Arkansas Tech University

Russellville, Arkansas

Basic Financial Statements and Other Reports

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS TECH UNIVERSITY
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JUNE 30, 2015

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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Arkansas

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

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Tech University
Legislative Joint Auditing Committee

Report on the Financial Statements

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 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 Notes 1 and 25 to the financial statements, the beginning net position has been restated due to the adoption of Governmental Accounting Standards Board (GASB) Statement no. 68, *Accounting and Financial Reporting for Pensions,* as amended. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-13, 74-82, and 83-84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
November 18, 2015
EDHE13015

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

Arkansas Tech 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 aggregate discretely presented component units of Arkansas Tech 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 November 18, 2015. Our report includes a reference to other auditors who audited the financial statements of the Arkansas Tech University Foundation, Inc., and Arkansas Tech University Facilities Development Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas Tech University Foundation, Inc., and Arkansas Tech University Facilities Development 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 November 18, 2015.

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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

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 18, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas Tech 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:

	Summer II Term 2014	Fall Term 2014	Spring Term 2015	Summer I Term 2015
Student Headcount	1,828	12,002	10,814	2,332
Student Semester Credit Hours	7,731	131,852	116,828	11,146

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 18, 2015

Management's Discussion and Analysis (Unaudited)

Overview of Financial Statements and Financial Analysis

Arkansas Tech University is proud to present its consolidated financial statements for fiscal year 2014-15. The following discussion and analysis of Arkansas Tech University's consolidated financial statements provides an overview of the University's financial activities for the fiscal year ended June 30, 2015. Management has prepared the financial statements, the related footnote disclosures, and Management's Discussion and Analysis as required by Governmental Accounting Standards Board (GASB) Statements 34 and 35.

Arkansas Tech University has completed another fiscal year with positive results. We have continued our enrollment growth which translates into increased utilization of our auxiliary services, such as residence halls, apartments, food services and the bookstore.

We have been challenged during FY 14-15 as state funding has remained almost flat and our investment income has decreased as interest rates have declined to very low levels. Major emphasis has been placed on the management of our expenses, such as utilities, scholarships, travel, vehicle maintenance, and personnel cost to assure that our operations remain within established budgetary limits.

In Fiscal Year 14-15, we implemented GASB Statement no. 68, *Accounting and Financial Reporting for Pensions.* This has impacted our Net Position. Please refer to Notes 22 and 25 for a detailed analysis of this required change.

The student population growth continues and we are encouraged by other positive trends during FY 14-15. We were able to do the following:

- Increase enrollment
- Transfer $793,385 to Infrastructure Reserves.
- Transfer $348,881 to Funded Depreciation.
- Campus construction and renovations of $18,043,586.
- Purchase $479,481 in capital equipment.
- Fund $2,782,663 for critical maintenance repairs.

There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

Condensed Statement of Net Position

The Statement of Net Position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the University at the end of the fiscal year. The purpose of this statement is to show the financial position on a certain date in time and to present to readers a fiscal snapshot of Arkansas Tech University at year-end. The Statement of Net Position presents year-end data concerning assets (current and noncurrent) plus deferred outflows of resources, liabilities (current and noncurrent) plus deferred inflows of resources, and net position (difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources). The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institution. They are also able to determine how much the Institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) and of their availability for expenditure by the Institution.

Net Position is divided into three major categories. The first category—net investment in capital assets—provides information on the Institution's equity in property, plant, and equipment. The next net position category—restricted net position—is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes.

Expendable restricted net position is available for expenditure 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 them. The final category—unrestricted net position—is available to the Institution for any lawful purpose of the Institution.

ARKANSAS TECH UNIVERSITY

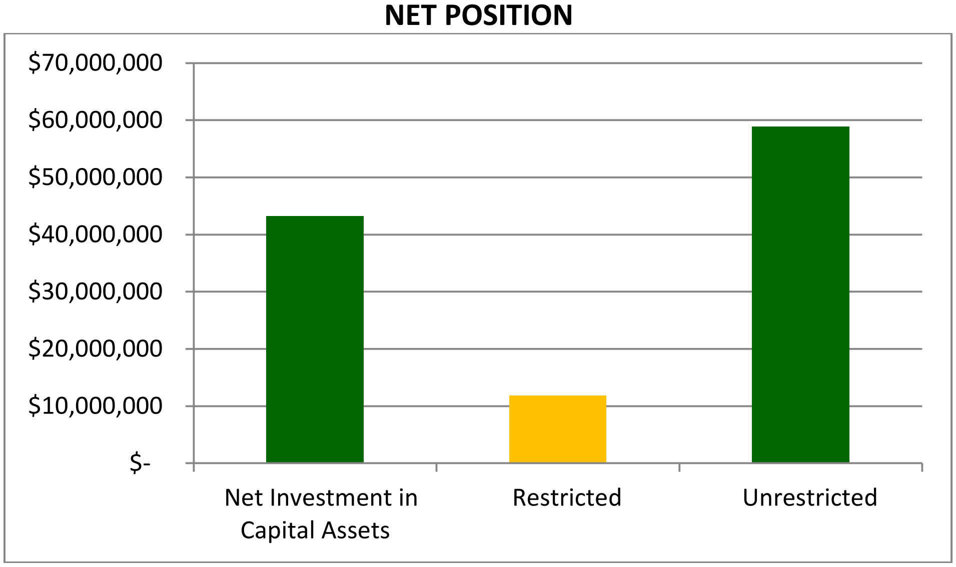
Condensed Statement of Net Position (Continued)

Condensed Statement of Net Position

	June 30, 2015	June 30, 2014
Assets:		
Current assets	$ 58,208,704	$ 48,923,914
Noncurrent assets	37,863,233	43,062,345
Capital assets, net	130,972,676	122,117,669
Total Assets	227,044,613	214,103,928
Deferred Outflows of Resources	3,522,262	433,967
Total Assets and Deferred Outflows of Resources	230,566,875	214,537,895
Liabilities:		
Current liabilities	11,213,551	9,396,583
Noncurrent liabilities	101,079,805	85,831,420
Total Liabilities	112,293,356	95,228,003
Deferred Inflows of Resources	4,363,945	
Total Liabilities and Deferred Inflows of Resources	116,657,301	95,228,003
Net Position:		
Net Investment in Capital Assets	43,193,724	39,471,090
Restricted - expendable	11,501,626	14,979,563
Restricted - nonexpendable	313,601	313,621
Unrestricted	58,900,623	64,545,618
Total Net Position	$ 113,909,574	$ 119,309,892

Fiscal year ended June 30, 2014, was not adjusted for pensions because key actuarial information was not available. Additional information is included in the Notes to the Financial Statement no. 22.

NET POSITION



ARKANSAS TECH UNIVERSITY

Condensed Statement of Revenues, Expenses, and Changes in Net Position

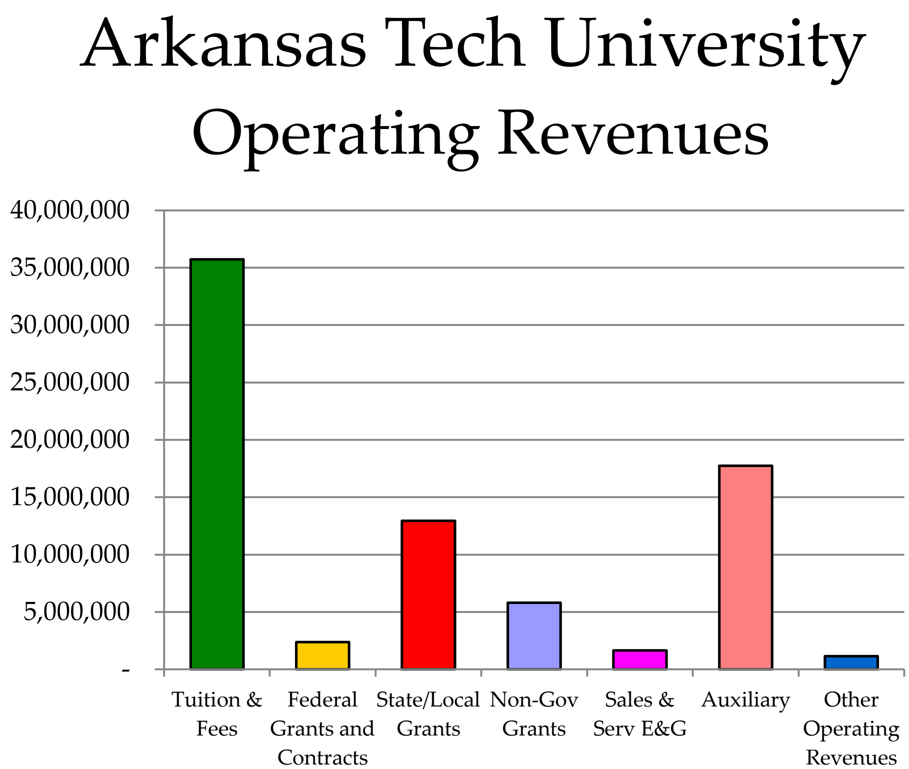
Changes in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institution, both operating and nonoperating, and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

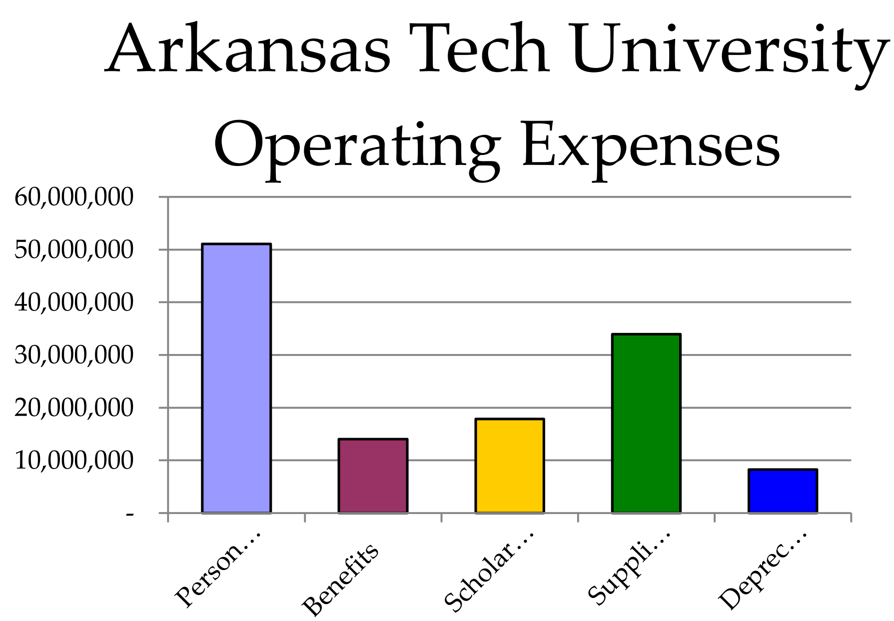
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the Institution. Nonoperating revenues are revenues received for which goods and services are not provided. (For example, state appropriations are nonoperating because they are provided by the Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2015	June 30, 2014
Operating revenues	$ 77,383,271	$ 72,985,618
Operating expenses	(125,208,348)	(120,210,218)
Operating loss	(47,825,077)	(47,224,600)
Nonoperating revenues and expenses	54,416,642	53,259,131
Income (loss) before other revenues,		
expenses, gains, or losses	6,591,565	6,034,531
Other revenues, expenses, gains or losses	818,957	4,162,659
Increase (Decrease) in Net Position	7,410,522	10,197,190
Net Position at beginning of year as originally stated	119,309,892	109,112,702
Restatement of prior year balance (Note 25)	(12,810,840)	
Net Position at beginning of year restated	106,499,052	109,112,702
Net Position at end of year	$ 113,909,574	$119,309,892

Fiscal year ended June 30, 2014, was not adjusted for pensions because key actuarial information was not available. Additional information is included in the Notes to the Financial Statement no. 22.





Note: Per GASB Statement no. 34, State appropriations of $35,644,786 received by Arkansas Tech University are classified as Nonoperating Revenue.

Condensed Statement of Cash Flows

The final statement presented by Arkansas Tech University is the 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 five sections. The first section shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from noncapital financing activities and specifically reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Cash Flows

	June 30, 2015	June 30, 2014
Cash provided (used) by:		
Operating activities	$ (38,020,731)	$ (37,920,141)
Noncapital financing activities	56,608,188	55,701,440
Capital and related financing activities	(14,871,976)	(8,400,379)
Investing activities	(4,183,740)	5,657,432
Net Change in Cash	(468,259)	15,038,352
Cash, beginning of year	72,035,473	56,997,121
Cash, end of year	$ 71,567,214	$ 72,035,473

Capital Asset and Debt Administration

At June 30, 2015, the University had $233,958,191 invested in capital assets, less accumulated depreciation of $102,985,515. Depreciation charges totaled $8,253,833 for the current fiscal year. Details of these assets are shown below.

