Arkansas Tech University

Russellville, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE

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BASIC FINANCIAL STATEMENTS

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas 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, 2016, 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, 2016, 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.

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Emphasis of Matter

As discussed in Notes 1 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement no. 72, *Fair Value Measurement and Application*, during the year ended June 30, 2016. No restatement of the University's beginning net position was required due to the adoption of this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 18, 2015. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-13, 63-69, and 69-70 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 October 27, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
October 27, 2016
EDHE13016

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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 27, 2016. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 27, 2016.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
October 27, 2016

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, 2016, 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 2015	Fall Term 2015	Spring Term 2016	Summer I Term 2016
Student Headcount	1,567	12,053	10,686	2,350
Student Semester Credit Hours	6,435	131,062	114,810	11,572

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
October 27, 2016

ARKANSAS TECH UNIVERSITY

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 2015-16. 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, 2016. 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 completed its fiscal year with positive net results due in part from its growth. The University's Fall 2015 enrollment grew to 12,054 and marked the seventeenth consecutive year the University experienced an increased enrollment. Due to the increased student population, many of the University's services and facilities were utilized to capacity.

We remain challenged during FY 15-16 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*, as amended. This has impacted our Net Position. Please refer to Note 22 for a detailed analysis of this required change.

Due to the net impact of the student population growth and prudent management of resources, the following FY15-16 financial results occurred:

- Transfer $871,810 to Infrastructure Reserves.
- Transfer $348,881 to Funded Depreciation.
- Campus construction and renovations of $19,026,850.
- Purchase $1,600,944 in capital equipment.
- Fund $2,984,272 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 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.

Condensed Statement of Net Position (Continued)

Condensed Statement of Net Position	June 30, 2016	June 30, 2015
Assets:		
Current assets	$ 58,725,620	$ 58,208,704
Noncurrent assets	33,125,082	37,863,233
Capital assets, net	140,447,435	130,972,676
Total Assets	232,298,137	227,044,613
Deferred Outflows of Resources	6,167,019	3,522,262
Total Assets and Deferred Outflows of Resources	238,465,156	230,566,875
Liabilities:		
Current liabilities	11,982,743	11,213,551
Noncurrent liabilities	105,024,464	101,079,805
Total Liabilities	117,007,207	112,293,356
Deferred Inflows of Resources	2,448,458	4,363,945
Total Liabilities and Deferred Inflows of Resources	119,455,665	116,657,301
Net Position:		
Net Investment in Capital Assets	54,317,684	43,193,724
Restricted - expendable	8,206,178	11,501,626
Restricted - nonexpendable	311,411	313,601
Unrestricted	56,174,218	58,900,623
Total Net Position	$ 119,009,491	$ 113,909,574

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, 2016	June 30, 2015
Operating revenues	$ 80,684,954	$ 77,383,271
Operating expenses	(130,738,612)	(125,208,348)
Operating loss	(50,053,658)	(47,825,077)
Nonoperating revenues and expenses	52,929,085	54,416,642
Income (loss) before other revenues, expenses, gains, or losses	2,875,427	6,591,565
Other revenues, expenses, gains or losses	2,224,490	818,957
Increase (Decrease) in Net Position	5,099,917	7,410,522
Net Position at beginning of year as originally stated	113,909,574	119,309,892
Restatement of prior year balance		(12,810,840)
Net Position at beginning of year restated	113,909,574	106,499,052
Net Position at end of year	$ 119,009,491	$ 113,909,574

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, 2016	June 30, 2015
Cash provided (used) by:		
Operating activities	$ (40,399,504)	$ (38,020,731)
Noncapital financing activities	56,080,639	56,608,188
Capital and related financing activities	(17,002,106)	(14,871,976)
Investing activities	2,791,717	(4,183,740)
Net Change in Cash	1,470,746	(468,259)
Cash, beginning of year	71,567,214	72,035,473
Cash, end of year	$ 73,037,960	$ 71,567,214

Capital Asset and Debt Administration

At June 30, 2016, the University had $252,695,985 invested in capital assets, less accumulated depreciation of $112,248,550. Depreciation charges total $9,416,414 for the current fiscal year. Details of these assets are shown below.

Capital Assets (Net)	June 30, 2016	June 30, 2015
Land, improvements, and infrastructure	$ 13,826,403	$ 13,332,101
Buildings	114,532,644	97,513,718
Construction in progress	7,733,164	16,063,421
Furniture, fixtures, and equipment	2,743,128	2,059,666
Intangible asset		13,333
Capital lease	271,790	379,879
Library holdings	1,070,597	1,087,680
Livestock for educational purposes	269,709	522,878
Total	$ 140,447,435	$ 130,972,676

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

	June 30, 2016	June 30, 2015
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
Brown Building—Bond Issue, University Funds	$13,762,455	
Chambers Cafeteria Generator Project – University Funds	330,838	
Corley Building Generator Project – University Funds	351,112	
Morton Hall Renovation – University Funds	805,847	
Paine Hall HVAC & Reroof—University Funds	708,325	
Young Building Reroof—University Funds	670,681	
Ozark TAS Building Reroof —University Funds	777,308	
Ozark Allied Health Building – Bond Issue	4,621,651	
Total	$ 22,028,217	$ 2,095,278

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

Capital Asset and Debt Administration (Continued)

Debt

At June 30, 2016, the University had $84,830,027 in debt outstanding versus $85,643,257 the previous year. Principal payments made on debt during the year were $2,807,213. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt	June 30, 2016	June 30, 2015
Educational and general revenue bonds	$ 36,865,000	$ 36,020,000
Auxiliary facility revenue bonds	47,440,000	48,935,000
Capital lease obligations	398,290	546,124
Installment contract	1,945	11,324
Unamortized bond discount	(88,072)	(91,593)
Unamortized bond premium	212,864	222,402
Total	$ 84,830,027	$ 85,643,257

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. The fiscal year ended June 30, 2016 marked the seventeenth consecutive year that the University experienced enrollment growth. However, the University did have a slight decrease in Fall 2016 enrollment. The University is addressing this dip in headcount with student recruitment, retention, and success initiatives. We will continue to monitor our efforts and bring innovative programs to our students while we exercise prudent financial management. We remain optimistic for the University's operations during fiscal year 2016-17. The Administration will continue to manage resources and make adjustments as necessary to assure the continued financial integrity of Arkansas Tech University.

Bernadette Hinkle
Vice President for Administration and Finance

ARKANSAS TECH UNIVERSITY

COMPARATIVE STATEMENT OF NET POSITION

JUNE 30, 2016

Exhibit A

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 51,403,414	$ 46,580,981
Short-term investments	320,152	5,319,196
Accounts receivable (less allowances of $436,858 and $364,258, respectively)	5,017,681	4,382,477
Notes receivable (less allowances of $33,711 and $50,475, respectively)	46,724	69,449
Inventories	741,984	698,226
Prepaid expenses	1,195,665	1,158,375
Total Current Assets	58,725,620	58,208,704
Noncurrent Assets:		
Cash and cash equivalents	21,634,546	24,986,233
Deposits with trustee	3,459,505	7,231,617
Endowment investments	3,207,872	3,319,397
Investments	3,857,334	1,392,866
Notes receivable (less allowances of $695,767 and $676,913, respectively)	964,800	931,175
Prepaid expenses	1,025	1,945
Capital assets (net of accumulated depreciation of $112,248,550 and $102,985,515, respectively)	140,447,435	130,972,676
Total Noncurrent Assets	173,572,517	168,835,909
TOTAL ASSETS	232,298,137	227,044,613
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources-Refunding	797,767	841,330
Deferred Outflows of Resources-Pensions	5,369,252	2,680,932
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,167,019	3,522,262
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 238,465,156	$ 230,566,875
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 3,842,529	$ 4,994,421
Bonds, installment contracts, and leases payable	3,239,268	2,814,154
Compensated absences payable	732,382	579,294
Unearned revenue	3,461,751	2,085,430
Funds held in trust for others	695,716	675,352
Other liabilities	11,097	64,900
Total Current Liabilities	11,982,743	11,213,551
Noncurrent Liabilities:		
Accounts payable and accrued liabilities	821,558	837,777
Bonds, installment contracts, and leases payable	81,590,759	82,829,103
Compensated absences	1,421,684	1,231,000
Net other postemployment benefit liability	5,718,514	4,998,894
Net pension liability	14,544,634	10,241,440
Refundable federal advances	927,315	941,591
Total Noncurrent Liabilities	105,024,464	101,079,805
TOTAL LIABILITIES	117,007,207	112,293,356
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources-Pensions	2,448,458	4,363,945
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 119,455,665	$ 116,657,301

