hours	3,225	47,881	42,470	3,656

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

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 27, 2016

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

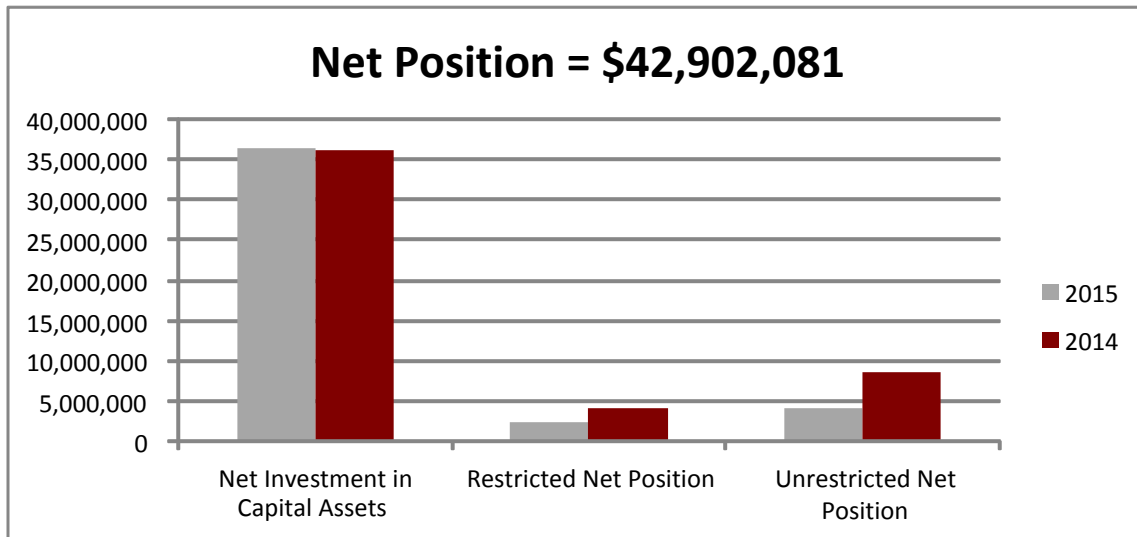
Henderson State University proudly presents its financial statements for fiscal year 2015. The emphasis of discussion concerning these statements will be for the current year data. Comparative information for fiscal year 2014 was not adjusted for restatements due to implementation of GASB 68 as amended, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement no. 27* due to the fact that key actuarial information was not available. There are three financial statements presented: The Statements of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Position

The Statement of Net Position presents the Assets (current and noncurrent), Deferred Outflows 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 of the Institution and the availability of assets for expenditure by 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. 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.

Statement of Net Position		
June 30, 2015		
	2015	2014
Assets:		
Current Assets	\$ 19,878,276	\$ 19,091,588
Capital Assets, net	87,407,550	66,001,969
Other Assets	26,902,539	4,513,382
Total Assets	134,188,365	89,606,939
Deferred Outflow of Resources	1,339,002	200,839
Liabilities:		
Current Liabilities	9,523,145	6,168,899
Non-Current Liabilities	81,039,103	34,757,540
Total Liabilities	90,562,248	40,926,439
Deferred Inflow of Resources	2,063,038	
Net Position:		
Net Investment in Capital Assets	36,432,730	36,185,999
Restricted-Expendable	2,164,252	3,895,690
Restricted-Nonexpendable	161,513	168,456
Unrestricted	4,143,586	8,631,194
Total Net Position	\$ 42,902,081	\$ 48,881,339

Total Assets of the Institution increased by \$44,581,426. A review of the Statement of Net Position will reveal that there are many offsetting variances, but the increase was primarily due to an increase of \$23,395,837 in non current deposits with trustee for construction projects and debt service reserves not expended as of June 30, 2015 and an increase of \$21,405,581 in Capital Assets, Net of Accumulated Depreciation as of June 30, 2015.

Total liabilities for the year increased by \$49,635,809. This net increase was primarily due to the increase in Long Term Debt of \$40,197,946 as well as an increase in Pension Liability of \$4,805,086, an increase in Other Post-Employment Benefits of \$197,090 and an increase of \$3,674,818 in Accounts Payables.

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.

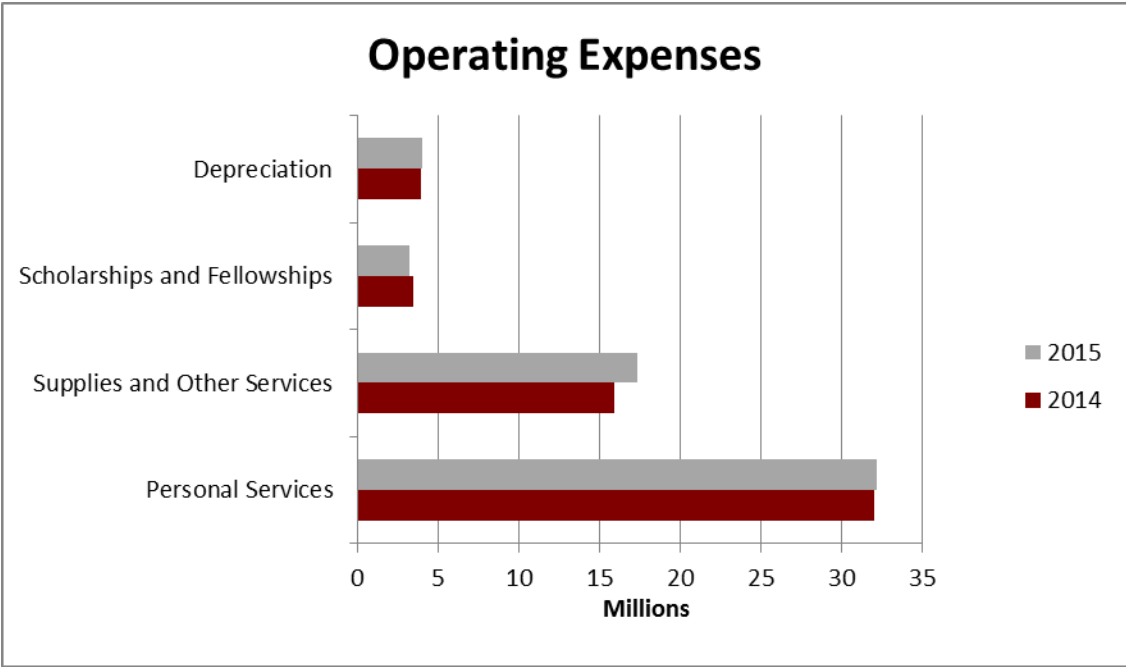
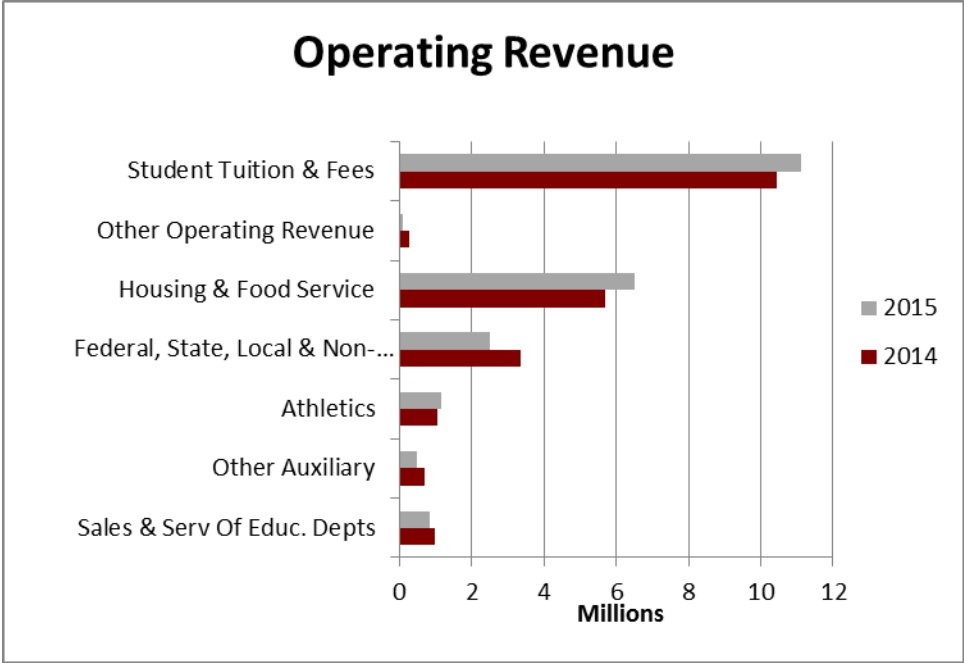
Operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Non-operating revenues are revenues received for which goods 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, 2015