Capital Assets (Net)	June 30, 2015	June 30, 2014
Land, improvements and infrastructure	$ 13,332,101	$ 14,201,724
Buildings	97,513,718	100,072,039
Construction in progress	16,063,421	3,434,939
Furniture, fixtures and equipment	2,059,666	2,200,622
Intangible Asset	13,333	3,631
Capital lease	379,879	689,887
Library holdings	1,087,680	1,161,273
Livestock for educational purposes	522,878	353,554
Total	$ 130,972,676	$ 122,117,669

Capital Asset and Debt Administration (Continued)

Major capital additions completed this year, and the source of the funding used for their acquisition, include:

	June 30, 2015	June 30, 2014
Tucker Coliseum Reroof—University Funds	$ 645,736	
Caraway Renovation—University Funds	641,260	
Jones Renovation—University Funds	575,727	
Paine Reroof—University Funds	232,555	
Chambers Cafeteria—Bond Issue, University Funds		$ 8,185,074
Ozark Data Center—University Funds		370,034
Morton Hall Reroof—University Funds		350,157
Techionery-Theater Restoration—University Funds		1,037,829
Glenwood Parking Lot—University Funds		480,918
Total	$ 2,095,278	$ 10,424,012

More detailed information about the University's capital assets is presented in Note 8 and Note 13 to the financial statements.

Debt

At June 30, 2015, the University had $85,643,257 in debt outstanding versus $81,735,695 the previous year. Principal payments made on debt during the year were $3,022,194. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt	June 30, 2015	June 30, 2014
Educational and general revenue bonds	$ 36,020,000	$ 30,610,000
Auxiliary facility revenue bonds	48,935,000	50,050,000
Capital lease obligations	546,124	823,643
Installment contract	11,324	111,836
Unamortized bond discount	(91,593)	
Unamortized bond premium	222,402	140,216
Total	$ 85,643,257	$ 81,735,695

More detailed information about the University's long-term liabilities is presented in Notes 10, 11, and 12 to the financial statements.

Economic Outlook

The University's overall financial position is strong. Consistent student enrollment growth along with innovative academic programs and proactive budget management policies make us optimistic for the University's operations during FY 15-16. The administration will continue to manage resources and make adjustments as necessary to assure the continued financial integrity of the University.

Mr. David C. Moseley
Vice President for Administration and Finance

ARKANSAS TECH UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

		June 30, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$	46,580,981
Short-term investments		5,319,196
Accounts receivable (less allowance of $364,258)		4,382,477
Notes receivable (less allowance of $50,475)		69,449
Inventories		698,226
Prepaid expenses		1,158,375
Total Current Assets		58,208,704
Noncurrent Assets:		
Cash and cash equivalents		24,986,233
Deposits with trustee		7,231,617
Endowment investments		3,319,397
Restricted investments		1,392,866
Notes receivable (less allowance of $676,913)		931,175
Prepaid expenses		1,945
Capital assets (net of accumulated depreciation of $102,985,515)		130,972,676
Total Noncurrent Assets		168,835,909
TOTAL ASSETS		227,044,613
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Refunding of bonds		841,330
Deferred Outflows of Resources - Pensions		2,680,932
TOTAL DEFERRED OUTFLOWS OF RESOURCES		3,522,262
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	230,566,875
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$	4,994,421
Bonds, installment contracts, and leases payable		2,814,154
Compensated absences payable		579,294
Unearned revenue		2,085,430
Funds held in trust for others		675,352
Other liabilities		64,900
Total Current Liabilities		11,213,551
Noncurrent Liabilities:		
Accounts payable and accrued liabilities		837,777
Bonds, installment contracts, and leases payable		82,829,103
Compensated absences		1,231,000
Net other postemployment benefit liability		4,998,894
Net pension liability		10,241,440
Refundable federal advances		941,591
Total Noncurrent Liabilities		101,079,805
TOTAL LIABILITIES		112,293,356
DEFERRED INFLOWS OF RESOURCES - Pensions		4,363,945
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		116,657,301

ARKANSAS TECH UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

		June 30, 2015
NET POSITION		
Net Investment in capital assets:	$	43,193,724
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		155,929
Loans		157,672
Expendable:		
Scholarships and fellowships		470,278
Capital projects		4,126,275
Debt service		3,537,322
Education and general departments		3,367,751
Unrestricted:		58,900,623
TOTAL NET POSITION		113,909,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, and NET POSITION	$	230,566,875

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

ARKANSAS TECH UNIVERSITY

Exhibit A-1

ARKANSAS TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT

JUNE 30, 2015 AND 2014

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 928,752	$ 671,047
Promises to give	127,531	179,160
Investments:		
Marketable securities	21,400,498	20,288,062
Annuities	367,708	391,245
Limited partnership	1,627,709	1,212,115
Total investments	23,395,915	21,891,422
TOTAL ASSETS	$ 24,452,198	$ 22,741,629
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 4,191	$ 46,984
University funds under management	3,319,397	3,223,511
Reserve for annuities payable	73,741	78,123
Deferred compensation		275,120
Total Liabilities	3,397,329	3,623,738
Net Assets:		
Unrestricted	4,632,285	4,735,707
Temporarily restricted	4,443,836	4,011,665
Permanently restricted	11,978,748	10,370,519
Total Net Assets	21,054,869	19,117,891
TOTAL LIABILITIES and NET ASSETS	$ 24,452,198	$ 22,741,629

Exhibit A-2

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2015 AND 2014

	June 30, 2015	June 30, 2014
ASSETS		
Current Assets:		
Rent receivable (less allowances of $2,603 and $2,611, respectively)	$ 23,427	$ 24,122
Unrestricted cash	573	573
Total Current Assets	24,000	24,695
Restricted cash and cash equivalents	4,576,851	4,270,757
Property and equipment at cost:		
Property and equipment	7,910,445	7,772,072
Less accumulated depreciation	3,238,722	3,099,193
Net property and equipment	4,671,723	4,672,879
Other Assets:		
Unamortized debt issuance cost	183,604	197,205
Unamortized debt discount	210,587	225,677
Total Other Assets	394,191	422,882
TOTAL ASSETS	$ 9,666,765	$ 9,391,213
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	$ 320,000	$ 315,000
Accounts payable	124,287	4,538
Security deposits	80,000	56,000
Accrued interest	18,624	18,993
Total Current Liabilities	542,911	394,531
Long-term debt	5,700,000	6,020,000
Unrestricted net assets	3,423,854	2,976,682
TOTAL LIABILITIES AND NET ASSETS	$ 9,666,765	$ 9,391,213

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

Exhibit B

	Year Ended June 30 2015
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowance of $25,595,957)	$ 35,725,579
Federal grants and contracts	2,373,662
State and local grants and contracts	12,942,316
Non-governmental grants and contracts	5,803,611
Sales and services of educational departments	1,638,097
Auxiliary enterprises:	
Athletics (net of scholarship allowance of $999,463)	4,191,930
Residence life (net of scholarship allowance of $4,097,219)	5,734,183
Bookstore	3,284,581
Food service (net of scholarship allowance of $2,799,725)	3,645,816
Health Services	887,611
Other operating revenues	1,155,885
TOTAL OPERATING REVENUES	77,383,271
OPERATING EXPENSES	
Personal services	51,095,890
Benefits	14,033,049
Scholarships and fellowships	17,874,772
Supplies and services	33,950,804
Depreciation	8,253,833
TOTAL OPERATING EXPENSES	125,208,348
OPERATING INCOME (LOSS)	(47,825,077)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	35,644,786
Governmental grants	21,132,338
Investment income (net of investment expense of $10,420)	495,340
Interest on capital asset - related debt	(2,921,147)
Bond issuance costs	(438,055)
Paying agents' fees capital asset related debt	(43,450)
Gain or (loss) on sale of capital assets	557,965
Other revenues (expenses)	(11,135)
NET NONOPERATING REVENUES (EXPENSES)	54,416,642
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	6,591,565
Capital appropriations	268,435
Capital grants and gifts	340,953
Additions to endowments	444
Increase in valuation of livestock	152,753
Adjustments to prior year revenues and expenses	(57,440)
Other	113,812
INCREASE (DECREASE) IN NET POSITION	7,410,522
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED	119,309,892
Restatement of prior year balance (See Note 25)	(12,810,840)
NET POSITION - BEGINNING OF YEAR RESTATED	106,499,052
NET POSITION - END OF YEAR	$ 113,909,574

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

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

Exhibit B-1

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support revenues and reclassifications:								
Contributions and revenues	$ 137,522	$ 1,267,415	$ 1,597,021	$ 3,001,958	$ 142,935	$ 1,294,059	$ 525,165	$ 1,962,159
Investment income	222,052	270,006	11,208	503,266	2,397,562	248,982	121,308	2,767,852
Net assets released from restrictions:								
Satisfaction of program or time restrictions	1,105,250	(1,105,250)			1,114,410	(1,114,410)		
Total public support, revenues and reclassifications	1,464,824	432,171	1,608,229	3,505,224	3,654,907	428,631	646,473	4,730,011
Expenses								
Scholarships	333,199			333,199	296,804			296,804
Capital outlay	239,963			239,963	196,633			196,633
Supplies	135,934			135,934	302,787			302,787
Professional fees and services	241,321			241,321	337,830			337,830
Travel and travel items	172,356			172,356	166,779			166,779
Printing	34,553			34,553	47,256			47,256
Salaries and benefits	168,865			168,865	123,024			123,024
Investment fees	65,162			65,162	50,566			50,566
Annuity benefis	15,118			15,118	14,945			14,945
Other	161,775			161,775	163,102			163,102
Total expenses	1,568,246			1,568,246	1,699,726			1,699,726
Changes in net assets	(103,422)	432,171	1,608,229	1,936,978	1,955,181	428,631	646,473	3,030,285
Net assets at beginning of year	4,735,707	4,011,665	10,370,519	19,117,891	2,780,526	3,583,034	9,724,046	16,087,606
Net assets at end of year	$ 4,632,285	$ 4,443,836	$ 11,978,748	$ 21,054,869	$ 4,735,707	$ 4,011,665	$ 10,370,519	$ 19,117,891

ARKANSAS TECH UNIVERSITY

Exhibit B-2

ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

	Year Ended June 30,	
	2015	2014
Income:		
Rental	$ 1,532,515	$ 1,423,374
Investment	31,378	31,936
Other	3,889	8,321
Total Income	1,567,782	1,463,631
Expenses:		
Audit and professional	6,000	11,225
Maintenance and repairs	109,644	76,855
Pest control	1,605	2,126
Utilities	152,944	161,345
Insurance	34,878	74,854
Depreciation and amortization	299,670	303,320
Interest expense	225,931	251,914
Bad debts expense (recovery)	4,359	(862)
Bond trustee fees	4,697	5,179
Administrative cost - Arkansas Tech University	42,752	41,859
Miscellaneous	4,151	16,576
Total expenses	886,631	944,391
Increase in unrestricted net assets before allocation to Arkansas Tech University	681,151	519,240
Allocation to Arkansas Tech University	233,979	109,157
Increase in unrestricted net assets	447,172	410,083
Unrestricted net assets at beginning of year	2,976,682	2,566,599
Unrestricted net assets at end of year	$ 3,423,854	$ 2,976,682