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit A

	June 30, 2016	June 30, 2015
NET POSITION		
Net Investment in capital assets:	$ 54,317,684	$ 43,193,724
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	155,929	155,929
Loans	155,482	157,672
Expendable:		
Scholarships and fellowships	472,760	470,278
Capital projects	513,982	4,126,275
Debt service	3,953,471	3,537,322
Education and general departments	3,265,965	3,367,751
Unrestricted:	56,174,218	58,900,623
TOTAL NET POSITION	119,009,491	113,909,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, and NET POSITION	$ 238,465,156	$ 230,566,875

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

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2016 AND 2015

Exhibit A-1

	June 30, 2016	June 30, 2015
ASSETS		
Cash and cash equivalents	$ 1,193,637	$ 935,897
Unconditional promises to give, net	57,568	127,531
Investments:		
Marketable securities	21,455,181	21,393,353
Annuities	351,071	367,708
Limited partnership	1,819,022	1,627,709
Total investments	23,625,274	23,388,770
TOTAL ASSETS	$ 24,876,479	$ 24,452,198
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 8,031	$ 4,191
University funds under management	3,167,871	3,319,397
Reserve for annuities payable	69,604	73,741
Total Liabilities	3,245,506	3,397,329
Net Assets:		
Unrestricted	2,917,725	4,162,899
Temporarily restricted	5,350,460	4,443,808
Permanently restricted	13,362,788	12,448,162
Total Net Assets	21,630,973	21,054,869
TOTAL LIABILITIES and NET ASSETS	$ 24,876,479	$ 24,452,198

Exhibit A-2

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets:		
Rent receivable (less allowances of $4,032 and $2,603, respectively)	$ 36,286	$ 23,427
Unrestricted cash	573	573
Total Current Assets	36,859	24,000
Restricted cash and cash equivalents	5,046,079	4,576,851
Property and equipment at cost:		
Property and equipment	8,102,053	7,910,445
Less accumulated depreciation	3,536,875	3,238,722
Net property and equipment	4,565,178	4,671,723
Other Assets:		
Unamortized debt issuance cost	170,002	183,604
Unamortized debt discount	195,497	210,587
Total Other Assets	365,499	394,191
TOTAL ASSETS	$ 10,013,615	$ 9,666,765
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	$ 330,000	$ 320,000
Accounts payable	6,887	124,287
Security deposits	73,500	80,000
Accrued interest	18,113	18,624
Total Current Liabilities	428,500	542,911
Long-term debt	5,370,000	5,700,000
Unrestricted net assets	4,215,115	3,423,854
TOTAL LIABILITIES AND NET ASSETS	$ 10,013,615	$ 9,666,765

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

	Year Ended June 30, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $25,916,309 and $25,595,957, respectively)	$ 37,702,326	$ 35,725,579
Federal grants and contracts	2,310,582	2,373,662
State and local grants and contracts	13,000,630	12,942,316
Non-governmental grants and contracts	6,137,755	5,803,611
Sales and services of educational departments	1,955,976	1,638,097
Auxiliary enterprises:		
Athletics (net of scholarship allowances of $1,035,390 and $999,463, respectively)	4,481,831	4,191,930
Residence life (net of scholarship allowances of $4,222,083 and $4,097,219, respectively)	6,142,168	5,734,183
Bookstore	2,813,284	3,284,581
Food service (net of scholarship allowances of $2,835,520 and $2,799,725, respectively)	3,811,677	3,645,816
Health Services	1,006,868	887,611
Other operating revenues	1,321,857	1,155,885
TOTAL OPERATING REVENUES	80,684,954	77,383,271
OPERATING EXPENSES		
Personal services	53,261,026	51,095,890
Benefits	15,544,600	14,033,049
Scholarships and fellowships	16,400,788	17,874,772
Supplies and services	36,115,784	33,950,804
Depreciation	9,416,414	8,253,833
TOTAL OPERATING EXPENSES	130,738,612	125,208,348
OPERATING INCOME (LOSS)	(50,053,658)	(47,825,077)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	35,767,747	35,644,786
Governmental grants	20,301,481	21,132,338
Investment income (net of investment expense of $11,925 and $10,420, respectively)	114,508	495,340
Interest on capital asset - related debt	(3,135,332)	(2,921,147)
Bond issuance costs	(50,932)	(438,055)
Paying agents fees capital asset related debt	(52,992)	(43,450)
Gain or (loss) on disposal of capital assets	(2,242)	557,965
Other revenues (expenses)	(13,153)	(11,135)
NET NONOPERATING REVENUES (EXPENSES)	52,929,085	54,416,642
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	2,875,427	6,591,565
Capital appropriations	2,107,422	268,435
Capital grants and gifts	125,878	340,953
Additions to endowments	518	444
Increase (decrease) in valuation of livestock	(261,647)	152,753
Adjustments to prior year revenues and expenses	113,014	(57,440)
Other	139,305	113,812
INCREASE (DECREASE) IN NET POSITION	5,099,917	7,410,522
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED	113,909,574	119,309,892
Restatement of prior year balance		(12,810,840)
NET POSITION - BEGINNING OF YEAR RESTATED	113,909,574	106,499,052
NET POSITION - END OF YEAR	$ 119,009,491	$ 113,909,574

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

Exhibit B-1

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support revenues and reclassifications:								
Contributions and revenues	$ 281,431	$ 1,675,561	$ 897,784	$ 2,854,776	$ 277,315	$ 1,267,415	$ 1,597,021	$ 3,141,751
Investment income	(734,719)	215,274	11,935	(507,510)	222,052	270,006	11,208	503,266
Net assets released from restrictions:								
Satisfaction of program or time restrictions	984,183	(984,183)			1,080,208	(1,080,208)		
Total public support, revenues and reclassifications	530,895	906,652	909,719	2,347,266	1,579,575	457,213	1,608,229	3,645,017
Expenses								
Scholarships	461,350			461,350	333,199			333,199
Capital outlay	147,838			147,838	239,963			239,963
Supplies	145,756			145,756	135,934			135,934
Professional fees and services	163,772			163,772	241,321			241,321
Travel and travel items	180,633			180,633	172,356			172,356
Printing	85,605			85,605	34,553			34,553
Salaries and benefits	116,551			116,551	168,865			168,865
Investment fees	63,974			63,974	65,162			65,162
Annuity benefits	15,362			15,362	15,118			15,118
Fundraising	165,535			165,535	141,719			141,719
Other	224,786			224,786	159,849			159,849
Total expenses	1,771,162			1,771,162	1,708,039			1,708,039
Changes in net assets	(1,240,267)	906,652	909,719	576,104	(128,464)	457,213	1,608,229	1,936,978
Net assets at beginning of year	4,162,899	4,443,808	12,448,162	21,054,869	4,370,681	3,986,595	10,760,615	19,117,891
Reclassifications and internal transfers	(4,907)		4,907		(79,318)		79,318	
Net assets at end of year	$ 2,917,725	$ 5,350,460	$ 13,362,788	$ 21,630,973	$ 4,162,899	$ 4,443,808	$ 12,448,162	$ 21,054,869