	2015	2014
Operating Revenues	\$ 22,662,431	\$ 22,454,109
Operating Expenses	55,912,750	55,170,305
Operating Loss	(33,250,319)	(32,716,196)
Non-Operating Revenues less Expenses	33,018,934	33,628,442
Income (Loss) Before Other Rev., Exp., Gains or Losses	(231,385)	912,246
Other Revenues, Expenses, Gains or Losses	324,136	3,103,210
Increases (Decreases) in Net Position	92,751	4,015,456
Net Position at Beginning of Year	48,881,339	44,865,883
Adjustment for Pension Liability due to GASB 68	(6,072,009)	-
Net Position at Beginning of Year, as Restated	42,809,330	44,865,883
Net Position at End of Year	\$ 42,902,081	\$ 48,881,339

The Statement of Revenues, Expenses, and Changes in Net Position reflect a decrease in net position at the end of the year of \$5,979,258. Highlights of the information presented on the statement are as follows:

- ❖ Student tuition and fees, net of scholarship allowances, increased by \$697,302 due to increases in tuition and fees.
- ❖ State and Local Grants, Non-Governmental Grants and Contracts, and Sales and Services of Educational Departments decreased by \$1,013,554 primarily attributed to the discontinuation of the English as Second Language Grant
- ❖ Personal services expenses increased by \$141,157. This increase is due to a 1.5% salary increase for Non-Classified Staff and Faculty and a 1% increase for classified staff as of January 2015 for the 2014-2015 fiscal year.
- ❖ Supplies and other services increased by \$707,056. This increase is due to infrastructure repairs and operating costs for Ridge Pointe.
- ❖ Scholarship expenses decreased by \$192,534 due to a decline in enrollment.
- ❖ Capital Appropriations and Capital Grants decreased \$3,054,804.
- ❖ Adjustments for Pensions in accordance with GASB 68 reduced our beginning net position by \$6,072,009.



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 Flow
For the Fiscal Year Ended June 30, 2015**

	2015	2014
Cash Provided (used) by:		
Operating Activities	\$ (30,956,247)	\$ (27,781,054)
Non-capital Financing Activities	34,286,434	34,192,776
Investing Activities	149,259	150,190
Capital and Related Financing Activities	(4,509,724)	(2,737,580)
Net Change in Cash	(1,030,278)	3,824,332
Cash, Beginning of Year	15,186,819	11,362,487
Cash, End of year	\$ 14,156,541	\$ 15,186,819

- ❖ 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

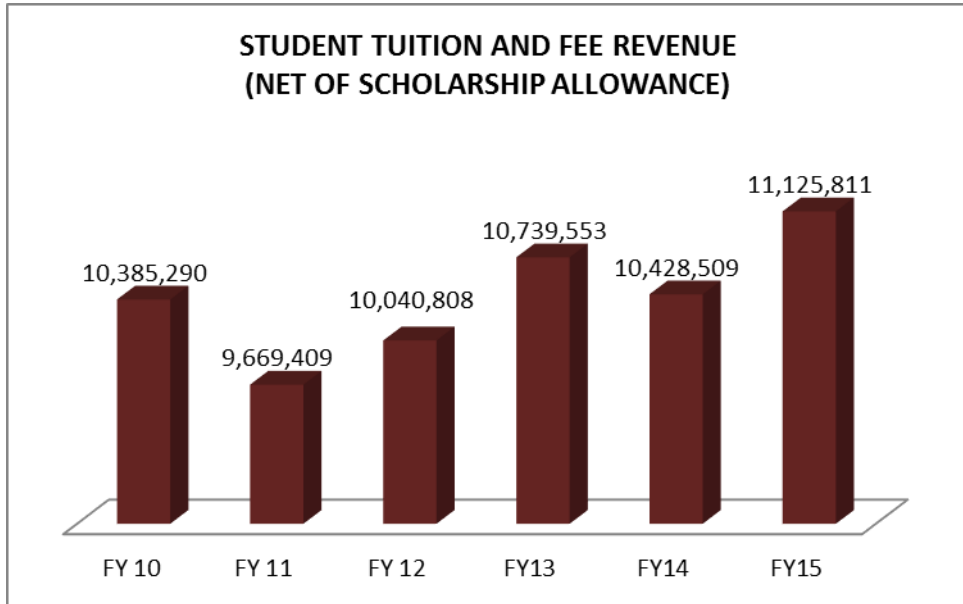
The University made an investment in the following additions or improvements in fiscal year 2015.

	Amount
Land	\$ 188,399
Construction in Progress	17,881,423
Equipment	257,994
Library Holdings	489,481
Buildings (includes \$1,999,478 of completed construction in progress)	8,592,417
Total	\$ 27,409,714

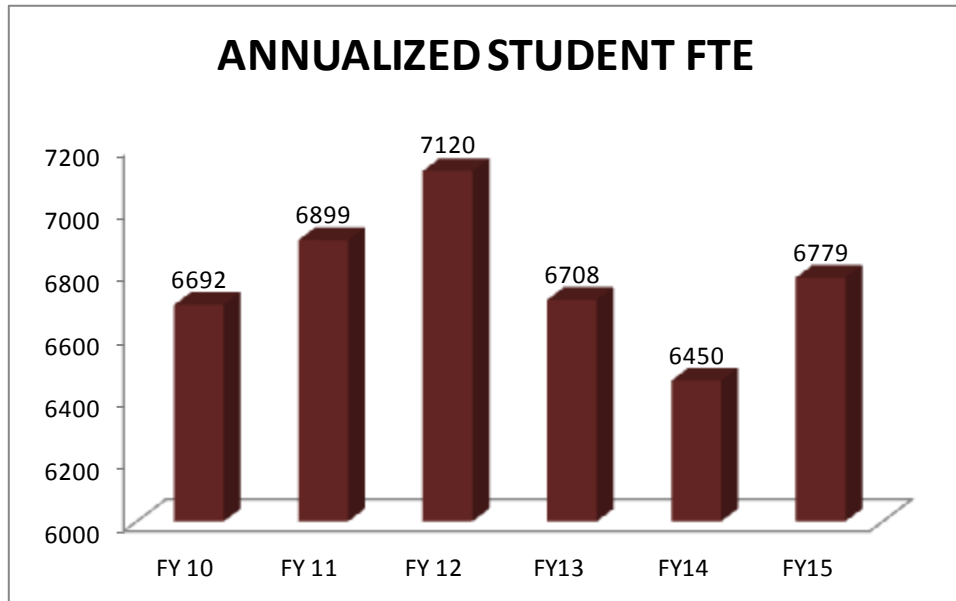
The University's long term debt (current and noncurrent) increased from \$33,274,460 to \$73,472,406 a \$40,197,946 net increase.