ARKANSAS TECH UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

	Year Ended June 30, 2015
Cash Flows From Operating Activities	
Tuition and fees	$ 36,367,327
Grants and contracts	21,088,567
Payments to suppliers	(32,696,360)
Payments for personal services	(51,120,749)
Payments for benefits	(14,322,847)
Payments for scholarships and fellowships	(17,874,772)
Auxiliary Enterprise:	
Residential life	5,734,183
Food service	3,645,816
Bookstore	3,284,581
Athletics	4,191,930
Health services	887,611
Sales and service of educational departments	1,638,097
Other receipts (payments)	1,155,885
Net Cash Provided (Used) by Operating Activities	(38,020,731)
Cash Flows From Noncapital Financing Activities:	
State appropriations	35,644,786
Direct lending receipts	43,368,242
Direct lending payments	(43,367,607)
Noncapital grants and gifts received	21,132,338
Principal paid on non-capital debt	(99,593)
Interest paid on non-capital debt	(2,497)
Additions to endowment funds	444
Student organization/agency transactions (net)	(67,925)
Net Cash Provided (Used) by Noncapital Financing Activities	56,608,188
Cash Flows From Capital and Related Financing Activities:	
Capital appropriations	268,435
Capital grants and gifts received	82,713
Purchases of capital assets	(2,488,503)
Proceeds from sale of capital assets	1,080,633
Construction in progress expenditures	(13,895,810)
Distributions from trustee of bond proceeds and interest earnings	6,018,702
Payments to bond trustees for bond principal	(2,600,000)
Payments to bond trustees for interest and fees	(2,988,504)
Principal paid on capital debt leases	(321,683)
Interest paid on capital debt leases	(27,959)
Net Cash Provided (Used) by Capital and Related Financing Activities	(14,871,976)
Cash Flows From Investing Activities:	
Proceeds from sales and maturities of investments	742,939
Purchase of investments	(5,319,993)
Investment income	393,314
Net Cash Provided (Used) by Investing Activities	(4,183,740)
Net increase in cash	(468,259)
Cash - beginning of the year	72,035,473
Cash - end of year	$ 71,567,214

ARKANSAS TECH UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

		Year Ended June 30, 2015
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(47,825,077)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		8,253,833
Receivables		82,751
Credit memos		(126,127)
Inventories		63,198
Prepaid expenses		128,739
Payables		1,158,149
Unapplied student aid		59,935
Unclaimed property		(12,721)
Advances		511,246
Compensated absences		(24,859)
Other postemployement benefits		596,589
Pension Liability		(886,387)
Net cash provided (used) by operating activities	$	(38,020,731)
Noncash transactions:		
Donated capital assets	$	340,953
Increase/(Decrease) in market valuation of investments		34,160
Proceeds and accrued interest from refunding bond issues deposited with trustee		26,861,736
Issuance costs on refunding bond issues		359,063
Proceeds and accrued interest from construction bond issue deposited with trustee		5,890,808
Premium on refunding bonds		166,172
Discount on refunding bonds		52,476
Discount on construction bonds		42,638
Issuance costs on construction bond issues		78,991
Interest and fees on long-term debt paid directly from deposit with trustee		118,484

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

ARKANSAS TECH UNIVERSITY

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

Nature of Operations: Arkansas Tech University is a multi-purpose, state-supported institution of higher education dedicated to providing an opportunity for higher education to the people of Arkansas and to serving the intellectual and cultural needs of the region in which it is located.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement no. 14, *The Financial Reporting Entity,* consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

Arkansas Tech University is governed by a Board of Trustees. The State of Arkansas allocates and allots funds to each agency separately and requires that the funds be maintained accordingly. Because of this requirement, separate accounts are maintained for each agency.

Arkansas Tech University was created in 1909 by Act 100 of the Arkansas General Assembly. Under the provisions of this Act, the State was divided into four agricultural school districts. The General Assembly in 1925 changed the name from the Second District Agriculture College to Arkansas Polytechnic College with power to grant degrees. In 1948, the Board of Trustees converted the college from a junior college to a degree-granting institution. In accordance with Act 343 of the Arkansas General Assembly of 1975, the name was changed to Arkansas Tech University effective July 9, 1976. The Institution's programs are now divided into the College of Education, Professional Studies and Community Outreach, Business, Arts and Humanities, Natural and Health Sciences, Applied Sciences, and Graduate Studies.

Arkansas Valley Vocational Technical Institute (AVTI) merged with Arkansas Tech University effective July 1, 2003. Act 260 of 2007 changed the name of Arkansas Valley Technical Institute of Arkansas Tech University to Arkansas Tech University – Ozark Campus. The Ozark Campus of ATU is located 50 miles west of Russellville. Enrollment for fall is 2,121 students and the Ozark Campus offers eleven associate degree programs, as well as fifteen technical and vocational programs.

Arkansas Tech University – Ozark Campus acquired the Arkansas Tech University Career Center effective July 1, 2011. It is located in Russellville, Arkansas, and offers programs in ten career and technical areas. There are satellite offices located in Paris and Clarksville, Arkansas, as well. The enrollment is approximately 600 students from eleven area high schools.

The University is an institution of higher education of the State of Arkansas and is included in the financial statements of the State of Arkansas.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

During the year ended June 30, 2015, the Foundation transferred equipment and funds of $287,804 to the University for proper accountability and academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 8820, Russellville, AR 72801.

The Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial statements.

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

Complete financial statements for the Foundation may be obtained from the Facilities Development Foundation at 1509 North Boulder Avenue, Administration Room 206, Russellville, AR 72801.

NOTE 1: Summary of Significant Accounting Policies (Continued)

The Facilities Development Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Development Foundation's financial information in the University's financial statements.

Financial Statement Presentation: In June 1999, the GASB issued Statement no. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This was followed in November 1999 by GASB Statement no. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. As an institution of higher education of the State of Arkansas, the University was required to adopt GASB Statements no. 34 and no. 35. 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 and cash flows. This replaces the fund-group perspective previously required.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government, engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resource management focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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.

Investments: The University accounts for its investments at fair market value in accordance with GASB Statement no. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported separately in the Statement of Revenues, Expenses, and Changes in Net Position. Nonparticipating contracts are reported at cost.

The University has implemented GASB Statement no. 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement no. 3. This accounting standard establishes more comprehensive disclosure requirements related to investment and deposit risks, but does not affect reported amounts of investments, net position, or changes in net position.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivables also include 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. Accounts receivable are recorded net of estimated uncollectible amounts.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Inventories: Inventories are carried at cost with cost being determined on a first-in, first-out ("FIFO") basis.

Capital Assets: Capital assets are recorded at cost on the date of acquisition or, in the case of gifts, fair market value on the date of donation. Livestock for educational purposes is recorded at estimated fair market value. The University's capitalization policy is to include all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year, including renovations to buildings, infrastructure, and land improvements that significantly increase the value and efficiency or extend the life of the structure. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years for buildings, 15 years for infrastructure and land improvements, 10 years for library books and 4 to 7 years for equipment and intangible assets. Depreciation expense includes the depreciation of assets recorded under capital leases. Additional information on capital leases is included in Note 12.

The University has implemented GASB Statement no. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively.

During the year ended June 30, 2015, actual interest incurred for debt to finance the acquisition of specified qualifying assets under construction was $323,837. Of this amount, $77,273 was recorded as construction in progress for those assets not completed as of June 30, 2015.

Unearned Revenues: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Pensions: The University has implemented GASB Statement no. 68, Accounting and Financial Reporting for Pensions, as amended. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Arkansas Teacher Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS) and additions to and deductions from ATRS and APERS fiduciary net positions have been determined on the same basis as they are reported by ATRS and APERS. 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. Further information can be found in Note 22.

Net Position: The University's net position is classified as follows:

> *Net Investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Amounts to the extent debt has been incurred but not yet expended for capital assets are not included as a component of net investment in capital assets.*
>
> *Restricted – expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.*
>
> *Restricted – nonexpendable: Nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate and in perpetuity and be invested for the purpose of producing present and future income that may either be expended or added to principal.*
>
> *Unrestricted:* Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operation of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises that are substantially self-supporting activities providing services for students, faculty, and staff.

Income Taxes: The University, as a political subdivision of the State of Arkansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundations are exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria.

> *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state, and local grants and contracts and Federal appropriations and (4) interest on institutional student loans.

> *Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement no. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues 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 stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other Federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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

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

Funds Held in Trust for Others: The University holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the University.

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

NOTE 2: Cash and Cash Equivalents

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

	Carrying Value	Bank Balance
Insured (FDIC)	$ 1,620,405	$ 1,620,405
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name.	79,168,156	80,201,886
Total Deposits	$ 80,788,561	$ 81,822,291

The above deposits do not include cash on hand maintained by the University in the amount $19,875. The above total deposits include non-negotiable certificates of deposits of $8,806,363 reported as investments and classified as nonparticipating contracts and cash held for the Arkansas Tech University Facilities Development Foundation, Inc. of $434,859. Of the $8,806,363 non-negotiable certificates of deposit, $2,094,301 was reported as deposits with trustee.

Custodial credit risk for deposits is the risk that the University's deposits may not be returned in the event of a bank or depository failure. The State Treasurer requires that all state funds be either insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank.

The University's deposits with the State Treasurer are pooled with funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested, as the Treasurer may determine, in the State's name. It is the University's policy to require collateralization of 105 percent of the total bank deposits.

NOTE 3: Investments

The University has implemented GASB Statement no. 40, *Deposit and Investment Risk Disclosures*, *an amendment of GASB Statement no. 3*. The new accounting standard establishes more comprehensive disclosure requirements related to investment risks, but does not affect reported amounts of investments, net position, or changes in net position.

Credit risk for investments is the risk that an issuer or counterparty to the investment will not fulfill its obligations. Interest rate risk is the risk that interest rate fluctuations will adversely affect the fair value of an investment. The risks for the University's investments including the external investment pool and deposits with trustee are shown separately below:

NOTE 3: Investments (Continued)

External Investment Pool*:* The University has investments with the Arkansas Tech University Foundation, Inc. (ATUF) that are pooled with other ATUF funds. The pool was originally established in 1999 and the funds were invested in the Common Fund. In 2003, the funds were moved under the management of Monroe Vos Consulting Group. The total amount of the pool is $19,924,449 and Arkansas Tech University owns approximately 17 percent of that amount. The funds are invested based on the ATUF Board's approved policy of no more than five percent of the portfolio can be invested in one company. This policy reduces the concentration of credit risk.

The following table contains information on the risk disclosure for the external investment pool:

Type of Investment	Market Value	AAA	AA	A	≤BBB	NR
Corporate Bonds*	$ 18,257	9,412	2,483	1,215	5,147	$ 0
US Stocks	1,824,341					1,824,341
Non-US Stocks	327,956					327,956
Other	1,148,843					1,148,843
Total investments	$ 3,319,397	9,412	2,483	1,215	5,147	$3,301,140

**Note: Average Effective Maturity and Average Effective Duration were 4.90 and 2.41, respectively.*

Interest Rate Risk
Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. Governments with investments in external investment pools are required to disclose the interest rate risk of such investments. Interest rate risk exposure for the corporate bonds and stocks would be minimal due to the Arkansas Tech University Foundation Board's policy that no more than five percent of the portfolio can be invested in one company. The Institution does not have a policy designed to manage interest rate risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Governments are required to disclose the credit quality ratings of debt securities and external investment pools.

Deposits with Trustee*:* At June 30, 2015, the University's deposits with trustee in the amount of $7,231,617 were invested in certificates of deposit, Federated Treasury Obligations, and a money market treasury. The money market fund was rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service and consisted of short term repurchase agreements and agencies in U.S. Treasuries. The effective average maturity was 38 days.

NOTE 4: Donor Restricted Endowment

The University has a donor restricted endowment, entitled "Lillian Massie Permanent Endowment Fund", that is to be used by the Department of Liberal and Fine Arts for support and scholarship. The original contribution was $155,929 and the balance was $156,637 as of June 30, 2015, for a net appreciation of $708. The University may not spend any of the principal. State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established. The original principal of $155,929 was reported as nonexpendable restricted net assets and the $708 net appreciation was reported as expendable restricted net assets. The University does not utilize a spending rate for the net appreciation.

NOTE 5: Disaggregation of Accounts and Other Receivables

Accounts receivable consisted of the following at June 30, 2015 and June 30, 2014, respectively:

	June 30, 2015	June 30, 2014
Student tuition and fees	$ 2,665,639	$ 3,111,830
Auxiliary enterprises and other operating activities	708,874	658,681
Scholarship	3,335	5,194
Federal, state, and private grants and contracts	1,081,376	574,315
Accrued interest	3,868	2,056
Credit memos	231,706	105,258
Other	51,937	335,422
	$ 4,746,735	$ 4,792,756
Less allowance for doubtful accounts	(364,258)	(415,305)
Net accounts receivable	$ 4,382,477	$ 4,377,451

NOTE 6: Inventories

Inventories consisted of the following at June 30, 2015, and June 30, 2014, respectively:

	June 30, 2015	June 30, 2014
Museum	$ 10,324	$ 8,952
Bookstore	647,950	707,508
Post Office	13,216	16,996
Lake Point Conference Center	19,280	19,564
Hospitality	1,290	2,360
Supplies	6,166	6,044
	$ 698,226	$ 761,424

NOTE 7: Notes Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the notes receivable at June 30, 2015. 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.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible notes that, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015, the notes receivable were $1,000,624, net of the allowance for uncollectible loans of $727,388.