ARKANSAS TECH UNIVERSITY
ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

Exhibit B-2

	Year Ended June 30, 2016	Year Ended June 30, 2015
Income:		
Rental	$ 1,660,966	$ 1,532,515
Investment	34,797	31,378
Other	3,255	3,889
Total Income	1,699,018	1,567,782
Expenses:		
Audit and professional	11,500	6,000
Maintenance and repairs	130,437	109,644
Pest control	2,025	1,605
Utilities	158,473	152,944
Insurance	33,925	34,878
Depreciation and amortization	337,132	299,670
Interest expense	220,928	225,931
Bad debts expense (recovery)	4,262	4,359
Bond trustee fees	4,564	4,697
Administrative cost - Arkansas Tech University	45,371	42,752
Miscellaneous	1,337	4,151
Total expenses	949,954	886,631
Increase in unrestricted net assets before allocation to Arkansas Tech University	749,064	681,151
Allocation to (received from) Arkansas Tech University	(42,197)	233,979
Increase in unrestricted net assets	791,261	447,172
Unrestricted net assets at beginning of year	3,423,854	2,976,682
Unrestricted net assets at end of year	$ 4,215,115	$ 3,423,854

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash Flows From Operating Activities		
Tuition and fees	$ 37,916,317	$ 36,367,327
Grants and contracts	21,882,317	21,088,567
Payments to suppliers	(37,332,519)	(32,696,360)
Payments for personal services	(52,917,255)	(51,120,749)
Payments for benefits	(15,081,237)	(14,322,847)
Payments for scholarships and fellowships	(16,400,788)	(17,874,772)
Auxiliary Enterprise:		
Residential life	6,142,168	5,734,183
Food service	3,811,677	3,645,816
Bookstore	2,813,284	3,284,581
Athletics	4,481,831	4,191,930
Health services	1,006,868	887,611
Sales and service of educational departments	1,955,976	1,638,097
Other receipts (payments)	1,321,857	1,155,885
Net Cash Provided (Used) by Operating Activities	(40,399,504)	(38,020,731)
Cash Flows From Noncapital Financing Activities:		
State appropriations	35,767,747	35,644,786
Direct lending receipts	43,461,080	43,368,242
Direct lending payments	(43,460,556)	(43,367,607)
Noncapital grants and gifts received	20,301,481	21,132,338
Principal paid on non-capital debt	(9,379)	(99,593)
Interest paid on non-capital debt	(93)	(2,497)
Additions to endowment funds	518	444
Student organization/agency transactions (net)	19,841	(67,925)
Net Cash Provided (Used) by Noncapital Financing Activities	56,080,639	56,608,188
Cash Flows From Capital and Related Financing Activities:		
Capital appropriations	2,107,422	268,435
Capital grants and gifts received	120,728	82,713
Purchases of capital assets	(12,948,291)	(2,488,503)
Proceeds from sale of capital assets		1,080,633
Construction in progress expenditures	(5,996,115)	(13,895,810)
Distributions from trustee of bond proceeds and interest earnings	5,719,387	6,018,702
Payments to bond trustees for bond principal	(2,650,000)	(2,600,000)
Payments to bond trustees for interest and fees	(3,189,287)	(2,988,504)
Principal paid on capital debt leases	(147,834)	(321,683)
Interest paid on capital debt leases	(18,116)	(27,959)
Net Cash Provided (Used) by Capital and Related Financing Activities	(17,002,106)	(14,871,976)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	5,320,152	742,939
Purchase of investments	(2,745,577)	(5,319,993)
Investment income	217,142	393,314
Net Cash Provided (Used) by Investing Activities	2,791,717	(4,183,740)
Net increase in cash	1,470,746	(468,259)
Cash - beginning of the year	71,567,214	72,035,473
Cash - end of year	$ 73,037,960	$ 71,567,214

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:				
Operating income (loss)	$	(50,053,658)	$	(47,825,077)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation expense		9,416,414		8,253,833
Receivables		(674,527)		82,751
Credit memos		(9,760)		(126,127)
Inventories		(43,758)		63,198
Prepaid expenses		(36,371)		128,739
Payables		(1,083,050)		1,158,149
Unapplied student aid		(54,364)		59,935
Unclaimed property		561		(12,721)
Unearned revenue		1,376,231		511,246
Compensated absences		343,771		(24,859)
Other postemployment benefits		719,620		596,589
Pension liability		(300,613)		(886,387)
Net cash provided (used) by operating activities	$	(40,399,504)	$	(38,020,731)
Noncash transactions:				
Donated capital assets	$	5,150	$	340,953
Gain/(Loss) on market valuation of capital assets (livestock)		(261,647)		
Gain/(Loss) on disposal of capital assets		(2,242)		
Increase/(Decrease) in market valuation of investments		(213,705)		34,160
Proceeds from refunding bond issues deposited with trustee				26,861,736
Issuance costs on refunding bond issues				359,063
Proceeds, premium, and accrued interest from construction bond issue deposited with trustee		1,950,387		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 issue		50,932		78,991
Interest and fees on long-term debt paid directly from deposit with trustee		33,107		118,484

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

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 2,041 students and the Ozark Campus offers fifteen 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 650 students from sixteen 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.

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, 2016, the Foundation transferred equipment and funds of $389,341 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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, as amended, 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.

In Fiscal Year 2015-16, the University implemented GASB Statement no. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Further information can be found in Note 3.

Accounts Receivables: Accounts receivables 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 receivables 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, acquisition 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, 2016, actual interest incurred for debt to finance the acquisition of specified qualifying assets was $202,619. Of this amount, $64,186 was capitalized to the asset.

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; and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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 include 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 consist 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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 position 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)	$ 1,302,198	$ 1,302,198
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name.	77,700,229	79,445,725
Total Deposits	$ 79,002,427	$ 80,747,923

The above deposits do not include cash on hand maintained by the University of $19,875 or cash held in State Treasury of $435,716. The above deposits include certificates of deposits of $4,177,486 reported as investments and classified as nonparticipating contracts and cash held for the Arkansas Tech University Facilities Development Foundation, Inc., of $449,534. Additionally, the above deposits include negotiable certificates of deposit of $1,793,038 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:

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 $23,026,324 and Arkansas Tech University owns approximately 14 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	$ 8,237	$7,001	$412	$824		$ 0
US Stocks	1,618,466					1,618,466
Non-US Stocks	312,352					312,352
Other	1,228,817					1,228,817
Total Investments	$ 3,167,872	$7,001	$412	$824		$3,159,635

NOTE 3: Investments (Continued)

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.

The University has implemented GASB Statement no. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Investments Measured at Fair Value

The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices (unadjusted) for identical investments in active markets that a government can access at the measurement date. Examples are equity securities traded on an open market, actively traded mutual funds, or US Treasuries.

Level 2: Inputs - other than quoted prices included within Level 1 - that are observable for an investment, either directly or indirectly. Examples are quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, inputs other than quoted prices that are observable for the investment, and market-corroborated inputs.

Level 3: Unobservable inputs for an investment. This uses the best information available which might include the government's own data.

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level	6/30/16			
Debt Securities				
U.S. Treasury Securities	$52,500	$52,500		
Negotiable certificates of deposit	1,793,038	1,793,038		
Bonds and Equity Funds – External Investment Pool	3,167,872	2,822,590		$345,282
Mineral Rights Investment	40,000			40,000
Total Investments at Fair Value	$5,053,410	$4,668,128		$385,282

Deposits with Trustee

At June 30, 2016, the University's deposits with trustee in the amount of $3,459,505 were invested by the trustee in certificates of deposit, The Federated Government Obligations Fund, and Fidelity Investments Money Market Treasury Fund.