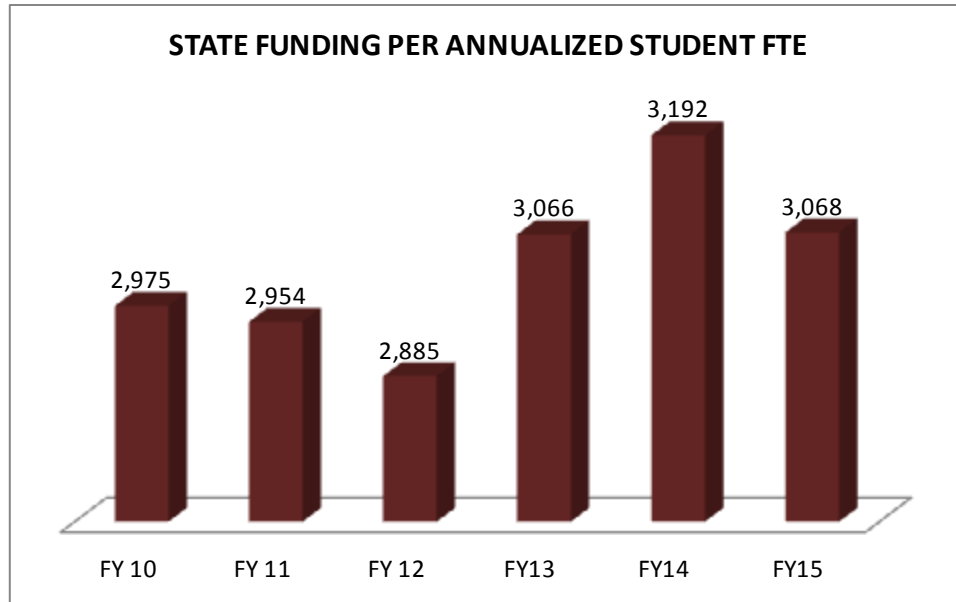
Economic Outlook

Cash reserves, fund balances, and ratio analysis show positive trends. The following charts illustrate the current trends in Tuition, Annualized Student FTE, and State Funding for Annualized Student FTE.



** Decrease in Tuition and Fee Revenue net of Scholarship Allowances in FY 11 is due to a change in accounting for scholarship allowances for Auxiliary Enterprises.*





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

In October 2014, Moody's Investors Service assigned an initial bond rating for a \$33 million bond issue, as A3; outlook stable.

The Governmental Accounting Standards Board (GASB) approved statement no. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement no. 27* in June 2012. Fiscal year 15 was the first year that this statement became effective. The statement significantly changed how we are required to measure and report the long-term obligations and annual costs associated with the pension benefits they provide. The University's net position at the beginning of the fiscal year were reduced by \$6,072,009 due to this new requirement.

The University will need to develop scenarios to reduce costs while protecting the student experience. Fiscal year 16 will require reprogramming efforts to address critical funding issues required to support capital academic initiatives.

As always, we will manage our resources and make adjustments as necessary to assure the continued financial integrity of the University.

Mr. Bobby G. Jones, CPA (Inactive)
Vice President for Finance and Administration

HENDERSON STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$	13,161,630
Short Term Investments		842,925
Student Accounts Receivable, Net		3,697,754
Accrued Interest Receivable		2,624
Inventories		151,798
Notes and Student Loans Receivable		186,002
Other Receivables		1,345,827
Deposits with Trustee		436,217
Unamortized Bond Insurance		53,499
Total Current Assets		19,878,276

Non-Current Assets:

Cash and Cash Equivalents		994,911
Investments		89,000
Notes and Student Loans Receivable		999,714
Deposits with Trustee		24,818,914
Capital Assets, Net of Accumulated Depreciation (\$67,114,460)		87,407,550
Total Non-Current Assets		114,310,089
Total Assets		134,188,365

Deferred Outflow of Resources:

Deferral of Pension Liability		1,094,588
Deferred Amount of Bond Refundings		244,414
Total Outflow of Resources		1,339,002

LIABILITIES:

Current Liabilities:

Accounts Payable and Accrued Liabilities		6,025,910
Funds Held in Trust for Others		670,038
Unearned Revenue		688,906
Employee Retirement		59,162
Compensated Absences Payable		127,947
Long-term Debt		1,916,888
Discount on Bonds		(2,330)
Deferral of Bond Premium		36,624
Total Current Liabilities		9,523,145

HENDERSON STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

Non-Current Liabilities:	
Refundable Advance	\$ 1,172,201
Employee Retirement	89,760
Other Postemployment Benefits	1,717,215
Compensated Absences Payable	1,000,533
Long-term Debt	71,555,518
Pension Liability	4,805,086
Discount on Bonds Net of Accumulated Amortization (\$31,892)	(37,651)
Bond Premium-Deferred, Net of Accumulated Amortization (\$32,789)	736,441
Total Non-Current Liabilities	81,039,103
Total Liabilities	90,562,248
Deferred Inflow of Resources:	
Deferral of Pension Liability	2,063,038
NET POSITION:	
Net investment in capital assets	36,432,730
Restricted for:	
Expendable:	
Scholarship and Fellowships	221,401
Capital Projects	994,111
Grants and Contracts	615,547
Loans	48,890
Debt Service	255,000
Other	29,303
Nonexpendable:	
Loans	161,513
Unrestricted:	
Net Position	4,143,586
Total Net Position	\$ 42,902,081

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

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

EXHIBIT A-1

ASSETS

Cash and cash equivalents	\$	2,936,004
Certificates of deposit		300,000
Accrued interest receivable		4,524
Contributions receivable, net		155,385
Investments		13,106,171
Property and equipment, net		<u>90,776</u>

TOTAL ASSETS

\$ 16,592,860

LIABILITIES AND NET ASSETS

Total Liabilities \$ 0

Net Assets

Unrestricted		104,258
Temporarily restricted		5,482,847
Permanently restricted		<u>11,005,755</u>
Total Net Assets		<u>16,592,860</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 16,592,860

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

Exhibit B

OPERATING REVENUE:

Student Tuition and Fees (net of scholarship allowances of \$16,107,473)	\$	11,125,811
Federal Grants and Contracts		1,643,735
State and Local Grants and Contracts		785,019
Non-Governmental Grants and Contracts		61,270
Sales and Services of Educational Departments		819,334
Athletics (net of scholarship allowances of \$654,738)		1,138,075
Housing and Food Service (net of scholarship allowances of \$2,518,976)		6,507,035
Bookstore		109,385
Garrison Center		8,803
Other Auxiliary Enterprises		366,049
Other Operating Revenues		97,915