NOTE 8: Capital Assets

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

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not depreciated				
Land	$ 2,692,671	$ 170,150	$ (500,000)	$ 2,362,821
Landscaping	235,557			235,557
Livestock for educational purposes	353,554	251,989	(82,665)	522,878
Construction in progress	3,434,939	13,895,810	(1,267,328)	16,063,421
Total capital assets not being depreciated	$ 6,716,721	$ 4,317,949	$ (1,849,993)	$ 19,184,677
Other capital assets				
Intangible asset - software license	$ 1,419,153	$ 40,000		$ 1,459,153
Capital leases	1,568,441			1,568,441
Non-major infrastructure networks	5,719,121	173,420		5,892,541
Land improvements	14,115,526	446,880		14,562,406
Buildings	166,098,663	3,094,546		169,193,209
Furniture, fixtures and equipment	12,463,870	693,681	$ (120,239)	13,037,312
Library holdings	8,875,736	213,256	(28,540)	9,060,452
Total other capital assets	210,260,510	4,661,783	(148,779)	214,773,514
Less accumulated depreciation:				
Intangible asset - software license	(1,415,522)	(30,298)		(1,445,820)
Capital leases	(878,554)	(310,008)		(1,188,562)
Non-major infrastructure networks	(3,051,536)	(310,927)		(3,362,463)
Land improvements	(5,509,615)	(849,146)		(6,358,761)
Buildings	(66,026,624)	(5,652,867)		(71,679,491)
Furniture, fixtures, and equipment	(10,263,248)	(814,535)	100,137	(10,977,646)
Library holdings	(7,714,463)	(286,052)	27,743	(7,972,772)
Total accumulated depreciation	(94,859,562)	(8,253,833)	127,880	(102,985,515)
Other capital assets, net	$115,400,948	$(3,592,050)	$ (20,899)	$ 111,787,999
Capital Asset Summary:				
Capital assets not being depreciated	$ 6,716,721	$ 14,317,949	$(1,849,993)	$ 19,184,677
Other capital assets, at cost	210,260,510	4,661,783	(148,779)	214,773,514
Total cost of capital assets	216,977,231	18,979,732	(1,998,772)	233,958,191
Less accumulated depreciation	(94,859,562)	(8,253,833)	127,880	(102,985,515)
Capital assets, net	$122,117,669	$10,725,899	$ (1,870,892)	$ 130,972,676

NOTE 9: Unearned Revenue

Unearned Revenue consists of the following at June 30, 2015 and June 30, 2014, respectively:

	June 30, 2015	June 30, 2014
Prepaid tuition and fees	$ 796,575	$ 378,324
Grants and contracts	931,020	937,737
Scholarships	140,529	167,987
Other	217,306	90,135
Total	$ 2,085,430	$ 1,574,183

NOTE 10: Long Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

Long Term Liabilities	June 30, 2014	Additions	Deletions	June 30, 2015	Current Portion	Noncurrent Portion
Revenue bonds	$80,660,000	$ 33,330,000	$29,035,000	$ 84,955,000	$ 2,650,000	$ 82,305,000
Less bond discount		95,113	3,520	91,593	3,520	88,073
Plus bond premium	140,216	166,172	83,986	222,402	10,461	211,941
Total bonds payable	80,800,216	33,401,059	29,115,466	85,085,809	2,656,941	82,428,868
Capital leases	823,643	44,163	321,682	546,124	147,834	398,290
Installment contract	111,836		100,512	11,324	9,379	1,945
Compensated absences	1,835,154	894,301	919,161	1,810,294	579,294	1,231,000
Total	$83,570,849	$ 34,339,523	$30,456,821	$ 87,453,551	$ 3,393,448	$ 84,060,103

Additional information regarding revenue bonds payable is included in Note 11.
Additional information regarding capital leases and installment contracts is included in Note 12.
Deletions column include amounts for debt refunding. Additional information is included in Note 23.

NOTE 11: Bonds Payable

Debt service principal payments on the existing bonds amounted to $2,600,000 for the fiscal year ended June 30, 2015. The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues, and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds.

NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Revenue Bonds Series 2001 **Nutt Hall** 3.6% - 5.25 % Issuance Date: February 1, 2001 Final Maturity Date: December 1, 2031 Housing revenues will be maintained at level equal to at least 120% of the combined annual debt service.	$ 10,000,000	$ 7,270,000	$ 2,730,000
Revenue Bonds Series 2007 **Women's Sports Complex** 3.85% - 4.60% Issuance Date: March 1, 2007 Final Maturity Date: March 1, 2037 Athletic revenues will be maintained at a level to produce annual pledged revenues equal to at least 125% of the combined maximum annual debt service.	2,720,000	2,290,000	430,000
Revenue Bonds Series 2008 **Eastgate and Campus Courts** 3.00% - 4.80% Issuance Date: February 1, 2008 Final Maturity Date: February 1, 2038 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	1,505,000	1,295,000	210,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Revenue Bond Series 2010 1.50%-4.50% Ozark Student Union - Auxiliary Issuance Date: September 1, 2010 Final Maturity Date: September 1, 2040 Ozark Bookstore revenues will be maintained at a level to produce annual pledged revenues equal to at least 125% of the combined maximum debt service.	$ 1,155,000	$ 1,055,000	$ 100,000
Revenue Bond Series 2010 2.75%-4.50% Ozark Student Union - Student Fee Issuance Date: September 1, 2010 Final Maturity Date: September 1, 2040 Net tuition & fee revenue will be maintained at a level to produce annual pledged revenues equal to at least 125% of combined maximum debt service.	575,000	535,000	40,000
Revenue Bonds Series 2011 **Tucker Hall** 1.4%-5.2% Issuance Date: May 1, 2011 Final Maturity Date: May 1, 2041 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	2,400,000	2,210,000	190,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Revenue Bonds Series 2011 **"M" Street Dorm** 1.25%-5.0% December 1, 2011 Final Maturity Date: December 1, 2041 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	$ 7,600,000	$ 7,255,000	$ 345,000
Revenue Bonds Series 2012 **"M" Street Dorm** 2.0%-4.5% April 1, 2012 Final Maturity Date: March 1, 2041 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	4,905,000	4,675,000	230,000
Revenue Bonds Series 2012 **2004 Paine Hall Refunding Bond** 1.0%-4.05% April 1, 2012 Final Maturity Date: March 1, 2030 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	3,100,000	2,665,000	435,000
Revenue Bonds Series 2012 **2007 Baswell Hall Refunding Bond** 2.0%-4.4% April 1, 2012 Final Maturity Date: March 1, 2037 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	1,070,000	975,000	95,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Student Fee Revenue Bond 2012 **Browning Hall - Old Art Building** 2.0%-4.375% May 1, 2012 Final Maturity Date: June 1, 2042 Student Fees will be maintained at level equal to at least 120% of the combined maximum annual debt service.	$ 830,000	$ 775,000	$ 55,000
Student Fee Revenue Bond 2012 **2003 Art Building Refunding Bond** 2.0%-4.0% May 1, 2012 Final Maturity Date: June 1, 2033 Student Fees will be maintained at level equal to at least 120% of the combined maximum annual debt service.	3,355,000	2,980,000	375,000
Student Fee Revenue Bond 2012 **2004 Hull Building Refunding Bond** 2.0%-3.65% May 1, 2012 Final Maturity Date: June 1, 2029 Student Fees will be maintained at level equal to at least 120% of the combined maximum annual debt service.	4,680,000	4,000,000	680,000
Student Fee Revenue Bond 2012 **2005 Art Building Refunding Bond** 2.0%-4.1% May 1, 2012 Final Maturity Date: June 1, 2034 Student Fees will be maintained at level equal to at least 120% of the combined maximum annual debt service.	860,000	770,000	90,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Revenue Bond Series 2012 **Baseball Field Renovation** 2.0%-4.38% July 1, 2012 Final Maturity Date: March 1, 2042 Athletic revenues will be maintained at a level equal to at least 125% of the combined annual debt service.	$ 1,500,000	$ 1,390,000	$ 110,000
Revenue Bond Series 2012 **Chambers Cafeteria Renovation** 1.3%-3.8% December 1, 2012 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	2,750,000	2,625,000	125,000
Revenue Bond Series 2013 **Chambers Cafeteria Renovation** 1.2%-4.0% February 1, 2013 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	3,250,000	3,090,000	160,000
Revenue Bond Series 2013A **Chambers Cafeteria Renovation** 1.0%-4.2% June 1, 2013 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at level equal to at least 120% of the combined maximum annual debt service.	1,750,000	1,650,000	100,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2015	Maturities to June 30, 2015
Student Fee Revenue Bond Series 2013 **Brown Building** 1.2%-4.0% November 1, 2013 Final Maturity Date: December 1, 2043 Student Fees will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	$ 5,000,000	$ 4,915,000	$ 85,000
Student Fee Refunding Bond Series 2014 **2008 Student Services/Academic Classroom** **2008 Physical Plant,** **2009 Rothwell, McEver & Corley** 2.0%-3.75% October 1, 2014 Final Maturity Date: November 1, 2039 Student Fees will be maintained at a level equal to least 120% of the combined maximum annual debt service.	16,335,000	16,090,000	245,000
Student Fee Revenue Bond Series 2014 **Ozark Allied Health Building** 2.0%-3.75% October 1, 2014 Final Maturity Date: November 1, 2044 Student Fees will be maintained at a level equal to least 120% of the combined maximum annual debt service.	6,000,000	5,955,000	45,000
Housing Revenue Refunding Bond Series 2014 **2006 Baswell Hall, 2009 Hughes/Critz** 2.0%-3.75% October 1, 2014 Final Maturity Date: November 1, 2039 Housing Fees will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	10,995,000	10,490,000	505,000
Bond Discount	(95,113)	(91,593)	(3,520)
Bond Premium	232,864	222,402	10,461
Total	$ 92,472,751	$ 85,085,809	$ 7,386,941

NOTE 11: Bonds Payable (Continued)

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by the facilities constructed with the bond proceeds and/or student activity fees and facility fees. Certain of these bonds payable are callable at the option of the Board of Trustees.

As of June 30, 2015, debt service reserves aggregating $3,126,668 were maintained. The University's reserve balances exceeded the reserve requirements at June 30, 2015.

The changes in bonds payable are as follows:

Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
$ 80,660,000	$ 33,330,000	$ 29,035,000	$ 84,955,000

The principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 2,650,000	$ 3,154,636	$ 5,804,636
2017	2,705,000	3,092,691	5,797,691
2018	2,770,000	3,027,570	5,797,570
2019	2,830,000	2,958,505	5,788,505
2020	2,905,000	2,874,341	5,779,341
2021-2025	16,080,000	12,866,393	28,946,393
2026-2030	18,815,000	9,706,612	28,521,612
2031-2035	17,425,000	6,000,919	23,425,919
2036-2040	14,050,000	2,644,730	16,694,730
2041-2045	4,725,000	385,034	5,110,034
Total	$ 84,955,000	$ 46,711,431	$ 131,666,431

Bond principal due within one year is reported as short-term bonds, while all principal due over one year is reported as long-term bonds. Short-term and long-term bonds payable at June 30, 2015, were $2,650,000 and $82,305,000, respectively.

NOTE 12: Capital Leases and Installment Contracts Payable

Capital Lease Payable

The University entered into an agreement with IBM Credit LLC, in August, 2010, to lease redundant servers. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2015 was $16,822.

Total capital lease principal and interest payments on this lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 16,822	$ 56	$ 16,878

Additional information on the University's capital leases is below.

Class of Property	Asset Balance June 30, 2015
Equipment – Redundant Server	$ 916,909
Total Minimum Lease Payments	16,878
Less: Amount Representing Interest	56
Total Present Value of Net Minimum Lease Payments	$ 16,822

Accumulated depreciation for the above item was $916,909 at June 30, 2015.

The University entered into an agreement with SECAP, in July, 2013, to lease a folding machine. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2015 was $6,390.

Total capital lease principal and interest payments on this lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$2,014	$148	$2,162
2017	2,070	92	2,162
2018	2,306	37	2,343
Totals	$ 6,390	$ 277	$ 6,667

NOTE 12: Capital Leases and Installment Contracts Payable (Continued)

Capital Lease Payable (Continued)

Additional information on the University's capital leases is below.

Class of Property	Asset Balance June 30, 2015
Equipment – Folding Machine	$ 10,102
Total Minimum Lease Payments	6,667
Less: Amount Representing Interest	277
Total Present Value of Net Minimum Lease Payments	$ 6,390

Accumulated depreciation for the above item was $4,040 at June 30, 2015.