NOTE 3: Investments (Continued)

The Federated Government Obligations Fund

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

Investments Measured at the NAV

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

Security Description	Fair Value
Government Agencies [(1)]	$ 533,398
Repurchase Agreements [(2)]	675,890
U.S. Treasury [(1)]	51,700
Total investments measured at the NAV	$ 1,260,988

The Federated Treasury Obligations Fund

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

Investments Measured at the NAV

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

Security Description	Fair Value
Repurchase Agreements [(2)]	$ 879
U.S. Treasury [(1)]	760
Total investments measured at the NAV	$ 1,639

The Federated U.S. Treasury Cash Reserves Fund

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

NOTE 3: Investments (Continued)

Investments Measured at the NAV

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

Security Description	Fair Value
U.S. Treasury (1)	$ 20,984
Total investments measured at the NAV	$ 20,984

The Fidelity Investments Money Market Treasury Fund

This fund operates as a "government money market fund" as defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. The fund normally invests at least 99.5% of the fund's total assets in cash, U.S. Treasury securities, and/or repurchase agreements. The fund stresses maintaining a stable $1.00 share price, liquidity and income and normally invests at least 80% of the fund's assets in U.S. Treasury securities and repurchase agreements for those securities.

Investments Measured at the NAV

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

Security Description	Fair Value
Repurchase Agreements (2)	$ 96,398
U.S. Treasury (1)	187,807
Net Other Assets (3)	46,151
Total investments measured at the NAV	$ 330,356

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

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

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

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

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

NOTE 3: Investments (Continued)

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

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

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

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

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

Repurchase agreements are subject to credit risks.

3. *Net Other Assets.* This may include cash and receivables and payables related to open security or capital stock trades.

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, 2016, 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 position and the $708 net appreciation was reported as expendable restricted net position. 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, 2016 and June 30, 2015, respectively:

	June 30, 2016	June 30, 2015
Student tuition and fees	$ 2,577,985	$ 2,665,639
Auxiliary enterprises and other operating activities	1,353,187	708,874
Scholarship	4,020	3,335
Federal, state, and private grants and contracts	1,189,971	1,081,376
Accrued interest	19,770	3,868
Credit memos	241,145	231,706
Other	68,461	51,937
	5,454,539	4,746,735
Less allowance for doubtful accounts	(436,858)	(364,258)
Net accounts receivable	$ 5,017,681	$ 4,382,477

NOTE 6: Inventories

Inventories consisted of the following at June 30, 2016, and June 30, 2015, respectively:

	June 30, 2016	June 30, 2015
Museum	$ 10,440	$ 10,324
Bookstore	683,737	647,950
Post Office	19,052	13,216
Lake Point Conference Center	19,280	19,280
Hospitality	1,092	1,290
Supplies	8,383	6,166
	$ 741,984	$ 698,226

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, 2016. 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, 2016, the notes receivable were $1,011,524, net of the allowance for uncollectible loans of $729,478.

NOTE 8: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not depreciated				
Land	$ 2,362,821	$ 171,979		$ 2,534,800
Landscaping	235,557			235,557
Livestock for educational purposes	522,878	105,133	(358,302)	269,709
Construction in progress	16,063,421	5,996,115	(14,326,372)	7,733,164
Total capital assets not being depreciated	$ 19,184,677	$ 6,273,227	$ (14,684,674)	$ 10,773,230
Other capital assets				
Intangible Asset - Software License	1,459,153		(40,000)	1,419,153
Capital Leases	1,568,441	46,344		1,614,785
Non-major infrastructure networks	5,892,541	1,808,320		7,700,861
Land improvements	14,562,406	4,993		14,567,399
Buildings	169,193,209	23,634,767		192,827,976
Furniture, fixtures and equipment	13,037,312	1,605,944	(90,169)	14,553,087
Library holdings	9,060,452	236,366	(57,324)	9,239,494
Total other capital assets	214,773,514	27,336,734	(187,493)	241,922,755
Less accumulated depreciation:				
Intangible Asset - Software License	(1,445,820)		26,667	(1,419,153)
Capital Leases	(1,188,562)	(135,895)	(18,538)	(1,342,995)
Non-major infrastructure networks	(3,362,463)	(658,221)		(4,020,684)
Land improvements	(6,358,761)	(832,769)		(7,191,530)
Buildings	(71,679,491)	(6,615,841)		(78,295,332)
Furniture, fixtures, and equipment	(10,977,646)	(920,239)	87,926	(11,809,959)
Library materials	(7,972,772)	(253,449)	57,324	(8,168,897)
Total accumulated depreciation	(102,985,515)	(9,416,414)	153,379	(112,248,550)
Other capital assets, net	$ 111,787,999	$ 17,920,320	$ (34,114)	$ 129,674,205
Capital Asset Summary:				
Capital assets not being depreciated	$ 19,184,677	$ 6,273,227	$ (14,684,674)	$ 10,773,230
Other capital assets, at cost	214,773,514	27,336,734	(187,493)	241,922,755
Total cost of capital assets	233,958,191	33,609,961	(14,872,167)	252,695,985
Less accumulated depreciation	(102,985,515)	(9,416,414)	153,379	(112,248,550)
Capital assets, net	$ 130,972,676	$ 24,193,547	$ (14,718,788)	$ 140,447,435

Capital Lease accumulated depreciation was increased by $18,538 due to a prior period adjustment to correct the beginning balance.

NOTE 9: Unearned Revenue

Unearned Revenue consists of the following at June 30, 2016 and June 30, 2015, respectively:

	June 30, 2016	June 30, 2015
Prepaid tuition and fees	$ 1,849,538	$ 796,575
Grants and contracts	1,341,219	931,020
Scholarships	166,969	140,529
Other	104,025	217,306
Total	$ 3,461,751	$ 2,085,430

NOTE 10: Long Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

Long Term Liabilities	June 30, 2015	Additions	Deletions	June 30, 2016	Current Portion	Noncurrent Portion
Revenue bonds	$84,955,000	$2,000,000	$2,650,000	$ 84,305,000	$ 3,095,000	$ 81,210,000
Less bond discount	91,593		3,521	88,072	3,520	84,552
Plus bond premium	222,402	1,154	10,692	212,864	10,692	202,172
Total bonds payable	85,085,809	2,001,154	2,657,171	84,429,792	3,102,172	81,327,620
Capital leases	546,124		147,834	398,290	136,176	262,114
Installment contract	11,324		9,379	1,945	920	1,025
Compensated absences	1,810,294	1,355,869	1,012,097	2,154,066	732,382	1,421,684
Total	$87,453,551	$ 3,357,023	$3,826,481	$ 86,984,093	$ 3,971,650	$ 83,012,443

Additional information regarding revenue bonds payable is included in Note 11.
Additional information regarding capital leases and installment contracts is included in Note 12.