TOTAL OPERATING REVENUES		22,662,431
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OPERATING EXPENSES:

Personal Services		32,144,163
Supplies and Other Services		16,575,717
Scholarships and Fellowships		3,211,440
Depreciation		3,981,430

TOTAL OPERATING EXPENSES		55,912,750
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OPERATING INCOME (LOSS)		(33,250,319)
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NON-OPERATING REVENUES (EXPENSES)

State Appropriations		21,020,861
Federal and State Grants and Contracts		13,046,821
Gifts		801,105
Investment Income		99,845
Interest and Fees on Long Term Debt		(1,265,216)
Bond Issuance Cost		(722,972)
Bond Insurance Cost		(1,466)
Other		39,956

Net Non-operating Revenues		33,018,934
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HENDERSON STATE UNIVERSITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

Income Before Other Revenues, Expenses, Gains/Losses	\$	(231,385)
Capital Gifts		302,568
Capital Grants		332,960
Payments of Mandatory Fees to Agency Funds		(361,360)
Adjustments to Prior Year Revenues and Expenses		49,968
		92,751
INCREASE (DECREASE) IN NET POSITION		92,751
NET POSITION - BEG. OF YEAR AS ORIGINALLY REPORTED		48,881,339
Adjustment due to GASB 68 (Note 20)		(6,072,009)
		(6,072,009)
NET POSITION - BEGINNING OF YEAR RESTATED		42,809,330
NET POSITION - END OF YEAR	\$	42,902,081

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

HENDERSON STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT B-1

CHANGES IN UNRESTRICTED NET ASSETS

Unrestricted Support, Revenue and Gains

Grants	\$ 385,774
Net assets released from restrictions	1,283,118
Total Unrestricted Support, Revenue and Gains	1,668,892

Expenses

Program services	1,522,422
Supporting services	
General and administrative	118,438
Fundraising	7,476
Total Expenses	1,648,336

Increase in Unrestricted Net Assets	20,556
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	1,351,048
Interest and dividends	603,658
Net depreciation in fair value of investments	(390,644)
Net assets released from restrictions	(1,283,118)
	280,944

Increase in temporarily restricted net assets	280,944
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	164,726
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INCREASE IN TOTAL NET ASSETS	466,226
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NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	16,126,634
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NET ASSETS, END OF YEAR	\$ 16,592,860
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HENDERSON STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees (Net of Scholarships)	\$	10,526,286
Research Grants and Contracts		2,300,154
Collection of Loans and Interest to Students (includes Perkins and interest income)		136,422
Auxiliary Enterprises		
Athletics		1,138,075
Housing and Food Service		6,507,035
Bookstore		109,385
Student Union		8,804
Other Auxiliary Enterprises		379,639
Other Receipts		943,876
Payments to Suppliers		(17,127,961)
Payments to Employees		(24,755,869)
Payments of Employee Benefits		(7,731,479)
Loans issued to Students (includes Perkins)		(157,127)
Scholarships and Fellowships		(3,233,487)
Net Cash Provided (Used) by Operating Activities		(30,956,247)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations		21,020,861
Federal and State Grants and Contracts		12,946,821
Loans to Students-Direct Loans & Private (Inflows)		17,432,295
Agency Funds (Net of Outflows)		35,465
Loans to Students-Direct Loans & Private (Outflows)		(17,432,295)
Payments of Mandatory Fees to Agency Funds		(361,360)
Gifts and Grants		801,105
Principal Paid on Non-Capital Debt		(141,982)
Interest Paid on Non-Capital Debt		(64,445)
Refund of Prior Year Nonoperating Expense		49,969
Net Cash Provided (Used) by Noncapital Financing Activities		34,286,434

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Short Term Borrowing		6,170,644
Acquisitions and Construction of Capital Assets		(10,501,976)
Capital Appropriations		332,960
Principal Paid on Non-Bonded Debt		(301,999)
Interest and Fees Paid on Non-Bonded Debt		(203,641)
Payment to Trustee for Principal		(1,917,240)
Payment to Trustee for Interest and Fees		(856,811)
Reimbursement of Expenses from Trustee		2,768,339
Net Cash Provided (Used) by Capital and Related Financing Activities		(4,509,724)

HENDERSON STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	\$	216,130
Interest on Investments (net of fees)		53,129
Purchase of Investments		<u>(120,000)</u>
Net Cash Provided (Used) by Investing Activities		<u>149,259</u>
Net Increase (Decrease) in Cash		(1,030,278)
Cash - Beginning of Year		<u>15,186,819</u>
Cash - Ending of Year	\$	<u><u>14,156,541</u></u>

Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$	(33,250,319)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		3,981,430
Change in Assets and Liabilities		
Receivables, Net		(1,353,047)
Inventories		3,822
Other Assets		26,221
Loans Receivable		(20,705)
Accounts Payable		(252,777)
Unearned Revenue		2,054
Compensated Absences		33,931
Employee Retirement		(25,474)
Other Liabilities		<u>(101,383)</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(30,956,247)</u></u>

NONCASH TRANSACTIONS

Donated Capital Assets	\$	302,568
Loss on Capital Assets		(23,277)
Increase (decrease) in Fair Value of Investments		(40,837)
Amortization of Discount on Bonds		(12,985)
Premium of Bonds		774,711
Deferral of Debt Defeasance		(43,575)
Installment Contract Proceeds Paid to Trustee		10,136,926
Capital Assets Acquired from Construction Bond Proceeds		(10,145,089)
Investment Income from Bond Proceeds		18,699
Debt Service Reserve Funds to Refunding Bond Agent		(927,313)
Purchase of Investments		(42,870)
Accrued Interest on Bonds Issued		92,331
Bond Proceeds Deposited into Debt Service Reserve		(189,000)
Insurance on Bonds Paid from Proceeds		(53,499)
Bond proceeds Paid to Refunding Bond Agent		(3,542,243)
Proceeds from Construction Bonds Issued		33,000,000
Proceeds from Refunding Bonds Issued		3,780,000
Bond Issuance Cost Paid from Bond Proceeds		(595,126)
Repayment of Short-term Loan Paid by Bond Trustee		(6,170,644)
Repayment of Short-term Interest Paid by Bond Trustee		(28,335)

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, 2015, the Foundation transferred property, equipment and funds of \$895,543 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 fifteen (15) members including two (2) members who are also members of Henderson State University Board of Trustees, and three (3) 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, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

NOTE 2: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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 relate to pension transactions that apply 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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 \$1,014,402 at June 30, 2015. 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 \$106,648 at June 30, 2015. 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 \$7,430 at June 30, 2015.

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; and (2) estimated amounts for accrued compensated absences 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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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.

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 to 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 \$1,872,690 and \$633,152 respectively, for the fiscal year ended June 30, 2015.

New Accounting Pronouncements

The GASB issued the following three statements which became effective for the fiscal year ended June 30, 2015: Statement no. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement no. 27*, Statement no. 69, *Government Combinations and Disposals of Government Operations*, and Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement no. 68*. Management has determined that Statement 69 does not affect the University. Statements no. 68 and no. 71 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. As a result, beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was reduced by \$6,072,009. Details of the effect of implementing these statements are discussed in detail in Note 9.