The University entered into an agreement with Dell Financial Services, in April, 2014, to lease server equipment. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2015 was $67,455.

Total capital lease principal and interest payments on this lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$16,640	$ 2,330	$18,970
2017	17,300	1,670	18,970
2018	17,985	985	18,970
2019	15,530	279	15,809
Totals	$ 67,455	$ 5,264	$ 72,719

NOTE 12: Capital Leases and Installment Contracts Payable (Continued)

Capital Lease Payable (Continued)

Additional information on the University's capital leases is below.

Class of Property	Asset Balance June 30, 2015
Equipment – Server	$ 86,349
Total Minimum Lease Payments	72,719
Less: Amount Representing Interest	5,264
Total Present Value of Net Minimum Lease Payments	$ 67,455

Accumulated depreciation for the above item was $34,539 at June 30, 2015.

The University entered into an agreement with Dell Financial Services in April, 2014, to lease server equipment. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2015 was $45,955.

Total capital lease principal and interest payments on this lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 11,337	$ 1,587	$12,924
2017	11,786	1,138	12,924
2018	12,252	672	12,924
2019	10,580	190	10,770
Totals	$ 45,955	$ 3,587	$ 49,542

NOTE 12: Capital Leases and Installment Contracts Payable (Continued)

Capital Lease Payable (Continued)

Additional information on the University's capital leases is below.

Class of Property	Asset Balance June 30, 2015
Equipment – Server	$ 58,826
Total Minimum Lease Payments	49,542
Less: Amount Representing Interest	3,587
Total Present Value of Net Minimum Lease Payments	$ 45,955

Accumulated depreciation for the above item was $23,531 at June 30, 2015.

The University entered into an agreement with Dell Financial Services, in April, 2014, to lease server equipment. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2015 was $409,502.

Total capital lease principal and interest payments on this lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$101,020	$14,143	$115,163
2017	105,021	10,142	115,163
2018	109,181	5,983	115,164
2019	94,280	1,689	95,969
Totals	$ 409,502	$ 31,957	$ 441,459

NOTE 12: Capital Lease and Installment Contracts Payable (Continued)

Capital Lease Payable (Continued)

Additional information on the University's capital leases is below.

Class of Property	Asset Balance June 30, 2015
Equipment – Server	$ 477,854
Total Minimum Lease Payments	441,459
Less: Amount Representing Interest	31,957
Total Present Value of Net Minimum Lease Payments	$ 409,502

Accumulated depreciation for the above item was $191,142 at June 30, 2015.

Installment Contract Payable

The University entered into an agreement with IBM Credit, LLC, in August, 2010, for maintenance on the IBM redundant server. The installment contract term is five years with payments made from unrestricted current funds. Total payments made in the fiscal year ended June 30, 2015 were $102,140.

Total installment contract principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 8,484	$ 28	$8,512

The University entered into an agreement with SECAP, in July 2013, for maintenance on the folding machine. The installment contract term is five years with payments made from unrestricted current funds. Total payments made in fiscal year ended June 30, 2015 were $961.

Total installment contract principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 895	$66	$961
2017	920	41	961
2018	945	16	961
2019	80		80
Totals	$ 2,840	$ 123	$ 2,963

NOTE 13: Commitments

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

Project Name	Construction in Progress	Balance Remaining on Contract	Completion Date
Wilson Hall ANCRC Grant	$ 787,071	$ 2,890,900	6/30/16
Young Building Reroof	635,614	54,747	7/31/15
Paine Hall Reroof	128,642	33,000	7/31/15
Paine Hall HVAC Project	116,076	459,244	8/31/15
New Academic Facility	109,248		6/30/16
Brown Building	10,727,886	3,001,643	2/28/16
Doc Bryan Student Svc Add	86,038	225,306	6/30/16
Hull Building	8,000	413,345	6/30/16
AHU Replacement Admin Bldg	139,772	55,249	8/31/15
Dean Hall Improvements	7,509		10/20/15
Resident Hall Upgrades	661,192	811,550	6/30/17
Chambers Emergency Generator	305,344	50,473	7/31/15
Corley Emergency Generator	26,743	14,088	8/20/15
Williamson Hall Boiler	14,315	45,987	7/31/15
900 N. El Paso Demolition	5,735		7/15/15
Nutt Hall Renovation	27,959	222,990	8/15/15
Witherspoon Repair	85,500		10/31/15
Ozark Allied Health Bldg	1,765,802	2,676,146	2/15/16
Ozark Morton Hall Renovation	377,816	510,699	8/15/15
Ozark Tech & Acad Bldg Reroof	45,119		12/31/15
Ozark Data Center Generator	2,040		10/31/15
Total	$ 16,063,421	$11,465,367	

NOTE 14: Employee Retirement Benefits

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

Plan Description: Arkansas Tech 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 that offers a number of equity investment options. Arkansas Code Annotated § 24-7-804 authorizes participation in the plan. The University's contributions to TIAA/CREF for the years ended June 30, 2015, 2014, and 2013 were $3,100,855, $2,962,524, and $2,801,479, respectively. Participants' contributions were $2,397,160 for the year ended June 30, 2015.

NOTE 14: Employee Retirement Benefits (Continued)

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

Funding Policy: TIAA/CREF has contributory plans. Contributory members contribute a minimum of six percent of earnings to the plan. The University matches 10 percent for contributory members.

On September 1, 2004, the University also began offering the 457(b) plan. The plan is on a voluntary basis. Employees must reach their maximum contribution to the 403(b) plan before participating in the 457(b) plan and they are eligible to contribute up to the maximum amount established by the IRS. Employees have the same investment options under this plan as they do under the current 403(b) plan.

At June 30, 2015, the University's accounts payable balance included contributions required for the year ended June 30, 2015 of $92,065 to TIAA/CREF.

Arkansas Teacher Retirement System:

Plan Description: The University contributes to the Arkansas Teacher Retirement System (ATRS), a cost sharing, multiple employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute six percent of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14 percent of covered salaries, the maximum allowed by State law. The University contributions to ATRS for the years ended June 30, 2015, 2014, and 2013 were $537,073, $573,963, and $595,161, respectively, equal to the required contributions for each year. See Note 22 for further detail on the ATRS pension plan.

NOTE 14: Employee Retirement Benefits (Continued)

Arkansas Public Employees Retirement System

Plan Description: The University contributes to the Arkansas Public Employees Retirement System (APERS), a cost sharing, multiple-employer defined benefit pension plan. Employees may elect coverage under APERS as a qualified retirement system. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy: APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute five percent of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for higher education entities is 14.76 percent of covered salaries. The University's contributions to APERS for the years ended June 30, 2015, 2014, and 2013 were $1,364,327, $1,235,420, and $1,054,538, respectively, equal to the required contributions for each year. See Note 22 for further detail on the APERS pension plan.

Alternate Retirement Plans: VALIC and Delta Life

Arkansas Tech University Ozark Campus offers two different Alternate Retirement Plans. The Alternate Retirement Plans are defined contribution plans. The plans are 403(b) programs as defined by IRS Code of 1986 as amended, and is administered by the Arkansas State Board of Career Education and the respective plan providers. The administrator provides insurance policies and annuity contracts and when they are issued they become property of the participant. Act 480 of 1983 provides alternative retirement plans, as approved by the Arkansas State Board of Career Education, for the staff members of Arkansas Tech University - Ozark Campus.

Funding Policy: The participants' contributions are tax-sheltered and amount to a minimum of six percent of compensation. Arkansas Tech University's contribution rate is 12 percent. Participants become vested after one year. Arkansas Tech University's contributions to VALIC for Arkansas Tech University - Ozark Campus staff that were employed prior to July 1, 2003 for the years ended June 30, 2015, 2014, and 2013 were $55,041, $64,401, and $67,262, respectively. The participants' contributions for VALIC for the year ended June 30, 2015, 2014, and 2013 were $30,144, $35,126, and $44,199, respectively.

NOTE 14: Employee Retirement Benefits (Continued)

Alternate Retirement Plans: VALIC and Delta Life (Continued)

Arkansas Tech University's contributions to Delta Life for Arkansas Tech University - Ozark Campus staff that were employed prior to July 1, 2003 for the years ended June 30, 2015, 2014, and 2013 were $7,194, $6,890, and $6,755, respectively. The participants' contributions for Delta Life for the year ended June 30, 2015, 2014, and 2013 were $3,592, $3,440, and $3,369, respectively.

At June 30, 2015, the University's accounts payable balance included contributions required for the year ended June 30, 2015 of $2,596 and $583 to VALIC and Delta Life, respectively.

NOTE 15: Postemployment Healthcare and Life Insurance Benefits

Arkansas Tech University implemented GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* during fiscal year 2007-08. This statement calls for the measurement and recognition of the cost of other postemployment benefits ("OPEB") during the period that employees render their services. This statement also requires disclosure of information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The authority under which the plan's benefit provisions are established or amended is the University Board of Trustees. Any amendments to the plan are approved by the Board of Trustees.

Medical Plan Description

The University presently offers a single-employer, defined benefit plan where an employee is eligible to elect medical coverage upon retiring. Eligibility for medical coverage is based on reaching age 60 and the completion of 10 years of service. The University pays the premium for health insurance coverage until the retiree reaches Medicare eligibility. Coverage is also provided to spouses of retirees who are currently receiving benefits. If the retiree predeceases the spouse, coverage for the surviving spouse ceases.

For participants retiring before July 1, 1998, eligibility is based on attainment of age 55 and completion of 20 years of service or completion of 30 years of service at any age. The University pays the premium for health insurance coverage for the lifetime of the retiree.

Additionally, the University has eight employees that participate in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a partial participant in the plan, the University's partial increase in the OPEB liability of $18,227 represents a pro-rata share of the statewide liability which was actuarially determined in accordance with GASB Statement no. 45. Required information and actuarial data of the statewide liability are disclosed in the Arkansas Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Base Plan Summary – Medical/Rx/Dental

1. Deductible	$750 individual coverage $1500 maximum per family per covered year
2. Co-Insurance	80/20% in-network 60/40% out-of-network
3. Stop-loss	$10,000 individual, $20,000 family in-network No out-of-network stop-loss
4. Maximum Out-of-Pocket Expense	$2,750 ($750 deductible + 20% of first $10,000 in charges) per individual.
5. Office Visit Co-Pay	$35 for each office visit In-network General Practitioner, Pediatrician or Family Practitioner (Specialists are subject to deductible)
6. Drug Co-payment	$15/$45/$65 - $15 for generic drugs, $45 for brand name, and $65 for non-preferred brand name. Oral contraceptives are covered.
7. Mail Order	$15/$45/$65 for maintenance drugs A 90 day supply is available for one co-pay through mail order only. Oral contraceptives are covered.
8. Emergency	In case of emergency, the 80% coverage is extended to any hospital or doctor if treated within the first 48 hours and the deductible is waived for that incident.
9. Wellness	Benefit pays 100% for routine physical exams, gynecological exams and preventive child care.
10. Dental Care	Diagnostic & Preventative: No deductible and 100% coverage for routine exams, X-rays, fluoride treatment, prophylaxis and sealants. Basic Services: 80% coverage, after $50 deductible, for basic restorative, endodontics, simple extractions, nonsurgical and oral surgery. Major Services: 50% coverage after $50 deductible for inlays, onlays, crowns, bridges, fixed prosthetics, surgical periodontics and implants. Orthodontic Services: 50% coverage after deductible for diagnostic, active, retention treatment for eligible children under age 19. Maximums: $1,000 per calendar year per member $1,000 orthodontic lifetime max per member

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Life Insurance Plan Description

The University also offers a life insurance plan to retirees. Maximum coverage is the lower of either $50,000 or two times the employee's annual salary. Coverage reduces by 33 1/3% at age 65 and at age 70. Upon retirement, benefits reduce to a maximum of $20,000.

Funding Policy

Expenses for postemployment health care benefits are currently recognized on a pay-as-you-go basis. Although funds have been set aside for the purpose of funding the before-mentioned expenses, these financial statements still assume pay-as-you-go funding, due to the GASB Statement no. 45 requirement that assets can only be considered funded if they are (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. The University paid the employer portion of premiums for the medical and life insurance plans in the amount of $6,006,911 for the year ended June 30, 2015. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled $211,386 for the year ended June 30, 2015.