NOTE 11: Bonds Payable

Debt service principal payments on the existing bonds amounted to $2,650,000 for the fiscal year ended June 30, 2016. 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, 2016	Maturities to June 30, 2016
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	$ 6,990,000	$ 3,010,000
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	2,225,000	495,000
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	1,260,000	245,000

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NOTE 11:Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
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	$ 1,030,000	$ 125,000
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	520,000	55,000
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	2,160,000	240,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
Revenue Bonds Series 2011 **"M" Street Dorm** 1.25%-5.0% December 1, 2011 Final Maturity Date: June 1, 2041 Housing revenues will be maintained at a level equal to at least 120% of the combined annual debt service.	$ 7,600,000	$ 7,080,000	$ 520,000
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	4,560,000	345,000
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	2,515,000	585,000
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	940,000	130,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
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 maximun annual debt service.	$ 830,000	$ 755,000	$ 75,000
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 maximun annual debt service.	3,355,000	2,850,000	505,000
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 maximun annual debt service.	4,680,000	3,755,000	925,000
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 maximun annual debt service.	860,000	740,000	120,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
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	$ 1,355,000	$ 145,000
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	2,560,000	190,000
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 maximun annual debt service.	3,250,000	3,015,000	235,000
Revenue Bond Series 2013A **Chambers Cafeteria Renovation** 1.0%-4.2% June 13, 2013 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at level equal to at least 120% of the combined maximun annual debt service.	1,750,000	1,615,000	135,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
Student Fee Revenue Bond Series 2013 **Brown Building** 1.2%-5.0% 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 maximun annual debt service.	$ 5,000,000	$ 4,810,000	$ 190,000
Student Fee Refunding Bond Series 2014 **2008 Student Services/Academic Classroom** **2008 Physical Plant,** **2009 Rothwell, McEver & Corley** 2.0%-3.63% October 1, 2014 Final Maturity Date: May 1, 2039 Student Fees will be maintained at a level equal to least 120% of the combined maximum annual debt service.	16,335,000	15,610,000	725,000
Student Fee Revenue Bond Series 2014 **Ozark Allied Health Building** 2.0%-3.75% October 1, 2014 Final Maturity Date: May 1, 2044 Student Fees will be maintained at a level equal to least 120% of the combined maximum annual debt service.	6,000,000	5,825,000	175,000
Housing Revenue Refunding Bond Series 2014 **2006 Baswell Hall, 2009 Hughes/Critz** 2.0%-3.63% October 1, 2014 Final Maturity Date: May 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	10,135,000	860,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities to June 30, 2016
Student Fee Revenue Improvement Bonds			
2015 Computer Equipment Project			
1.0%-2.0%			
November 1, 2015			
Final Maturity Date: November 1, 2020			
Student Fees will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	$ 2,000,000	$ 2,000,000	
Bond Discount	(91,593)	(88,072)	$ (3,521)
Bond Premium	223,556	212,864	10,692
Total	$ 94,466,963	$ 84,429,792	$ 10,037,172

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.

On August 24, 2016, the Board of Trustees of Arkansas Tech University entered into a Settlement with the Securities and Exchange Commission (SEC). In late 2014, the University reported to the SEC that it had not filed its audited financial statements with the Municipal Securities Rulemaking Board's EMMA System in a timely manner pursuant to the Continuing Disclosure Agreements the University had previously entered into, and failed to disclose the late filings in certain subsequent debt offerings. There were no financial penalties imposed on the University by the SEC.

As of June 30, 2016, debt service reserves aggregating $3,338,852 were maintained. The University's reserve balances exceeded the reserve requirements at June 30, 2016.

The changes in bonds payable are as follows:

Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
$ 84,955,000	$ 2,000,000	$ 2,650,000	$ 84,305,000

The principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$3,095,000	$ 3,120,271	$ 6,215,271
2018	3,165,000	3,050,929	6,215,929
2019	3,230,000	2,976,692	6,206,692
2020	3,310,000	2,886,085	6,196,085
2021	3,420,000	2,788,154	6,208,154
2022-2026	16,625,000	12,302,713	28,927,713
2027-2031	18,940,000	8,976,898	27,916,898
2032-2036	17,205,000	5,299,653	22,504,653
2037-2041	12,620,000	2,052,339	14,672,339
2042-2044	2,695,000	188,031	2,883,031
Total	$ 84,305,000	$ 43,641,765	$ 127,946,765

NOTE 11: Bonds Payable (Continued)

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, 2016, were $3,095,000 and $81,210,000, 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 was five years and the final payment of $16,822 was made on July 10, 2015, from Current Funds Unrestricted.

Capital Lease Payable
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, 2016 was $4,376.

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

Year Ending June 30,	Principal	Interest	Total
2017	$2,070	$92	$2,162
2018	2,306	37	2,343
Totals	$ 4,376	$ 129	$ 4,505

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

Class of Property	Asset Balance June 30, 2016
Equipment – Folding Machine	$ 10,102
Total Minimum Lease Payments	4,505
Less: Amount Representing Interest	129
Total Present Value of Net Minimum Lease Payments	$ 4,376

Accumulated depreciation for the above item was $6,061 at June 30, 2016.

Capital Lease Payable

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, 2016 was $50,815.

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

Year Ending June 30,	Principal	Interest	Total
2017	$17,300	$1,670	$18,970
2018	17,985	985	18,970
2019	15,530	279	15,809
Totals	$ 50,815	$ 2,934	$ 53,749

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

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

Class of Property	Asset Balance June 30, 2016
Equipment – Server	$ 86,349
Total Minimum Lease Payments	53,749
Less: Amount Representing Interest	2,934
Total Present Value of Net Minimum Lease Payments	$ 50,815

Accumulated depreciation for the above item was $51,809 at June 30, 2016.

Capital Lease Payable

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, 2016 was $34,618.

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

Year Ending June 30,	Principal	Interest	Total
2017	$11,786	$1,138	$12,924
2018	12,252	672	12,924
2019	10,580	190	10,770
Totals	$ 34,618	$ 2,000	$ 36,618

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

Class of Property	Asset Balance June 30, 2016
Equipment – Server	$ 58,826
Total Minimum Lease Payments	36,618
Less: Amount Representing Interest	2,000
Total Present Value of Net Minimum Lease Payments	$ 34,618

Accumulated depreciation for the above item was $35,296 at June 30, 2016.

Capital Lease Payable

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, 2016 was $308,482.

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

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

Year Ending June 30,	Principal	Interest	Total
2017	$105,020	$10,142	$115,162
2018	109,181	5,983	115,164
2019	94,280	1,689	95,969
Totals	$ 308,481	$ 17,814	$ 326,295

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

Class of Property	Asset Balance June 30, 2016
Equipment – Server	$ 524,198
Total Minimum Lease Payments	326,295
Less: Amount Representing Interest	17,814
Total Present Value of Net Minimum Lease Payments	$ 308,481

Accumulated depreciation for the above item was $314,519 at June 30, 2016.

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. The final payment made in the fiscal year ended June 30, 2016 was $8,483.

Installment Contract Payable:
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 principal payments made in fiscal year ended June 30, 2016 were $895.

Total installment contract principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 920	$ 41	$961
2018	945	16	961
2019	80		80
Totals	$ 1,945	$ 57	$ 2,002

NOTE 13: Commitments

The Institution was contractually obligated for the following at June 30, 2016:

Project Name	Construction in Progress	Balance Remaining on Contract	Completion Date
Wilson Hall	$ 3,719,341	$ 560,829	9/30/16
New Academic Facility	109,248		6/30/18
Doc Bryan Student Svc Add	170,236	164,329	12/31/17
Hull Building	11,150		6/30/18
Tucker Coliseum	45,125		6/30/17
Resident Hall Upgrades	2,390,295	294,255	6/30/17
Witherspoon Repair	85,500		10/31/16
715 North El Paso	234,994	9,938	6/30/17
New Public Safety Bldg	33,637		6/30/17
Rock House Renovation	12,530		12/31/16
Multi-Sports Complex	45,697		12/31/16
Williamson Hall	3,444		12/31/16
Witherspoon Renovation	37,855		12/31/16
Crabaugh Hall	49,543	82,065	12/31/16
Fiber 'O' Street	3,865		12/31/16
Witherspoon Chiller	404,633	46,340	12/31/16
Brown Resident Hall Chiller	334,918	255,332	7/31/16
Norman Building Lab Renovation	11,000	10,860	12/31/16
Witherspoon Roof	25,819	10,901	12/31/16
Women's Softball Complex	4,334		6/30/17
Total	$ 7,733,164	$ 1,434,849	

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, 2016, 2015, and 2014 were $3,327,302, $3,100,855 and $2,962,524, respectively. Participants' contributions were $2,504,225, $2,397,160 and $2,226,607 for the year ended June 30, 2016, 2015, and 2014, respectively.