Henderson State University

NOTE 2: Summary of Significant Accounting Policies (Continued)

The GASB issued the following statements which become effective for the fiscal year ending June 30, 2016: Statement no. 72, *Fair Value Measurement and Application*, Statement no. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement no. 68*, and Amendments to Certain Provisions of GASB Statement no. 67 and no. 68, and Statement no. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The GASB issued the following statements which become effective for the fiscal years ending June 30, 2017, and June 30, 2018, respectively: Statement no. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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)	\$ 1,247,384	\$ 1,248,576
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	25,279,618	25,589,292
Total Deposits	\$ 26,527,002	\$ 26,837,868

The above deposits do not include cash of \$107,550 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 amount of \$25,860 at June 30, 2015. The above total deposits include \$144,871 of cash that is reported as deposits with trustee and certificates of deposit of \$89,000 reported as investments classified as nonparticipating contracts and \$12,270,000 in certificates of deposits reported as deposits with trustee classified as nonparticipating 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, 2015, none of the University's bank balance of \$26,837,868 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. The University's open-ended mutual funds of \$842,925 were not subject to custodial credit risk.

NOTE 3: Public Fund Deposits and Investments (Continued)

Credit Risk

The University's open-end mutual funds of \$842,925 were not rated. The open-end mutual funds are reported as investments.

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, 2015, the University's deposits with trustees of \$25,255,131 excluding \$144,871 in cash, \$12,270,000 in non-negotiable certificate of deposits, and a negative cash balance of \$1,340 were invested as follows:

Federated Treasury Obligations Fund of \$2,501,086. 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 38 days.

Federated Government Obligations Fund of \$9,934,193. The fund was rated AAAM by Standard and Poor's, Aaamf by Moody's Investors Service, and AAAMf by Fitch and consisted of short-term repurchase agreements, government agencies notes, and U.S. Treasuries. The effective average maturity was approximately 41 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, funds held for construction projects, and amounts being held to retire future debt requirements.

NOTE 4: 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.

Henderson State University

NOTE 5: Capital Assets

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

Capital Assets:	Balance as of July 1, 2014	Additions	Transfers	Retirements	Balance as of June 30, 2015
Capital assets not being depreciated					
Land	\$ 1,476,495	\$ 188,399			\$ 1,664,894
Construction in progress	1,574,252	17,881,423	\$ (1,999,478)	\$ (12,787)	17,443,410
Total capital assets not being depr.	<u>\$ 3,050,747</u>	<u>\$ 18,069,822</u>	<u>\$ (1,999,478)</u>	<u>\$ (12,787)</u>	<u>\$ 19,108,304</u>
Other capital assets					
Improvements	\$ 3,947,513				\$ 3,947,513
Infrastructure	3,570,486				3,570,486
Buildings	99,315,637	\$ 6,592,939	\$ 1,999,478		107,908,054
Equipment	7,232,352	257,994		\$ (87,738)	7,402,608
Library materials	12,384,277	489,481		(288,713)	12,585,045
Total other capital assets	126,450,265	7,340,414	1,999,478	(376,451)	135,413,706
Less accumulated depreciation for:					
Improvements	(2,311,219)	(122,288)			(2,433,507)
Infrastructure	(2,474,614)	(101,074)			(2,575,688)
Buildings	(44,976,498)	(2,842,823)			(47,819,321)
Equipment	(5,050,468)	(456,737)		77,300	(5,429,905)
Library materials	(8,686,244)	(458,508)		288,713	(8,856,039)
Total accumulated depreciation	(63,499,043)	(3,981,430)	-	366,013	(67,114,460)
Total other capital assets, net	<u>\$ 62,951,222</u>	<u>\$ 3,358,984</u>	<u>\$ 1,999,478</u>	<u>\$ (10,438)</u>	<u>\$ 68,299,246</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 3,050,747	\$ 18,069,822	\$ (1,999,478)	\$ (12,787)	\$ 19,108,304
Other capital assets, at cost	126,450,265	7,340,414	1,999,478	(376,451)	135,413,706
Total cost of capital assets	129,501,012	25,410,236	-	(389,238)	154,522,010
Less accumulated depreciation	(63,499,043)	(3,981,430)		366,013	(67,114,460)
Capital Assets, net of depreciation	<u>\$ 66,001,969</u>	<u>\$ 21,428,806</u>	<u>\$ -</u>	<u>\$ (23,225)</u>	<u>\$ 87,407,550</u>

Henderson State University

NOTE 6: Long-Term Liabilities

Debt payments on bonds amounted to \$3,456,268 for the fiscal year ended June 30, 2015. The amount of \$740,403 was expended for debt payments on major capital leases, installment contracts, 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, 2015	Maturities to June 30, 2015
10/1/2007	1/1/2032	4.00-4.60%	\$ 7,975,000	\$ 6,390,000	\$ 1,585,000
12/1/2009	7/1/2026	2.00-4.3%	6,715,000	-	6,715,000
12/1/2009	7/1/2018	2.00-3.375%	1,540,000	740,000	800,000
12/1/2009	7/1/2016	2.65-5.15%	515,000	165,000	350,000
10/1/2011	1/1/2020	2.0-2.75%	1,960,000	1,010,000	950,000
10/1/2011	1/1/2020	2.0-2.75%	1,370,000	825,000	545,000
8/31/2011	8/30/2036	5.74%	2,750,000	2,635,800	114,200
5/15/2012	6/30/2036	1.0-4.125%	4,165,000	3,775,000	390,000
5/1/2012	9/1/2035	1.0-4.125%	8,535,000	7,980,000	555,000
11/1/2014	11/1/2039	2-5%	33,000,000	33,000,000	-
6/1/2015	7/1/2026	1-3.2%	3,780,000	3,780,000	-
6/30/2015	6/1/2035	4.12%	10,136,926	10,136,926	-
8/24/2004	8/1/2014	2.05%	445,000	-	445,000
8/9/2007	8/9/2014	3.93%	193,274	-	193,274
8/1/2010	8/1/2014	3.51%	524,932	-	524,932
7/23/2012	7/23/2026	3.08%	2,366,268	2,086,546	279,722
2/14/2014	2/14/2028	4.98%	1,100,000	948,134	151,866
			\$ 87,071,400	\$ 73,472,406	\$ 13,598,994

Henderson State University

NOTE 6: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

	Balance as of July 1, 2014	Additions	Reductions	Balance as of June 30, 2015	Amounts due within one year
Bonds Payable	\$ 27,160,000	\$ 36,780,000	\$ 6,275,000 *	\$ 57,665,000	\$ 1,655,000
Notes Payable	3,742,587	10,136,926	158,653	13,720,860	115,533
Capital Lease Payable	143,345		143,345		
Installment Contract	2,228,528		141,982	2,086,546	146,355
Discount on Bonds	(52,966)		(12,985)	(39,981)	(2,330)
Premium on Bonds	20,762	774,711	22,408	773,065	36,624
Comp Absences Pay.	1,094,549	988,414	954,483	1,128,480	127,947
Employee Retire Pay.	174,396	33,309	58,783	148,922	59,162
	<u>\$ 34,511,201</u>	<u>\$ 48,713,360</u>	<u>\$ 7,741,669</u>	<u>\$ 75,482,892</u>	<u>\$ 2,138,291</u>

* Includes \$4,395,000 of early debt retirement. See Note 22.