As part of adopting GASB Statement no. 45, the University accrued $596,589 in additional retiree healthcare expense during the fiscal year 2014-15. The calculation of this amount is shown below.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact Mr. David Moseley, Vice President for Finance and Administration, 1509 North Boulder Avenue, Administration Building Room 207, Russellville, AR 72801.

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Determination of Annual Required Contribution and End of Year Net OPEB Obligation

	Year ended June 30, 2015	Year ended June 30, 2014
Unfunded actuarial accrued liability at July 1	$ 8,907,054	$ 8,907,054
Normal Costs		
Current Year Normal Cost as of July 1	$ 646,222	$ 646,222
Assumed Interest to the End of the Year	45,660	45,660
Current Year Normal Cost as of June 30	**$ 691,882**	**$ 691,882**
Determination of Current Year Amortization Payment		
Amortization Amount as of July 1[1]	**$** 478,370	**$** 478,370
Assumed Interest to the End of the Year	16,914	16,914
Amortization Amount as of June 30	**$ 495,284**	**$ 495,284**
Determination of Annual Required Contribution		
Normal Cost at year end	$ 691,882	$ 691,882
Amortization of UAL	495,284	495,284
Annual Required Contribution (ARC)	**$ 1,187,166**	**$ 1,187,166**
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 1,187,166	$ 1,187,166
Interest on prior year Net OPEB Obligation	176,092	149,572
Adjustment to ARC	(254,586)	(216,244)
Annual OPEB Cost	1,108,672	1,120,494
Contributions made[2]	(512,083)	(457,496)
Increase in Net OPEB Obligation	**$ 596,589**	**$ 662,998**
Net OPEB Obligation – beginning of year	**$ 4,402,305**	**$ 3,739,307**
Net OPEB Obligation – end of year	**$ 4,998,894**	**$ 4,402,305**

[1] The Amortization of UAL was calculated with a level dollar amortization factor of 17.9837 and the maximum permissible amortization period of 30 years.
[2] Actual contributions for postemployment premiums in fiscal year 14-15 were $259,556 plus retiree premium subsidy of $252,527.

ARKANSAS TECH UNIVERSITY

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Contributions Made[4]	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	4.00%	$1,074,940	$453,785	42.20%	$2,591,933
June 30, 2012	4.00%	1,012,153	416,813	41.20%	3,187,273
June 30, 2013	4.00%	1,008,628	456,594	45.27%	3,739,307
June 30, 2014	4.00%	1,120,494	457,496	40.83%	4,402,305
June 30, 2015	4.00%	1,108,672	512,083	46.19%	4,998,894

[4] *Since there is no funding, these are actual payments of $259,556 plus expected retiree subsidy payments of $252,527 for FY 15.*

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Liabilities (AL) [1]	Unfunded Actuarial Liabilities (UAL) [2]	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
July 1, 2007	$0	$9,053,874	$9,053,874	0.0%	$30,325,904	29.9%
July 1, 2009	0	9,092,569	9,092,569	0.0%	38,867,855	23.4%
July 1, 2011	0	8,271,985	8,271,985	0.0%	43,697,419	18.9%
July 1, 2013	0	8,907,054	8,907,054	0.0%	38,259,712	23.3%

[1] *Actuarial liability determined under the entry age normal cost method for July 1, 2007 and the projected unit credit cost method for July 1, 2009, 2011, and 2013.*
[2] *Actuarial accrued liability less actuarial value of assets.*

General Overview of the Valuation Methodology

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in OPEB costs. These gains and losses result from the difference between the actual experience under the plan and what was anticipated by the actuarial assumptions.

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Actuarial Cost Method and Assumptions

The cost of the plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. that are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the plan.

The required schedule of funding progress 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.

Actuarial liabilities and comparative costs shown in this report were computed using the **Projected Unit Credit Actuarial Cost Method**, which consists of the following cost components:

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.

2. **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.

3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.

4. **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB Statement no. 45 of 30 years.

In addition to the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. In the current valuation, the actuarial assumptions used for the calculations of costs and liabilities are as follows:

Measurement Date: Benefit liabilities are valued as of July 1, 2013.

Discount Rate: 4.0% per annum, compounded annually (without prefunding)

Mortality Rates: RP 2000 Combined Mortality Table projected to 2014 using Scale AA. (Pre-retirement and Post-retirement)

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Turnover Rates: Sample rates of employee turnover are illustrated below.

Sample Ages	Years of Service	Male Rates	Female Rates
	0	32.00%	25.00%
	1	15.00%	12.00%
	2	11.00%	9.00%
	3	7.50%	9.00%
	4	5.00%	7.00%
20	5 & Up	4.60%	4.60%
25		4.60%	4.84%
30		3.94%	4.40%
35		3.20%	3.10%
40		2.70%	2.20%
45		2.08%	2.00%
50		1.62%	1.70%
55		1.50%	1.50%
60		1.50%	1.50%
65		1.50%	1.50%

Retirement Rates: Sample rates of retirement are illustrated below.

Ages	Male	Female
60	14%	17%
61	14%	15%
62	28%	25%
63	17%	18%
64	17%	17%
65	27%	38%
66 – 74	30%	30%
75 and over	100%	100%

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

Participation: All eligible members are assumed to elect coverage at retirement.

Marriage: For actives, it is assumed that husbands are three years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse coverage.

Health Care Trend: Claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features and Medicare coordination.

The medical trends are summarized below:

Year	Medical Trend Rates
2014-16	6.60%
2017-20	6.50%
2021-23	6.40%
2024-25	6.30%
2026-27	6.10%
2028-39	6.00%
2040-49	5.30%
2050-74	5.00%
2075-98	4.70%
2099+	4.20%

The dental trends are summarized below:

Year	Dental Trend Rates
2014	5.70%
2015	5.56%
2016	5.42%
2017	5.28%
2018	5.15%
2019	5.01%
2020	4.87%
2021	4.73%
2022	4.59%
2023	4.45%
2024	4.32%
2025	4.18%
2026	4.04%
2027+	3.90%

NOTE 15: Postemployment Healthcare and Life Insurance Benefits (Continued)

<u>Claim Costs at Sample Ages</u>:

Medical

	Medical Retirees		Medical Spouses	
Age	**Male**	**Female**	**Male**	**Female**
60	$8,984	$8,342	$7,237	$7,197
64	11,099	9,953	8,916	8,548
65	3,063	2,961	3,063	2,961
70	3,731	3,536	3,731	3,536
75	4,516	4,192	4,516	4,192
80	5,281	4,848	5,281	4,848
85	6,049	5,553	6,049	5,553

Dental

The annual dental per capita cost is assumed to be $312. It is assumed to increase with dental trend rates.

<u>Administrative Costs</u>: Included in claims.

<u>Life Insurance</u>: Life insurance premiums are $.31 per $1,000 of coverage. Upon retirement, benefits reduce to a maximum amount of $20,000.

<u>Retiree Premiums:</u> Retirees pay the full cost of life insurance premiums (i.e. $.31 per $1,000 of coverage).

Medical + Rx		Dental	
Retirees	**Spouses**	**Retirees**	**Spouses**
$4,609.20	$4,333.20	$312.00	$316.80

<u>Children:</u> Children are not included in our valuation results.

NOTE 16: Risk Management

Due to the diverse risk exposure, the insurance maintained by the University contains a comprehensive variety of coverage. These coverages are outlined as follows:

Items Insured	Coverage	Contributions	Administrator
Buildings	Replacement value or agreed amount ($25,000 deductible for each incident)	N/A	State of Arkansas Multi-Agency Property Program
Contents	Replacement value ($25,000 deductible for each incident.)	N/A	State of Arkansas Multi-Agency Property Program
General liability	N/A	N/A	Arkansas Claims Commission
Automobile fleet	Comprehensive or liability	N/A	State of Arkansas Automobile Insurance Policy
Life insurance program	N/A	50% Employee 50% University	USAble
Health care program	N/A	No employee contribution for individual coverage; entire premium amount for covered dependents.	Arkansas Blue Cross Blue Shield
Workers' compensation	Reimbursement of medical expenses and loss of salary due to job-related injury or illness.	The administrator is reimbursed quarterly for claims paid and administrative expenses	Arkansas Public Employees Claims Division

NOTE 16: Risk Management (Continued)

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by State employees or officials. There is a limit of $250,000 and a $2,500 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the University's State Treasury funds.

The University participates in the Property Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer on behalf of members, a program of insurance to obtain lower costs for property coverage and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The University pays an annual premium for this coverage.

The University participates in the Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow members a means of insuring vehicles. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The University pays an annual premium for this coverage.

The University maintains workers' compensation coverage through the State of Arkansas program, Arkansas Code Annotated § 11-9-305. Annual premiums are based on a formula calculated by the Arkansas Department of Finance and Administration.

Settled claims have not exceeded this 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.

NOTE 17: Natural Classifications with Functional Classifications

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

Functional Classification	Personal Services	Benefits	Scholarships & Fellowships	Supplies & Services	Depreciation & Amortization	Total
Instruction	$ 27,784,560	$ 7,135,662	$ 1,067,925	$ 7,869,053		$ 43,857,200
Research	1,050,766	220,561	3,132	117,926		1,392,385
Public service	24,683	2				24,685
Academic support	3,468,015	999,149		1,415,086		5,882,250
Student services	3,918,357	1,278,152		1,542,423		6,738,932
Institutional support	8,425,281	2,228,810		6,704,436		17,358,527
Operation of plant	2,614,878	1,149,533		4,387,862		8,152,273
Scholarships			15,206,047			15,206,047
Depreciation					$8,253,833	8,253,833
Auxiliary enterprises	3,809,350	1,021,180	1,597,668	11,914,018		18,342,216
Total expenses	$ 51,095,890	$14,033,049	$ 17,874,772	$ 33,950,804	$ 8,253,833	$ 125,208,348

NOTE 18: Disaggregation of Payables

The accounts payable and other liabilities of $5,832,198 consisted of $2,837,050 due to vendors, salaries and other payroll related items, $837,777 of construction contract retainages held, $1,545,075 due for construction contractor payments, and $612,296 due for bond interest.

NOTE 19: Construction Bonds

The University issued $6,000,000 in construction bonds with interest rates from 2.00% to 3.75% on October 1, 2014, for the purpose of the construction of the new Allied Health Building and reroofing the Technology and Academic Support Building, both on the Ozark Campus. The two story Allied Health Building will be 20,273 square feet and will house academic programs, including classrooms, educational labs, offices, a fitness center and a conference room. The Technology and Academic Support Building project is set for completion on December 31, 2015 and the Ozark Allied Health building has an estimated date of completion of February 15, 2016.

NOTE 20: Pledged Revenues

At June 30, 2015, the University's pledged revenues were as follows:

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Housing Bonds-2001	2/1/2001	12/1/2031	Construct Nutt Hall	Housing Fees	$ 9,831,402
Housing Revenue Bonds-2006*	5/1/2006	10/1/2014	Construct Baswell Hall	Housing Fees	9,831,402
Athletic Revenue Bonds-2007	3/1/2007	3/1/2037	Construct athletic facilities & Baswell Hall	Athletic Revenues	5,191,393
Housing Revenue Bonds-2008	2/1/2008	2/1/2038	Renovate Campus Courts and Eastgate Apartments	Housing Fees	9,831,402
Student Fee Revenue Bonds-2008*	4/1/2008	10/1/2014	Construct new Physical Plant Facility	Student Tuition & Fees	61,321,536
Student Fee Revenue Bonds-2008*	12/1/2008	10/1/2014	Construct Advising Center Building	Student Tuition & Fees	61,321,536
Student Fee Revenue Bonds-2008*	12/1/2008	10/1/2014	Construct Ozark Student Services Building	Student Tuition & Fees	61,321,536
Housing Revenue Bonds-2009*	4/1/2009	10/1/2014	Renovate Hughes and Critz Hall	Housing Fees	9,831,402
Student Fee Revenue Bonds-2009*	9/1/2009	10/1/2014	Construct Rothwell Hall, expand Corley & McEver & Lakepoint	Student Tuition & Fees	61,321,536
Student Fee Revenue Bonds-2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Student Tuition & Fees	61,321,536
Auxiliary Revenue Bonds 2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Ozark Bookstore Revenue	870,710
Housing Revenue Bonds 2011	5/1/2011	5/1/2041	Tucker Hall	Housing Fees	9,831,402
Housing Revenue Bonds 2011	12/1/2011	12/1/2041	Construct "M" Street Dorm	Housing Fees	9,831,402
Housing Revenue Bonds 2012A	4/1/2012	3/1/2041	Construct "M" Street Dorm	Housing Fees	9,831,402
Housing Refunding Bonds 2012B	4/1/2012	3/1/2030	Paine Hall	Housing Fees	9,831,402