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.

NOTE 14: Employee Retirement Benefits (Continued)

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, 2016, 2015, and 2014 were $539,437, $537,073, and $573,963, respectively, equal to the required contributions for each year. See Note 22 for further detail on the ATRS pension plan.

Arkansas Public Employees Retirement System

Plan Description: The University contributes to the Arkansas Public Employees Retirement System (APERS), a cost sharing and 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 14.5 percent of covered salaries. The University's contributions to APERS for the years ended June 30, 2016, 2015, and 2014 were $1,455,575**,** $1,364,327, and $1,235,420, 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 Workforce Education and Career Opportunities 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 Workforce Education and Career Opportunities, 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, 2016, 2015, and 2014 were $51,603, $55,041, and $64,401, respectively. The participants' contributions for VALIC for the years ended June 30, 2016, 2015, and 2014 were $29,088, $30,144, and $35,126, respectively.

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, 2016, 2015, and 2014 were $7,064, $7,194, and $6,890, respectively. The participants' contributions for Delta Life for the year ended June 30, 2016, 2015 and 2014, were $3,529, $3,592 and $3,440, 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 six 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 decrease in the OPEB liability of $110,000 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, 2016.

Base Plan Summary – Medical/Rx/Dental

1. Deductible	$950 individual coverage $1,900 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.

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

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 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 $6,623,354 for the year ended June 30, 2016. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled $219,044 for the year ended June 30, 2016.

As part of adopting GASB no. 45, the University accrued $719,620 in additional retiree healthcare expense during the fiscal year 2015-16. 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 Ms. Bernadette Hinkle, Vice President for Finance and Administration, 1509 North Boulder Avenue, Administration Building Room 202, 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, 2016		Year ended June 30, 2015	
Unfunded actuarial accrued liability at July 1	$	10,959,175	$	8,907,054
Normal Costs				
Current Year Normal Cost as of July 1	$	714,261	$	646,222
Assumed Interest to the End of the Year		52,946		45,660
Current Year Normal Cost as of June 30	**$**	**767,207**	**$**	**691,882**
Determination of Current Year Amortization Payment				
Amortization Amount as of July 1[1]	**$**	585,018	**$**	478,370
Assumed Interest to the End of the Year		24,376		16,914
Amortization Amount as of June 30	**$**	**609,394**	**$**	**495,284**
Determination of Annual Required Contribution				
Normal Cost at year end	$	767,207	$	691,882
Amortization of UAL		609,394		495,284
Annual Required Contribution (ARC)	**$**	**1,376,601**	**$**	**1,187,166**
Determination of Net OPEB Obligation				
Annual Required Contribution	$	1,376,601	$	1,187,166
Interest on prior year Net OPEB Obligation		199,956		176,092
Adjustment to ARC		(289,087)		(254,586)
Annual OPEB Cost		1,287,470		1,108,672
Contributions made[2]		(567,850)		(512,083)
Increase in Net OPEB Obligation	**$**	**719,620**	**$**	**596,589**
Net OPEB Obligation – beginning of year	**$**	**4,998,894**	**$**	**4,402,305**
Net OPEB Obligation – end of year	**$**	**5,718,514**	**$**	**4,998,894**

[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 15-16 were $266,571 plus retiree premium subsidy of $301,279.

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
June 30, 2016	4.00%	1,287,470	567,850	44.11%	5,718,514

[4] Since there is no funding, these are actual payments of $266,571 plus expected retiree subsidy payments of $301,279 for fiscal year 2016.

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

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%
July 1, 2015	0	10,959,175	10,959,175	0.0%	42,362,641	25.9%

[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, 2013, and 2015.***
[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 with linear proration to decrement 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 45 of 30 years.

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

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, 2015.

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

Mortality Rates: SOA RPH-2015 total dataset headcount-weighted mortality, fully generational with scale MP-2015. The RPH-2015 table is created from the RPH-2014 table with 8 years of MP-2014 mortality improvement removed, projected to 2015 using scale MP-2015.

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.

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

The medical trends are summarized below:

Year	Medical Trend Rates
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022+	5.00%

The dental trends are summarized below:

Year	Dental Trend Rates
2016	5.70%
2017	5.56%
2018	5.42%
2019	5.28%
2020	5.15%
2021	5.01%
2022	4.87%
2023	4.73%
2024	4.59%
2025	4.45%
2026	4.32%
2027	4.18%
2028	4.04%
2029+	3.90%

Claim Costs at Sample Ages:

Medical

	Medical Retirees		Medical Spouses	
Age	Male	Female	Male	Female
60	$10,834	$10,060	$8,839	$8,790
64	13,384	12,002	10,889	10,439
65	4,310	4,168	4,310	4,168
70	5,251	4,976	5,251	4,976
75	6,355	5,899	6,355	5,899
80	7,431	6,822	7,431	6,822
85	8,513	7,815	8,513	7,815

Dental

The annual dental per capita cost is assumed to be $296. It is assumed to increase with dental trend rates.

Administrative Costs: Included in claims.

Life Insurance: Life insurance premiums are $.36 per $1,000 of coverage. Upon retirement, benefits reduce to a maximum amount of $20,000.

Retiree Premiums: Retirees pay the full cost of life insurance premiums (i.e. $.36 per $1,000 of coverage).

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

Medical + Rx		Dental	
Retirees	**Spouses**	**Retirees**	**Spouses**
$5,457.84	$5,131.68	$296.40	$301.20

Children: 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

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 $300,000 and a $1,000 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.

Note 16: Risk Management (Continued)

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	$ 26,836,348	$ 7,140,602	$ 1,086,801	$ 7,394,579		$ 42,458,330
Research	1,032,337	198,692	3,228	154,867		1,389,124
Public service	328,834	17,594		1,121		347,549
Academic support	5,865,620	1,366,403		1,791,209		9,023,232
Student services	4,698,332	1,377,201		1,836,167		7,911,700
Institutional support	6,645,214	3,196,464		6,982,205		16,823,883
Operation of plant	3,729,624	1,171,710		5,819,926		10,721,260
Scholarships			13,716,420			13,716,420
Depreciation					$9,416,414	9,416,414
Auxiliary enterprises	4,124,717	1,075,934	1,594,339	12,135,710		18,930,700
Total expenses	$ 53,261,026	$15,544,600	$ 16,400,788	$ 36,115,784	$ 9,416,414	$ 130,738,612

NOTE 18: Disaggregation of Payables

The accounts payable and other liabilities of $4,664,087 consisted of $2,616,971 due to vendors, salaries, and other payroll related items, $821,558 of construction contract retainages held, $619,538 due for construction contractor payments, and $606,020 due for bond interest.

NOTE 19: Student Fee Revenue Improvement Bonds M2

The University issued $2,000,000 in bonds with interest rates ranging from 1.00% to 2.00% on November 1, 2015, for the purpose of upgrading computer hardware in the University's computer center.