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

Year Ended June 30, 2015	Principal	Interest	Total
2016	\$ 2,133,184	\$ 2,653,896	\$ 4,787,080
2017	3,582,785	2,656,992	6,239,777
2018	3,592,247	2,569,485	6,161,732
2019	3,472,599	2,469,281	5,941,880
2020	2,983,494	2,372,738	5,356,232
2021-2025	15,171,566	10,283,279	25,454,845
2026-2030	16,272,353	7,171,762	23,444,115
2031-2035	15,604,973	3,825,294	19,430,267
2036-2040	10,659,205	1,014,073	11,673,278
	<u>\$ 73,472,406</u>	<u>\$ 35,016,800</u>	<u>\$ 108,489,206</u>

Henderson State University

NOTE 7: Short-Term Borrowing

The University entered into an agreement with ARVEST Bank to borrow funds for the purpose of purchasing Whispering Oaks apartments. Activity is as follows:

	Balance as of July 1, 2014	Additions	Reductions	Balance as of June 30, 2015
ARVEST Short Term Note	\$ -	\$ 6,170,644	\$ 6,170,644	\$ -

NOTE 8: Commitments

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

Project Name	Expected Completion Date	Contract Balance
Apartment Complex 240 Reddie Villas	August 1, 2015	\$ \$ 3,053,338
Residence Hall 300 University Place	August 1, 2015	5,162,695
Turf Installation: Baseball, Softball & MP Field	October 31, 2015	1,717,424
Baseball Parking Lot and Terraces	September 13, 2015	582,566
Softball Parking Lot	August 29, 2015	138,136
Stadium Fence, Entrances, and Ticket Booths	August 21, 2015	532,561
ESCO Phase II	October 31, 2016	1,654,872
		\$ 12,841,592

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, 2015 totals \$283,839.
- (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
2016	\$ 115,176
2017	101,435
2018	67,228
Total Future Minimum Rental Payments (3 years)	\$ 283,839

Rental payments for the current year total \$102,674.

NOTE 9: Retirement Plans

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

Plan Description: The University participates in TIAA/CREF, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas law authorizes participation in the plan.

Funding Policy: TIAA/CREF has contributory and non-contributory plans. Contributory members contribute a minimum of 6% of earnings to the plan. The University contributes 10% to the plan. Employees may also request deductions for TIAA/CREF additional retirement, TIAA/CREF Supplemental Retirement Annuities, and Fidelity Group. The University's and participants' contributions for the year ended June 30, 2015 were \$1,727,901 and \$1,315,404, 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-officio 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,

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.

Henderson State University

NOTE 9: Retirement Plans (Continued)

Arkansas Teacher Retirement System (ATRS) (Continued)

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% of applicable compensation for the fiscal year ended June 30, 2015. The University's contributions to ATRS for the year ended June 30, 2015 were \$212,798, equal to the required contributions for the year.

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

At June 30, 2015, the University reported a liability of \$1,993,959 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2014, the University's proportion was 0.076 percent.

For the year ended June 30, 2015, the University recognized pension expense of \$142,799. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience		\$ 64,471
Net difference between projected and actual earnings on pension plan investments		857,267
University contributions subsequent to measurement date	\$ 212,798	
Total	\$ 212,798	\$ 921,738

Henderson State University

NOTE 9: Retirement Plans (Continued)

Arkansas Teacher Retirement System (ATRS) (Continued)

\$212,798 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2016	\$(228,098)
2017	(228,098)
2018	(228,098)
2019	(228,097)
2020	(9,347)
Thereafter	0

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
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

Henderson State University

NOTE 9: Retirement Plans (Continued)

Arkansas Teacher Retirement System (ATRS) (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, 2014 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	20.00%	4.70%
Global Equity	30.00%	5.00%
Fixed Income	20.00%	2.00%
Alternatives	5.00%	5.00%
Real Assets	15.00%	4.60%
Private Equity	10.00%	6.60%
Cash Equivalents	0.00%	1.20%
Total	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% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
\$ 3,569,246	\$ 1,993,959	\$ 670,537

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.

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 year ended June 30, 2015 were \$548,803, equal to the required contributions for the year.

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NOTE 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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

At June 30, 2015, the University reported a liability of \$2,811,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2014, the University's proportion was 0.1981 percent.

For the year ended June 30, 2015, the University recognized pension expense of \$320,329. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience		\$ 35,714
Changes in assumptions	\$ 332,987	
Net difference between projected and actual earnings on pension plan investments		1,105,586
University contributions subsequent to measurement date	548,803	
Total	\$ 881,790	\$ 1,141,300

\$548,803 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statement as follows:

Year ended June 30:	
2016	\$(193,756)
2017	(193,756)
2018	(193,756)
2019	(227,045)
Thereafter	0

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NOTE 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.75%
Salary Increases	3.75-10/35% including invlation
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

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 by each major asset class included in the University's target asset allocation as of June 30, 2014, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	9.00%	0.50%
Fixed Income Defensive	9.00%	0.80%
Large Cap Domestic Equity	20.00%	6.65%
Small/Mid Cap Domestic Equity	17.00%	7.90%
International Equity	12.00%	7.00%
Emerging Market Equity	12.00%	9.20%
Private Equity	2.50%	11.30%
Hedge Funds	2.50%	3.19%
Real Estate	16.00%	5.10%
Total	100.00%	

NOTE 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

Assumption Changes: Economic assumptions were updated in the June 30, 2014, valuation to a 7.75% investment return assumption and a 3.75% wage inflation assumption.

Discount Rate

A single discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Sensitivity of Discount Rate		
1%	Discount	1%
Decrease	Rate	Increase
(6.75%)	(7.75%)	(8.75%)
\$ 5,043,748	\$ 2,811,127	\$ 950,957

Pension Plan Fiduciary Net Position

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

Henderson State University

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	\$ 16,944,151		\$ 1,584,035		\$ 18,528,186
Research	19,993		76,559		96,552
Public Service	505,419		80,295		585,714
Academic Support	1,700,789		1,777,208		3,477,997
Student Services	3,514,162		576,862		4,091,024
Institutional Support	4,701,284		3,368,889		8,070,173
Schol. & Fellow.		\$ 3,211,440			3,211,440
Oper. & Maint.	1,826,698		2,135,109		3,961,807
Aux. Enterprises	2,872,884		6,880,681		9,753,565
Depreciation				\$ 3,981,430	3,981,430
Other	58,783		96,079		154,862
	<u>\$ 32,144,163</u>	<u>\$ 3,211,440</u>	<u>\$ 16,575,717</u>	<u>\$ 3,981,430</u>	<u>\$ 55,912,750</u>

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. and a board member of Arkadelphia Regional Economic Development Alliance. 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. Dr. Shepherd is also a member of the Mosaic Templars Museum and Cultural Center, a position appointed by the Speaker of the House.

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

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NOTE 12: Compensated Absences

Changes in Compensated Absences Payable are as follows:

Changes in Compensated Absences Payable:	Amount
Annual Leave as of June 30, 2014	\$ 798,189
Earned Leave	758,144
Lost Leave over 240 hours	(77,604)
Annual Leave Used	(633,394)
Annual Leave as of June 30, 2015	\$ 845,335

Employees with a sick leave balance of 50 days or more are eligible for payment for leave upon retirement. As of June 30, 2015 the University's liability for employees with sufficient leave balances was \$88,873.

Employees with a compensatory time balance are eligible for payment for leave upon termination, retirement or death. As of June 30, 2015 the University's liability for employees with compensatory leave balances was \$6,192.

The above figures do not include estimated fringe benefits on accrued leave in the amount of \$188,080 for 2014/2015.