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NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Housing Refunding Bonds 2012C	4/1/2012	3/1/2037	Construct Baswell Hall	Housing Fees	$9,831,402
Student Fee Revenue Bonds 2012A	5/1/2012	6/1/2042	Renovate Old Art Building	Student Tuition & Fees	61,321,536
Student Fee Refunding Bonds 2012B	5/1/2012	6/1/2033	Construct Art Building	Student Tuition & Fees	61,321,536
Student Fee Refunding Bonds 2012C	5/1/2012	6/1/2029	Construct Hull Building	Student Tuition & Fees	61,321,536
Student Fee Refunding Bonds 2012D	5/1/2012	6/1/2034	Construct Art Building	Student Tuition & Fees	61,321,536
Athletic Revenue Bond 2012	7/1/2012	3/1/2042	Renovate Baseball Field Complex	Athletic Revenue	5,191,393
Auxiliary Revenue Bond 2012	12/1/2012	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,437,126
Auxiliary Revenue Bond 2013	2/1/2013	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,437,126
Auxiliary Revenue Bond 2013A	6/1/2013	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,437,126
Student Fee Revenue Bonds 2013	11/1/2013	12/1/2043	Construct Brown Building	Student Tuition & Fees	61,321,536
Student Fee Refunding Bonds 2014	10/1/2014	11/1/2039	Ozark Student Services Building; Academic Classroom; Physical Plant; Rothwell, McEver & Corley Buildings.	Student Tuition & Fees	61,321,536
Student Fee Revenue Bond 2014	10/1/2014	11/1/2044	Construct Ozark Allied Health Building and reroof Ozark Technology and Academic Support Building.	Student Tuition & Fees	61,321,536
Housing Refunding Bond 2014	10/1/2014	11/1/2039	Baswell Hall, Critz Hall and Hughes Buildings.	Housing Fees	9,831,402

*Bonds were refunded in FY 15.

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2015 PRINCIPAL PAID	FY 2015 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2015	INTEREST OUTSTANDING 6/30/2015
Housing Bonds-2001	$ 10,000,000	$ 265,000	$ 382,840	$ 7,270,000	$ 3,682,121
Housing Revenue Bonds-2006	10,000,000				
Athletic Revenue Bonds-2007	2,720,000	60,000	104,350	2,290,000	1,364,545
Housing Revenue Bonds-2008	1,505,000	35,000	60,714	1,295,000	848,928
Student Fee Revenue Bonds-2008	3,300,000		64,744		
Student Fee Revenue Bonds-2008	3,090,000				
Student Fee Revenue Bonds-2008	2,105,000				
Housing Revenue Bonds-2009	2,150,000		47,416		
Student Fee Revenue Bonds-2009	9,200,000	190,000	199,779		
Student Fee Revenue Bonds-2010	575,000	10,000	21,697	535,000	344,645
Auxiliary Revenue Bonds-2010	1,155,000	25,000	42,555	1,055,000	682,111
Housing Revenue Bonds-2011	2,400,000	50,000	103,362	2,210,000	1,743,278
Housing Revenue Bonds 2011	7,600,000	175,000	307,820	7,255,000	5,242,440
Housing Revenue Bonds 2012A	4,905,000	115,000	181,967	4,675,000	3,053,229
Housing Refunding Bonds 2012B	3,100,000	145,000	87,035	2,665,000	798,353
Housing Refunding Bonds 2012C	1,070,000	30,000	37,012	975,000	511,020

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NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2015 PRINCIPAL PAID	FY 2015 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2015	INTEREST OUTSTANDING 6/30/2015
Student Fee Revenue Bonds 2012A	$ 830,000	$ 20,000	$ 30,018	$ 775,000	$ 516,854
Student Fee Refunding Bonds 2012B	3,355,000	130,000	98,395	2,980,000	1,095,182
Student Fee Refunding Bonds 2012C	4,680,000	235,000	120,545	4,000,000	1,017,772
Student Fee Refunding Bonds 2012D	860,000	30,000	26,893	770,000	314,690
Athletic Revenue Bond 2012	1,500,000	30,000	53,338	1,390,000	920,180
Auxiliary Revenue Bond 2012	2,750,000	65,000	84,653	2,625,000	1,518,668
Auxiliary Revenue Bond 2013	3,250,000	75,000	103,384	3,090,000	1,869,750
Auxiliary Revenue Bond 2013A	1,750,000	35,000	58,415	1,650,000	1,064,407
Student Fee Revenue Bonds 2013	5,000,000	85,000	205,118	4,915,000	3,967,801
Student Fee Refunding Bonds 2014	16,335,000	245,000	310,807	16,090,000	7,727,788
Student Fee Revenue Bonds 2014	6,000,000	45,000	118,719	5,955,000	3,686,050
Housing Refunding Bonds 2014	10,995,000	505,000	211,961	10,490,000	4,741,619

The approximate percentages of revenues pledged for the year ended June 30, 2015 were as follows:
Student tuition and fees – 3.57%
Food service fees – 6.55 %
Housing fees – 27.87%
Athletic revenues – 4.77%
Ozark Auxiliary revenues – 7.76%

NOTE 21: Contingent Liabilities

There is an unasserted claim for personal injury by a student who alleges injury using stretching equipment.

NOTE 22: Pensions

General Information about the Pension Plans

Plan descriptions: Eligible employees of Arkansas Tech University (the University) are provided with pensions through the Arkansas Teacher Retirement System (ATRS), administered by the Arkansas Teacher Retirement System Board of Trustees, and Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System Board of Trustees. ATRS and APERS are cost-sharing, multiple-employer defined benefit plans. Benefit provisions are established and amended by Arkansas Code Title 24.

Each plan issues a publicly available financial report, which may be obtained by contacting the appropriate plan:

**Arkansas Teacher
Retirement System**
1400 West Third Street
Little Rock, AR 72201
(501) 682-1517
https://www.artrs.gov/publications

**Arkansas Public Employees
Retirement System**
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
http://www.apers.org/annualreports/index.php

Benefits Provided: Each plan provides retirement, disability and death benefits and annual adjustments to plan members and beneficiaries, as follows:

APERS

The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The predetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

NOTE 22: Pensions (Continued)

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5-/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

Contributions: Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for each plan are as follows:

APERS

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2015, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 26.76%. Contributions to APERS from the University were $1,364,327 for the year ended June 30, 2015.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978.

The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978, to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

NOTE 22: Pensions (Continued)

ATRS

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2015, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the University were $537,073 for the year ended June 30, 2015.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 6% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members were automatically enrolled as contributory members. Active members as of July 1, 1999 were allowed to make an irrevocable choice between the contributory or noncontributory plan. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable.

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

At June 30, 2015, the University reported liabilities of $10,241,440 ($6,580,919 APERS and $3,660,521 ATRS) for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2014, the University's proportion was 0.1394% for ATRS and 0.4638% for APERS.

For the year ended June 30, 2015, the University recognized a decrease in pension expense of $271,959 for ATRS and $614,428 for APERS. The total pension expense for the year ended June 30, 2015 for ATRS and APERS was $265,114 and $749,899, respectively. For the year ended June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (ATRS - $118,356; APERS - $83,608)		$201,964
Changes of assumptions or other inputs (APERS)	$779,532	
Net differences between projected and actual earnings on pension plan investments (ATRS - $1,573,776; APERS - $2,588,205)		$4,161,981
University's contributions subsequent to the measurement date	$1,901,400	
Total	$2,680,932	$4,363,945

NOTE 22: Pensions (Continued)

$1,901,400 reported as deferred outflows of resources related to pensions resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$(872,333) (APERS - $(453,589); ATRS - $(418,744)
2017	$(872,333) (APERS - $(453,589); ATRS - $(418,744)
2018	$(872,333) (APERS - $(453,589); ATRS - $(418,744)
2019	$(950,258) (APERS - $(531,514); ATRS - $(418,744)
2020	$(17,156) (ATRS)

Actuarial assumptions. The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	ATRS	APERS
Date of actuarial valuation	June 30, 2014	June 30, 2014
Inflation rate	3.25%	3.75%
Salary increases	3.25% to 9.10%, including inflation	3.75% to 10.35%, including inflation
Investment rate of return	8.0%	7.75%
Mortality rates	RP-2000 Mortality table for males and females projected 25 years with scale AA (95% for men and 87% for women)	RP-2000 Combined Healthy mortality table, projected to 2020 using projection scale BB, set forward 2 years for males and 1 year for females.
Actuarial experience study dates	July 1, 2005, through June 30, 2010	July 1, 2007, through June 30, 2012

ATRS

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 were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

NOTE 22: Pensions (Continued)

APERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2014-2023 were provided by the plan's investment consultant(s).

For each major asset class that is included in the pension plans' target asset allocations as of June 30, 2014, these best estimates are summarized in the following tables:

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.00%	4.7%
Global equity	30.00%	5.0%
Fixed income	20.00%	2.0%
Alternatives	5.00%	5.0%
Real assets	15.00%	4.6%
Private equity	10.00%	6.6%
Cash equivalents	0.00%	1.2%

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income domestic	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%

NOTE 22: Pensions (Continued)

Discount rate: The discount rate for each plan was determined as follows:

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

ATRS
The single discount rate was based on the expected rate of return on pension plan investments of 8.00%. 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.

Sensitivity of University's 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 for each plan calculated using the discount rate stated above, as well as what the University's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current discount rate	1% Increase
ATRS – Current discount rate 8.00%	$6,549,008	$3,660,521	$1,230,330
APERS – Current discount rate 7.75%	$11,807,541	$6,580,919	$2,226,214

Pension plan fiduciary net position: Detailed information about each pension plan's fiduciary net position is available in the separately issued financial report of each plan.

At June 30, 2015, the University's accounts payable balance included contributions required for the year ended June 30, 2015 of $19,339 and $12,068 to ATRS and APERS, respectively.

NOTE 23: Refunding of Bonds

On October 1, 2014, the University issued Housing Refunding Bonds in the amount of $10,995,000 with interest rates of 2.00% to 3.75% to refund $10,500,000 of outstanding bonds dated May 1, 2006, and April 1, 2009, respectively, with interest rates of 2.50% to 5.38%. Net proceeds of $10,722,930 were deposited with the trustee for the refunding. This was net of $145,782 paid in bond issuance costs, a premium of $166,172, establishment of other trustee accounts of $385,535 (including $22,206 accrued interest), and transfers from prior debt service reserves of $70,869. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $214,560. The bonds were called on October 23, 2014. The University refunded the bonds to reduce its total gross debt service payments by $1,558,703 over 25 years and obtain an economic gain of $1,399,437. The University received accrued interest of $22,206 from the bond issue to apply toward the debt payments of the new issue.

On October 1, 2014, the University issued Student Fee Refunding Revenue Bonds in the amount of $16,335,000 with interest rates of 2.00% to 3.75% to refund $15,935,000 of outstanding bonds dated April 1, 2008, December 1, 2008, and September 1, 2009, respectively, with interest rates of 2.35% to 5.75%. Net proceeds of $16,138,806 were deposited with the trustee for the refunding. This was net of $213,281 paid in bond issuance costs, a discount of $52,476, establishment of other trustee accounts of $552,043 (including $32,561 accrued interest), and transfers from prior debt service reserves of $589,045. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $236,367. The bonds were called on October 23, 2014. The University refunded the bonds to reduce its total gross debt service payments by $3,779,110 over 25 years and obtain an economic gain of $2,565,168. The University received accrued interest of $32,561 from the bond issue to apply toward the debt payments of the new issue.

NOTE 24: Subsequent Events

On June 10, 2015, the Board of Trustees approved the issuance of Student Fee Revenue Improvement Bonds in the amount of $2,000,000. The Bonds will be used to replace and upgrade equipment in the University's computer center. The bonds are expected to be issued on November 3, 2015.

The University made an error in matching employee retirement after the passage of Act 513 of 2011. Therefore, a prior year correction in the amount of $46,422 will be made in fiscal year 2015-16.

N0TE 25: Prior Year Restatement

Due to GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*, as amended that was implemented in fiscal year 2014-15, the beginning fund balance on the Statement of Revenues, Expenses, and Changes in Net Position was restated by $12,810,840.

Postemployment Healthcare and Life Insurance Benefits

Arkansas Tech University implemented GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* during fiscal year 2007-08. This statement calls for the measurement and recognition of the cost of other postemployment benefits ("OPEB") during the period that employees render their services. This statement also requires disclosure of information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The authority under which the plan's benefit provisions are established or amended is the University Board of Trustees. Any amendments to the plan are approved by the Board of Trustees.