NOTE 20: Pledged Revenues

At June 30, 2016, 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	$10,364,251
Athletic Revenue Bonds-2007	3/1/2007	3/1/2037	Construct athletic facilities & Baswell Hall	Athletic Revenues	5,517,221
Housing Revenue Bonds-2008	2/1/2008	2/1/2038	Renovate Campus Courts and Eastgate Apartments	Housing Fees	10,364,251
Student Fee Revenue Bonds-2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Student Tuition & Fees	63,618,635
Auxiliary Revenue Bonds 2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Ozark Bookstore Revenue	664,575
Housing Revenue Bonds 2011	5/1/2011	5/1/2041	Tucker Hall	Housing Fees	10,364,251
Housing Revenue Bonds 2011	12/1/2011	6/1/2041	Construct "M" Street Dorm	Housing Fees	10,364,251
Housing Revenue Bonds 2012A	4/1/2012	3/1/2041	Construct "M" Street Dorm	Housing Fees	10,364,251
Housing Refunding Bonds 2012B	4/1/2012	3/1/2030	Paine Hall	Housing Fees	10,364,251

(continued on next page)

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	$10,364,251
Student Fee Revenue Bonds 2012A	5/1/2012	6/1/2042	Renovate Old Art Building	Student Tuition & Fees	63,618,635
Student Fee Refunding Bonds 2012B	5/1/2012	6/1/2033	Construct Art Building	Student Tuition & Fees	63,618,635
Student Fee Refunding Bonds 2012C	5/1/2012	6/1/2029	Construct Hull Building	Student Tuition & Fees	63,618,635
Student Fee Refunding Bonds 2012D	5/1/2012	6/1/2034	Construct Art Building	Student Tuition & Fees	63,618,635
Athletic Revenue Bond 2012	7/1/2012	3/1/2042	Renovate Baseball Field Complex	Athletic Revenue	5,517,221
Auxiliary Revenue Bond 2012	12/1/2012	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,647,197
Auxiliary Revenue Bond 2013	2/1/2013	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,647,197
Auxiliary Revenue Bond 2013A	6/13/2013	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	6,647,197
Student Fee Revenue Bonds 2013	11/1/2013	12/1/2043	Construct Brown Building	Student Tuition & Fees	63,618,635
Student Fee Refunding Bonds 2014	10/1/2014	5/1/2039	Ozark Student Services Building; Academic Classroom; Physical Plant; Rothwell, McEver & Corley Buildings.	Student Tuition & Fees	63,618,635
Student Fee Revenue Bond 2014	10/1/2014	5/1/2044	Construct Ozark Allied Health Building and reroof Ozark Technology and Academic Support Building.	Student Tuition & Fees	63,618,635
Housing Refunding Bond 2014	10/1/2014	5/1/2039	Baswell Hall, Critz Hall and Hughes Buildings.	Housing Fees	10,364,251
Student Fee Revenue Bonds 2015	11/1/2015	11/1/2020	Computer Equipment Upgrade	Student Tuition & Fees	63,618,635

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2016 PRINCIPAL PAID	FY 2016 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2016	INTEREST OUTSTANDING 6/30/2016
Housing Bonds-2001	$ 10,000,000	$280,000	$ 369,893	$6,990,000	$ 3,312,228
Athletic Revenue Bonds-2007	2,720,000	65,000	101,890	2,225,000	1,262,655
Housing Revenue Bonds-2008	1,505,000	35,000	59,453	1,260,000	789,475
Student Fee Revenue Bonds-2010	575,000	15,000	21,353	520,000	323,292
Auxiliary Revenue Bonds-2010	1,155,000	25,000	42,023	1,030,000	640,088
Housing Revenue Bonds-2011	2,400,000	50,000	102,113	2,160,000	1,641,165
Housing Revenue Bonds 2011	7,600,000	175,000	305,020	7,080,000	4,937,420
Housing Revenue Bonds 2012A	4,905,000	115,000	179,667	4,560,000	2,873,562
Housing Refunding Bonds 2012B	3,100,000	150,000	84,135	2,515,000	714,218
Housing Refunding Bonds 2012C	1,070,000	35,000	36,412	940,000	474,608
Student Fee Revenue Bonds 2012A	830,000	20,000	29,617	755,000	487,237

(continued on next page)

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2016 PRINCIPAL PAID	FY 2016 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2016	INTEREST OUTSTANDING 6/30/2016
Student Fee Refunding Bonds 2012B	$3,355,000	$130,000	$95,795	$2,850,000	$999,387
Student Fee Refunding Bonds 2012C	4,680,000	245,000	115,845	3,755,000	901,927
Student Fee Refunding Bonds 2012D	860,000	30,000	26,293	740,000	288,397
Athletic Revenue Bond 2012	1,500,000	35,000	52,738	1,355,000	867,442
Auxiliary Revenue Bond 2012	2,750,000	65,000	83,840	2,560,000	1,434,828
Auxiliary Revenue Bond 2013	3,250,000	75,000	102,521	3,015,000	1,767,229
Auxiliary Revenue Bond 2013A	1,750,000	35,000	58,065	1,615,000	1,006,342
Student Fee Revenue Bonds 2013	5,000,000	105,000	204,168	4,810,000	3,763,633
Student Fee Refunding Bonds 2014	16,335,000	480,000	527,913	15,610,000	7,199,875
Student Fee Revenue Bonds 2014	6,000,000	130,000	202,619	5,825,000	3,483,431
Housing Refunding Bonds 2014	10,995,000	355,000	353,263	10,135,000	4,388,356
Student Fee Refunding Bonds 2015	2,000,000		14,765	2,000,000	84,970

The approximate percentages of revenues pledged for the year ended June 30, 2016 were as follows:
Student tuition and fees – 3.76%
Food service fees – 6.31 %
Housing fees – 25.91%
Athletic revenues – 4.62%
Ozark Auxiliary revenues – 10.09%

NOTE 21: Contingent Liabilities

There is an unasserted claim for personal injury by a student who alleges injury using stretching equipment. Additionally, on August 24, 2016, there was a dismissal by the Equal Employment Opportunity Commission of a Notice of Charge of Discrimination that had been filed against the University. The claimant has 90 days from the date of dismissal to file a lawsuit.

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.

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 10 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, 2016, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 26.50%. Contributions to APERS from the University were $1,455,575 for the year ended June 30, 2016.

NOTE 22: Pensions (Continued)

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.

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, 2016, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the University were $539,437 for the year ended June 30, 2016.

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, 2016, the University reported liabilities of $14,544,634, ($10,031,477 APERS and $4,513,157 ATRS) for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, 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, 2015, the University's proportion was 0.1386% for ATRS and 0.5447% for APERS.

For the year ended June 30, 2016, the University recognized a decrease in pension expense of $286,443 for ATRS and $14,170 for APERS. The total pension expense for the year ended June 30, 2016 for ATRS and APERS was $252,994 and $1,441,405, respectively. For the year ended June 30, 2016, 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 - $141,019 deferred outflows, ATRS - $92,472 deferred inflows, and APERS - $657,648 deferred inflows)	$141,019	$750,120
Changes of assumptions or other inputs (APERS)	1,480,432	
Net differences between projected and actual earnings on pension plan investments (ATRS - $596,663 deferred outflows, ATRS - $1,172,914 deferred inflows, and APERS - $497,711 deferred inflows)	596,663	1,670,625
Changes in University's proportion and differences between the University's contributions and proportionate share of the University's contributions (ATRS - $27,713 and APERS - $1,156,126)	1,156,126	27,713
The University's contributions subsequent to the measurement date (ATRS - $539,437 and APERS - $1,455,575)	1,995,012	
Total	$5,369,252	$2,448,458

NOTE 22: Pensions (Continued)

$1,955,012 (APERS - $1,455,575; ATRS - $539,437) was reported as deferred outflows of resources related to pensions resulting from University's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	$56,161 (ATRS - $(242,726) and APERS - $298,887)
2018	56,161 (ATRS - $(242,726) and APERS - $298,887)
2019	(35,355) (ATRS - $(242,726) and APERS - $207,371)
2020	832,389 (ATRS - $156,335 and APERS - $676,054)
2021	16,426 (ATRS)
Total	$925,782

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, 2015	June 30, 2015
Inflation rate	3.25%	2.50%
Salary increases	3.25% to 9.10%, including inflation	3.95% - 9.85%, including inflation
Investment rate of return	8.0%	7.50%
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 of each plan 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.

APERS

The long-term expected rate of return on pension plan investments of each plan 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 2015-2024 were based upon capital market assumptions provided by the plan investment consultant.