NOTE 13: Employee Retirement

Changes in Employee Retirement:	Amount
Employee Retirement as of June 30, 2014	\$ 174,396
Annual Revaluation	33,309
Amount Paid Out During 2014/2015	(58,783)
Employee Retirement as of June 30, 2015	\$ 148,922

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NOTE 14: Disaggregation of Receivable and Payable Balances

Accounts Receivable Consists of the Following:	Amount
Student Tuition and Fees, net of allowance of \$1,028,481	\$ 3,697,754
Auxiliary Enterprises	654,697
Other Receivables	78,183
Federal	421,115
State	194,456
Notes and Loans Receivable	1,185,716
Total Accounts Receivable	\$ 6,231,921

Accounts Payable Consists of the Following:	Amount
Vendors	\$ 3,353,325
Salary & Fringe Benefit Payable	160,311
Other Payables	1,643,481
State	182,072
Interest & Fees Payable	686,721
Total Accounts Payable	\$ 6,025,910

NOTE 15: Other Post Employment 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.

NOTE 15: Other Post Employment Benefits (OPEB) (Continued)

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 \$113,428 for fiscal year 2015, compared to \$91,961 for fiscal year 2014. The University paid the total premiums for life insurance benefits for eligible retirees, ages 55 to 65, directly to MetLife in the amount of \$1,600 for fiscal year 2015, compared to \$1,204 for fiscal year 2014. This represents a total of \$115,028 paid by the University for the employer portion of the OPEB for fiscal year 2015, compared to \$93,165 for fiscal year 2014.

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 81% or \$113,428 of the postretirement healthcare premiums, totaling \$140,015 for the fiscal year ended June 30, 2015. Last year, the University funded approximately 82% or \$91,961 of the postretirement healthcare premiums, totaling \$111,943 for the fiscal year ended June 30, 2014. The retirees are responsible for funding approximately 19% of the healthcare premiums compared to 18% last year.

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 \$1,600 in postretirement life insurance benefits for the fiscal year ended June 30, 2015 and \$1,204 in postretirement life insurance benefits for the fiscal year ended June 30, 2014. 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 \$197,090 in retiree healthcare and life insurance expense during fiscal year 2015, compared to \$214,792 during fiscal year 2014.

The Plan does not issue a stand-alone financial report. For inquiries relating to either Plan, please contact Mr. Bobby G. Jones, 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 Supplementary 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.

Henderson State University

NOTE 15: Other Post Employment Benefits (OPEB) (Continued)

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

Cost Element	Fiscal Year Ending June 30, 2015		Fiscal Year Ending June 30, 2014	
	Amount	% of Payroll ¹	Amount	% of Payroll ¹
1. Unfunded actuarial accrued liability	\$ 2,820,804	13.42%	\$ 2,765,013	13.18%
<u>Annual Required Contribution (ARC)</u>				
2. Normal Cost	\$ 200,155		\$ 194,325	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	143,915		141,069	
4. Amortization of beginning of year accrual				
5. Annual Required Contribution (ARC = 2 + 3+4)	<u>\$ 344,070</u>	1.64%	<u>\$ 335,394</u>	1.60%
<u>Annual OPEB Cost (Expense)</u>				
6. Normal Cost	\$ 200,155		\$ 194,325	
7. Amortization of the unfunded actuarial accrued liability over 30 year using open amortization	143,915		141,069	
8. Amortization of beginning of year accrual	(77,556)		(66,597)	
9. Interest on beginning of year accrual	45,604		39,160	
10. Annual OPEB cost (6+7+8+9)	<u>\$ 312,118</u>	1.48%	<u>\$ 307,957</u>	1.47%
<u>End of year Accrual (Net OPEB Obligation)</u>				
11. Beginning of year accrual	\$ 1,520,125		\$ 1,305,333	
12. Annual OPEB cost	312,118		307,957	
13. Employer contribution (benefit payments) ²	115,028		93,165	
14. End of year accrual (11 + 12 - 13)	<u>\$ 1,717,215</u>	8.17%	<u>\$ 1,520,125</u>	7.25%

¹ Annual payroll for the 481 plan participants as of July 1, 2014 is \$21,019,124 and for the 492 plan participants as of July 1, 2013 is \$20,978,431.

² Actual contributions paid in fiscal year 2015 of \$141,614 less participant contributions of \$26,586, \$113,147, and \$19,982 respectively, in fiscal year 2014. Employer contributed 36.85% of annual OPEB cost during fiscal year 2015, compared to 30.25% during fiscal year 2014.

Henderson State University

NOTE 15: Other Post Employment Benefits (OPEB) (Continued)

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ³	Percentage Contributed
June 30, 2015	\$ 312,118	\$ 115,028	36.85%
June 30, 2014	\$ 307,957	\$ 93,165	30.25%
June 30, 2013	\$ 318,051	\$ 79,702	25.06%

³ Since there is no funding; these are actual benefit payments of \$141,614 less retiree contributions of \$26,586 for 2015 and \$113,147 less retiree contributions of \$19,982 for 2014 and \$96,430 less retiree contributions of \$16,728 for 2013.

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, 2015	\$	\$ 2,820,804	\$ 2,820,804	0.00%	\$ 21,019,124	13.42%
June 30, 2014	\$	\$ 2,765,013	\$ 2,765,013	0.00%	\$ 20,978,431	13.18%
June 30, 2013	\$	\$ 2,799,751	\$ 2,799,751	0.00%	\$ 20,292,040	13.80%

⁴ Estimated payroll as of July 1, 2014, July 1, 2013, and July 1, 2012 includes only plan participants.

Note: The annual OPEB cost of \$312,118 for fiscal year 2015 and accrual of \$1,717,215 as of June 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust; \$307,957 and \$1,520,125, respectively, in the fiscal year 2014; and \$318,051 and \$1,305,333, respectively, in the fiscal year 2013.

NOTE 15: Other Post Employment 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, 2015	\$ 312,118	36.85%	\$ 1,717,215
June 30, 2014	\$ 307,957	30.25%	\$ 1,520,125
June 30, 2013	\$ 318,051	25.06%	\$ 1,305,333

Summary of Key Actuarial Methods and Assumptions:

Methods:

Valuation Year: July 1, 2013 – June 30, 2014, rolled forward

Actuarial Cost Method: Projected Unit Credit, level dollar

Amortization Method: 30 years, level dollar open amortization⁵

Asset Valuation Method: N/A

⁵Open 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

Health Care Cost Trend Rate For Medical & Prescription Drugs: Trend rates are not used after 2008 because the University has frozen employer contributions to the plan at fiscal 2007 levels.

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. The amounts contributed by the University will not increase in future years beyond the limits set in 2008.

NOTE 15: Other Post Employment Benefits (OPEB) (Continued)

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, 2013 – June 30, 2014, rolled forward

Date of Census Data: January, 2014

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

Retiree Premiums:

Retiree Premiums	Employee Cost	Employer Cost	Total
Health Insurance (Monthly Rate)			
Single	\$	\$ 348.49	\$ 348.49
Family	\$ 317.18	\$ 386.86	\$ 704.04
Life Insurance			
Basic	\$	\$.26 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: The IRS Combined Static Mortality Table is used

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

NOTE 15: Other Post Employment 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 Post Employment 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 \$7,975,000 in student recreation center revenue bonds issued in 2007. Proceeds from the bonds provided financing for the construction of the student recreation center. 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 73.54% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$9,268,508. Principal and interest paid for the current year and total customer gross revenues were \$541,865 and \$736,875, respectively.