Medical Plan Description

The University presently offers a single-employer, defined benefit plan where an employee is eligible to elect medical coverage upon retiring. Eligibility for medical coverage is based on reaching age 60 and the completion of 10 years of service. The University pays the premium for health insurance coverage until the retiree reaches Medicare eligibility. Coverage is also provided to spouses of retirees who are currently receiving benefits. If the retiree predeceases the spouse, coverage for the surviving spouse ceases.

For participants retiring before July 1, 1998, eligibility is based on attainment of age 55 and completion of 20 years of service or completion of 30 years of service at any age. The University pays the premium for health insurance coverage for the lifetime of the retiree.

Additionally, the University has eight employees that participate in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a partial participant in the plan, the University's partial increase in the OPEB liability of $18,227 represents a pro-rata share of the statewide liability which was actuarially determined in accordance with GASB Statement no. 45. Required information and actuarial data of the statewide liability are disclosed in the Arkansas Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

Base Plan Summary – Medical/Rx/Dental

1. Deductible	$750 individual coverage $1500 maximum per family per covered year
2. Co-Insurance	80/20% in-network 60/40% out-of-network
3. Stop-loss	$10,000 individual, $20,000 family in-network No out-of-network stop-loss
4. Maximum Out-of-Pocket Expense	$2,750 ($750 deductible + 20% of first $10,000 in charges) per individual.
5. Office Visit Co-Pay	$35 for each office visit In-network General Practitioner, Pediatrician or Family Practitioner (Specialists are subject to deductible)
6. Drug Co-payment	$15/$45/$65 - $15 for generic drugs, $45 for brand name, and $65 for non-preferred brand name. Oral contraceptives are covered.
7. Mail Order	$15/$45/$65 for maintenance drugs A 90 day supply is available for one co-pay through mail order only. Oral contraceptives are covered.
8. Emergency	In case of emergency, the 80% coverage is extended to any hospital or doctor if treated within the first 48 hours and the deductible is waived for that incident.
9. Wellness	Benefit pays 100% for routine physical exams, gynecological exams and preventive child care.
10. Dental Care	Diagnostic & Preventative: No deductible and 100% coverage for routine exams, X-rays, fluoride treatment, prophylaxis and sealants. Basic Services: 80% coverage, after $50 deductible, for basic restorative, endodontics, simple extractions, nonsurgical and oral surgery. Major Services: 50% coverage after $50 deductible for inlays, onlays, crowns, bridges, fixed prosthetics, surgical periodontics and implants. Orthodontic Services: 50% coverage after deductible for diagnostic, active, retention treatment for eligible children under age 19. Maximums: $1,000 per calendar year per member $1,000 orthodontic lifetime max per member

Life Insurance Plan Description

The University also offers a life insurance plan to retirees. Maximum coverage is the lower of either $50,000 or two times the employee's annual salary. Coverage reduces by 33 1/3% at age 65 and at age 70. Upon retirement, benefits reduce to a maximum of $20,000.

Funding Policy

Expenses for postemployment health care benefits are currently recognized on a pay-as-you-go basis. Although funds have been set aside for the purpose of funding the before-mentioned expenses, these financial statements still assume pay-as-you-go funding, due to the GASB Statement no. 45 requirement that assets can only be considered funded if they are (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. The University paid the employer portion of premiums for the medical and life insurance plans in the amount of $6,006,911 for the year ended June 30, 2015. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled $211,386 for the year ended June 30, 2015.

As part of adopting GASB Statement no. 45, the University accrued $596,589 in additional retiree healthcare expense during the fiscal year 2014-15. The calculation of this amount is shown below.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact Mr. David Moseley, Vice President for Finance and Administration, 1509 North Boulder Avenue, Administration Building Room 207, Russellville, AR 72801.

Determination of Annual Required Contribution and End of Year Net OPEB Obligation

	Year ended June 30, 2015	Year ended June 30, 2014
Unfunded actuarial accrued liability at July 1	$ 8,907,054	$ 8,907,054
Normal Costs		
Current Year Normal Cost as of July 1	$ 646,222	$ 646,222
Assumed Interest to the End of the Year	45,660	45,660
Current Year Normal Cost as of June 30	**$ 691,882**	**$ 691,882**
Determination of Current Year Amortization Payment		
Amortization Amount as of July 1[1]	**$** 478,370	**$** 478,370
Assumed Interest to the End of the Year	16,914	16,914
Amortization Amount as of June 30	**$ 495,284**	**$ 495,284**
Determination of Annual Required Contribution		
Normal Cost at year end	$ 691,882	$ 691,882
Amortization of UAL	495,284	495,284
Annual Required Contribution (ARC)	**$ 1,187,166**	**$ 1,187,166**
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 1,187,166	$ 1,187,166
Interest on prior year Net OPEB Obligation	176,092	149,572
Adjustment to ARC	(254,586)	(216,244)
Annual OPEB Cost	1,108,672	1,120,494
Contributions made[2]	(512,083)	(457,496)
Increase in Net OPEB Obligation	**$ 596,589**	**$ 662,998**
Net OPEB Obligation – beginning of year	**$ 4,402,305**	**$ 3,739,307**
Net OPEB Obligation – end of year	**$ 4,998,894**	**$ 4,402,305**

[1] The Amortization of UAL was calculated with a level dollar amortization factor of 17.9837 and the maximum permissible amortization period of 30 years.
[2] Actual contributions for postemployment premiums in fiscal year 14-15 were $259,556 plus retiree premium subsidy of $252,527.

Schedule of Employer Contributions

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Contributions Made[4]	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	4.00%	$1,074,940	$453,785	42.20%	$2,591,933
June 30, 2012	4.00%	1,012,153	416,813	41.20%	3,187,273
June 30, 2013	4.00%	1,008,628	456,594	45.27%	3,739,307
June 30, 2014	4.00%	1,120,494	457,496	40.83%	4,402,305
June 30, 2015	4.00%	1,108,672	512,083	46.19%	4,998,894

[4]*Since there is no funding, these are actual payments of $259,556 plus expected retiree subsidy payments of $252,527 for FY 15.*

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Liabilities (AL) [1]	Unfunded Actuarial Liabilities (UAL) [2]	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
July 1, 2007	$0	$9,053,874	$9,053,874	0.0%	$30,325,904	29.9%
July 1, 2009	0	9,092,569	9,092,569	0.0%	38,867,855	23.4%
July 1, 2011	0	8,271,985	8,271,985	0.0%	43,697,419	18.9%
July 1, 2013	0	8,907,054	8,907,054	0.0%	38,259,712	23.3%

[1] *Actuarial liability determined under the entry age normal cost method for July 1, 2007 and the projected unit credit cost method for July 1, 2009, 2011, and 2013.*
[2] *Actuarial accrued liability less actuarial value of assets.*

General Overview of the Valuation Methodology

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in OPEB costs. These gains and losses result from the difference between the actual experience under the plan and what was anticipated by the actuarial assumptions.

Actuarial Cost Method and Assumptions

The cost of the plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. that are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the plan.

The required schedule of funding progress 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.

Actuarial liabilities and comparative costs shown in this report were computed using the **Projected Unit Credit Actuarial Cost Method**, which consists of the following cost components:

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.

2. **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.

3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.

4. **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB Statement no. 45 of 30 years.

In addition to the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. In the current valuation, the actuarial assumptions used for the calculations of costs and liabilities are as follows:

Measurement Date: Benefit liabilities are valued as of July 1, 2013.

Discount Rate: 4.0% per annum, compounded annually (without prefunding)

Mortality Rates: RP 2000 Combined Mortality Table projected to 2014 using Scale AA. (Pre-retirement and Post-retirement)

Turnover Rates: Sample rates of employee turnover are illustrated below.

Sample Ages	Years of Service	Male Rates	Female Rates
	0	32.00%	25.00%
	1	15.00%	12.00%
	2	11.00%	9.00%
	3	7.50%	9.00%
	4	5.00%	7.00%
20	5 & Up	4.60%	4.60%
25		4.60%	4.84%
30		3.94%	4.40%
35		3.20%	3.10%
40		2.70%	2.20%
45		2.08%	2.00%
50		1.62%	1.70%
55		1.50%	1.50%
60		1.50%	1.50%
65		1.50%	1.50%

Retirement Rates: Sample rates of retirement are illustrated below.

Ages	Male	Female
60	14%	17%
61	14%	15%
62	28%	25%
63	17%	18%
64	17%	17%
65	27%	38%
66 – 74	30%	30%
75 and over	100%	100%

Participation: All eligible members are assumed to elect coverage at retirement.

Marriage: For actives, it is assumed that husbands are three years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse coverage.

Health Care Trend: Claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features and Medicare coordination.

The medical trends are summarized below:

Year	Medical Trend Rates
2014-16	6.60%
2017-20	6.50%
2021-23	6.40%
2024-25	6.30%
2026-27	6.10%
2028-39	6.00%
2040-49	5.30%
2050-74	5.00%
2075-98	4.70%
2099+	4.20%

The dental trends are summarized below:

Year	Dental Trend Rates
2014	5.70%
2015	5.56%
2016	5.42%
2017	5.28%
2018	5.15%
2019	5.01%
2020	4.87%
2021	4.73%
2022	4.59%
2023	4.45%
2024	4.32%
2025	4.18%
2026	4.04%
2027+	3.90%

<u>Claim Costs at Sample Ages</u>:

Medical

	Medical Retirees		Medical Spouses	
Age	**Male**	**Female**	**Male**	**Female**
60	$8,984	$8,342	$7,237	$7,197
64	11,099	9,953	8,916	8,548
65	3,063	2,961	3,063	2,961
70	3,731	3,536	3,731	3,536
75	4,516	4,192	4,516	4,192
80	5,281	4,848	5,281	4,848
85	6,049	5,553	6,049	5,553

Dental

The annual dental per capita cost is assumed to be $312. It is assumed to increase with dental trend rates.

<u>Administrative Costs</u>: Included in claims.

<u>Life Insurance</u>: Life insurance premiums are $.31 per $1,000 of coverage. Upon retirement, benefits reduce to a maximum amount of $20,000.

<u>Retiree Premiums:</u> Retirees pay the full cost of life insurance premiums (i.e. $.31 per $1,000 of coverage).

Medical + Rx		Dental	
Retirees	**Spouses**	**Retirees**	**Spouses**
$4,609.20	$4,333.20	$312.00	$316.80

<u>Children:</u> Children are not included in our valuation results.

Schedule of the University's Proportionate Share of the Net Pension Liability
Arkansas Teacher Retirement System

	2015
University's proportion of the net pension liability (asset)	0.1394%
University's proportionate share of the net pension liability	$3,660,521
University's covered-employee payroll	$4,055,605
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.26%
Plan fiduciary net position as a percentage of the total pension liability	84.98%

Schedule of the University's Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System

	2015
University's proportion of the net pension liability (asset)	0.4638%
University's proportionate share of the net pension liability	$6,580,919
University's covered-employee payroll	$8,193,338
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.32%
Plan fiduciary net position as a percentage of the total pension liability	84.15%

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

Schedule of University Contributions
Arkansas Teacher Retirement System

	2015
Contractually required contribution	$537,073
Contributions in relation to contractually required contribution	(537,073)
Contribution deficiency (excess)	0
University's covered-employee payroll	$4,038,042
Contributions as a percentage of covered-employee payroll	13.30%

Schedule of University Contributions
Arkansas Public Employees Retirement System

	2015
Contractually required contribution	$1,364,327
Contributions in relation to contractually required contribution	(1,364,327)
Contribution deficiency (excess)	0
University's covered-employee payroll	$9,656,781
Contributions as a percentage of covered-employee payroll	14.13%

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

Schedule 1

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

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Total Assets and Deferred Outflows	$ 230,566,875	$ 214,537,895	$ 200,067,060	$ 184,302,557	$ 162,389,314
Total Liabilities and Deferred Inflows	116,657,301	95,228,003	90,954,358	82,444,293	70,305,571
Total Net Position	113,909,574	119,309,892	109,112,702	101,858,264	92,083,743
Total Operating Revenues	77,383,271	72,985,618	69,365,700	66,521,807	59,694,389
Total Operating Expenses	125,208,348	120,210,218	114,481,602	111,430,165	104,155,653
Total Net Non-Operating Revenues	54,416,642	53,259,131	52,728,071	52,902,167	54,683,562
Total Other Revenues, Expenses, Gains or Losses	818,957	4,162,659	849,095	1,780,712	1,218,831