NOTE 22: Pensions (Continued)

For each major asset class that is included in the pension plans' target asset allocation as of June 30, 2015, these best estimates are summarized in the following tables:

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	50.00%	4.7%
Fixed income	20.00%	0.9%
Alternatives	5.00%	4.4%
Real assets	15.00%	4.3%
Private equity	10.00%	6.5%
Cash equivalents	0.00%	0.1%

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic equity	42.00%	6.82%
International equity	25.00%	6.88%
Real assets	12.00%	3.07%
Absolute return	5.00%	3.35%
Domestic fixed	16.00%	0.83%

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 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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%	$7,495,289	$4,513,157	$2,013,342
APERS – Current discount rate 7.50%	$16,524,431	$10,031,477	$4,631,623

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.

NOTE 23: Subsequent Events

On August 20, 2016, students housed in Roush Hall were relocated to other University Residence Halls due to moisture and mildew in the storage units located near the windows. The residence hall will not be used in this academic year.

REQUIRED SUPPLEMENTARY
INFORMATION

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 six 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 decrease in the OPEB liability of $110,000 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, 2016.

Base Plan Summary – Medical/Rx/Dental

1. Deductible	$950 individual coverage $1,900 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.

Postemployment Healthcare and Life Insurance Benefits (Continued)

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 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 $6,623,354 for the year ended June 30, 2016. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled $219,044 for the year ended June 30, 2016.

As part of adopting GASB no. 45, the University accrued $719,620 in additional retiree healthcare expense during the fiscal year 2015-16. 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 Ms. Bernadette Hinkle, Vice President for Finance and Administration, 1509 North Boulder Avenue, Administration Building Room 202, Russellville, AR 72801.

Postemployment Healthcare and Life Insurance Benefits (Continued)

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

	Year ended June 30, 2016	Year ended June 30, 2015
Unfunded actuarial accrued liability at July 1	$ 10,959,175	$ 8,907,054
Normal Costs		
Current Year Normal Cost as of July 1	$ 714,261	$ 646,222
Assumed Interest to the End of the Year	52,946	45,660
Current Year Normal Cost as of June 30	**$ 767,207**	**$ 691,882**
Determination of Current Year Amortization Payment		
Amortization Amount as of July 1[1]	**$** 585,018	**$** 478,370
Assumed Interest to the End of the Year	24,376	16,914
Amortization Amount as of June 30	**$ 609,394**	**$ 495,284**
Determination of Annual Required Contribution		
Normal Cost at year end	$ 767,207	$ 691,882
Amortization of UAL	609,394	495,284
Annual Required Contribution (ARC)	**$ 1,376,601**	**$ 1,187,166**
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 1,376,601	$ 1,187,166
Interest on prior year Net OPEB Obligation	199,956	176,092
Adjustment to ARC	(289,087)	(254,586)
Annual OPEB Cost	1,287,470	1,108,672
Contributions made[2]	(567,850)	(512,083)
Increase in Net OPEB Obligation	**$ 719,620**	**$ 596,589**
Net OPEB Obligation – beginning of year	**$ 4,998,894**	**$ 4,402,305**
Net OPEB Obligation – end of year	**$ 5,718,514**	**$ 4,998,894**

[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 15-16 were $266,571 plus retiree premium subsidy of $301,279.

ARKANSAS TECH UNIVERSITY

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
June 30, 2016	4.00%	1,287,470	567,850	44.11%	5,718,514

[4]***Since there is no funding, these are actual payments of $266,571 plus expected retiree subsidy payments of $301,279 for fiscal year 2016.***

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%
July 1, 2015	0	10,959,175	10,959,175	0.0%	42,362,641	25.9%

[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, 2013, and 2015.***
[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.

Postemployment Healthcare and Life Insurance Benefits (Continued)

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 with linear proration to decrement 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 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, 2015.

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

Mortality Rates: SOA RPH-2015 total dataset headcount-weighted mortality, fully generational with scale MP-2015. The RPH-2015 table is created from the RPH-2014 table with 8 years of MP-2014 mortality improvement removed, projected to 2015 using scale MP-2015.

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%

Postemployment Healthcare and Life Insurance Benefits (Continued)

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
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022+	5.00%

The dental trends are summarized below:

Year	Dental Trend Rates
2016	5.70%
2017	5.56%
2018	5.42%
2019	5.28%
2020	5.15%
2021	5.01%
2022	4.87%
2023	4.73%
2024	4.59%
2025	4.45%
2026	4.32%
2027	4.18%
2028	4.04%
2029+	3.90%

Postemployment Healthcare and Life Insurance Benefits (Continued)

Claim Costs at Sample Ages:

Medical

	Medical Retirees		Medical Spouses	
Age	**Male**	**Female**	**Male**	**Female**
60	$10,834	$10,060	$8,839	$8,790
64	13,384	12,002	10,889	10,439
65	4,310	4,168	4,310	4,168
70	5,251	4,976	5,251	4,976
75	6,355	5,899	6,355	5,899
80	7,431	6,822	7,431	6,822
85	8,513	7,815	8,513	7,815

Dental

The annual dental per capita cost is assumed to be $296. It is assumed to increase with dental trend rates.

Administrative Costs: Included in claims.

Life Insurance: Life insurance premiums are $.36 per $1,000 of coverage. Upon retirement, benefits reduce to a maximum amount of $20,000.

Retiree Premiums: Retirees pay the full cost of life insurance premiums (i.e. $.36 per $1,000 of coverage).

Medical + Rx		Dental	
Retirees	**Spouses**	**Retirees**	**Spouses**
$5,457.84	$5,131.68	$296.40	$301.20

Children: Children are not included in our valuation results.

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

	2016*	2015*
University's proportion of the net pension liability (asset)	0.1386%	0.1394%
University's proportionate share of the net pension liability	$4,513,157	$3,660,521
University's covered-employee payroll	$4,038,042	$4,055,605
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.77%	90.26%
Plan fiduciary net position as a percentage of the total pension liability	82.20%	84.98%

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

	2016*	2015*
University's proportion of the net pension liability (asset)	0.5447%	0.4638%
University's proportionate share of the net pension liability	$10,031,477	$6,580,919
University's covered-employee payroll	$9,656,781	$8,193,338
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.88%	80.32%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%

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

*The 2016 amounts presented were determined as of June 30, 2015 and the 2015 amounts were determined as of June 30, 2014, the actuarial valuation dates.

Schedule of University Contributions
Arkansas Teacher Retirement System

	2016	2015
Contractually required contribution	$539,437	$537,073
Contributions in relation to contractually required contribution	(539,437)	(537,073)
Contribution deficiency (excess)	0	0
University's covered-employee payroll	$3,991,264	$4,038,042
Contributions as a percentage of covered-employee payroll	13.52%	13.30%

Schedule of University Contributions
Arkansas Public Employees Retirement System

	2016	2015
Contractually required contribution	$1,455,575	$1,364,327
Contributions in relation to contractually required contribution	(1,455,575)	(1,364,327)
Contribution deficiency (excess)	0	0
University's covered-employee payroll	$10,119,949	$9,656,781
Contributions as a percentage of covered-employee payroll	14.38%	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, 2016
(Unaudited)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets and Deferred Outflows	$ 238,465,156	$ 230,566,875	$ 214,537,895	$ 200,067,060	$ 184,302,557
Total Liabilities and Deferred Inflows	119,455,665	116,657,301	95,228,003	90,954,358	82,444,293
Total Net Position	119,009,491	113,909,574	119,309,892	109,112,702	101,858,264
Total Operating Revenues	80,684,954	77,383,271	72,985,618	69,365,700	66,521,807
Total Operating Expenses	130,738,612	125,208,348	120,210,218	114,481,602	111,430,165
Total Net Non-Operating Revenues	52,929,085	54,416,642	53,259,131	52,728,071	52,902,167
Total Other Revenues, Expenses, Gains or Losses	2,224,490	818,957	4,162,659	849,095	1,780,712