NOTE 17: Pledged Revenues (Continued)

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 2039. Annual principal and interest payments on the bonds currently require 19.26% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$70,401,786. Principal and interest paid for the current year and total customer gross revenues were \$2,000,393 and \$10,384,774, 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 2026. Annual principal and interest payments on the bonds currently require 3.36% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$5,342,765. Principal and interest paid for the current year and gross student tuition and fees were \$914,010 and \$27,233,284, 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.

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 \$250,000 with a \$2,500 deductible. The Department of Finance and Administration withholds the premium from the University's State Treasury funds.

The University carries commercial general liability insurance related to the maintenance and operation of the Davis-Baker Preschool. The University pays an annual premium for this coverage.

NOTE 18: Risk Management (Continued)

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 July 1, 2010, the University entered into a 10 year contract with Aramark Educational Services, LLC (Aramark) to provide meals to students and catering services to the University. In consideration of the University's agreement to continue services for this time period 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. Aramark's financial commitment along with a \$2,750,000 financing agreement the University entered into with Arvest Bank on August 31, 2011 allowed construction to commence with a completion date of May 27, 2013. The financial commitment from Aramark shall be amortized on a straight-line basis over a period of twenty (20) years. Upon termination of this agreement by either Aramark or the University prior to the complete amortization of the financial agreement, the University would be required to reimburse Aramark for the unamortized balance on the date of termination or expiration of the contract. The balance of the financial commitment to the University as of June 30, 2015, is \$2,190,972.

NOTE 20: Prior Year Restatements

Statement of Revenues, Expenses, and Changes in Net Position

Beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to the implementation of GASB Statements 68, as amended. As a result, Net position – beginning of the year was reduced by \$6,072,009 to reflect the net effect of recognizing the University's proportionate share of the net pension liability and deferred outflows of resources attributable to the year ended June 30, 2014.

NOTE 21: Subsequent Events

On May 15, 2015, Henderson State University signed a Letter of Intent with Aramark Management Service Limited Partnership to provide facility services effective July 1, 2015. It was agreed the University would pay \$273,167 monthly until a contract is signed.

On February 3, 2016, the University issued \$6,465,000 in refunding bonds to early retire its 2007 bonds.

NOTE 22: Debt Refunding

On June 1, 2015, the University issued \$3,780,000 in tax exempt refunding bonds with interest rates of 1 to 3.2 percent to refund \$4,395,000 of outstanding bonds dated December 1, 2009 with interest rates of 2 to 4.3%. Bond proceeds of \$3,542,243 along with deposits held by trustees of \$927,313 were deposited with the refunding bond agent to refund the Series 2009 bonds. The Series 2009 outstanding bonds were called for redemption on June 24, 2015. The remaining net bond proceeds of \$189,000 (after payment of bond issuance costs of \$65,805 and consideration of the premium of \$17,048) were deposited into a debt service reserve fund as per the bond indenture. Accrued interest of \$5,315 was deposited in the debt service fund to be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$74,556. This difference was reported in the accompanying financial statements as a deferred outflow of resources and will be amortized through the 2019 fiscal year using the straight-line method. The University refunded the bonds to reduce its total debt service payments over the next 11 years by \$398,557 and to obtain an economic gain of \$181,797.

**Henderson State University
Required Supplementary Information
June 30, 2015**

OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ³	Percentage Contributed
June 30, 2015	\$ 312,118	\$ 115,028	36.85%
June 30, 2014	\$ 307,957	\$ 93,165	30.25%
June 30, 2013	\$ 318,051	\$ 79,702	25.06%

³Since there is no funding; these are actual benefit payments of \$141,614 less retiree contributions of \$26,586 for 2015 and \$113,147 less retiree contributions of \$19,982 for 2014 and \$96,430 less retiree contributions of \$16,728 for 2013.

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, 2015	\$	\$ 2,820,804	\$ 2,820,804	0.00%	\$ 21,019,124	13.42%
June 30, 2014	\$	\$ 2,765,013	\$ 2,765,013	0.00%	\$ 20,978,431	13.18%
June 30, 2013	\$	\$ 2,799,751	\$ 2,799,751	0.00%	\$ 20,292,040	13.80%

⁴Estimated payroll as of July 1, 2014, July 1, 2013, and July 1, 2012 includes only plan participants.

**Henderson State University
Required Supplementary Information
June 30, 2015**

NET PENSION LIABILITY:

Employee Benefits

Henderson State University's Proportionate Share of the Net Pension Liability Arkansas Teacher Retirement System		
		2015*
Plan Net Pension Liability - End of Year		\$2,625,006,279
University's proportion (percentage) of net pension liability (asset)		0.0760%
University's proportionate share of net pension liability		\$ 1,993,959
University's covered payroll		\$ 2,196,473
University's proportionate share of net pension liability as a percentage of the employer's covered-employee payroll		90.78%
Plan fiduciary net position as a percentage of the total pension liability		84.98%
*The amounts presented were determined as of 6/30/14.		

Henderson State University's Schedule of Contributions Arkansas Teacher Retirement System		
		2015
Contractually required contribution		\$ 212,798
Contributions in relation to the contractually required contribution		212,798
contribution deficiency (excess)		\$ 0
University's covered-employee payroll		\$ 1,522,661
Contributions as a percentage of covered-employee payroll		14.0%

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, 2015**

Henderson State University's Proportionate Share of the Net Pension Liability Arkansas Public Employees Retirement System		
		2015*
Plan Net Pension Liability - End of Year		\$1,418,912,236
University's proportion (percentage) of net pension liability (asset)		0.1981%
University's proportionate share of net pension liability		\$ 2,811,127
University's covered payroll		\$ 3,502,800
University's proportionate share of net pension liability as a percentage of the employer's covered-employee payroll		80.25%
Plan fiduciary net position as a percentage of the total pension liability		84.15%
*The amounts presented were determined as of 6/30/14.		

Henderson State University's Schedule of Contributions Arkansas Public Employees Retirement		
		2015
Statutorily required contribution		\$ 548,803
Contributions in relation to the contractually required contribution		548,803
contribution deficiency (excess)		\$ 0
University's covered-employee payroll		\$ 3,729,152
Contributions as a percentage of covered-employee payroll		14.72%

Changes in Assumptions

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

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

HENDERSON STATE UNIVERSITY
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
 FOR THE YEAR ENDED JUNE 30, 2015
 (Unaudited)

Schedule 1

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets and Deferred Outflows	\$ 135,527,367	\$ 89,807,778	\$ 86,111,623	\$ 83,334,695	\$ 80,148,391
Total Liabilities and Deferred Inflows	92,625,286	40,926,439	41,245,740	39,756,441	38,980,825
Total Net Position	42,902,081	48,881,339	44,865,883	43,578,254	41,167,566
Total Operating Revenues	22,662,431	22,454,109	21,739,690	21,117,073	19,717,034
Total Operating Expenses	55,912,750	55,170,305	56,768,875	54,224,914	52,814,878
Total Net Non-Operating Revenues	33,018,934	33,628,442	34,374,981	34,883,971	36,575,249
Total Other Revenues, Expenses, Gains or Losses	324,136	3,103,210	2,257,571	634,558	1,666,802

