Arkansas Tech University

Russellville, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE

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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, 2018, 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 represents 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas Tech University Foundation, Inc. and Arkansas Tech University Facilities Development Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the 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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the year ended June 30, 2018. A 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-16, 74-79, and 80-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
November 30, 2018
EDHE13018

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Arkansas Tech University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 30, 2018. 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 November 30, 2018.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 30, 2018

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas Tech University
Legislative Joint Auditing Committee

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with University officials during the course of our audit fieldwork and at the exit conference.

> On May 30, 2018, the University discovered that $138,621 had been paid to the general contractor performing the Williamson Hall renovation project for work that had not been completed. An investigation by the University revealed that the University employee in charge of managing the project had requested the contractor submit the invoice in question so that a request for grant funds reimbursement could be submitted to the Arkansas Natural and Cultural Resources Council prior to the grant expiration date. The invoice was approved for payment by the project's architect. On June 1, 2018, the University received a refund from the contractor for the amount paid.
>
> On October 22, 2018, the University also discovered that on May 7 and May 22, 2018, a total of $70,140 had been invoiced by and paid to another contractor on the Williamson Hall renovation project for the installation of an elevator, which had not been completed. The University's investigation revealed that the same employee had requested the contractor submit invoices to meet the grant expiration date. The elevator is expected to be installed in the near future.
>
> The University employee requesting these two invoices for services not rendered was terminated on May 31, 2018. The University terminated agreements with the contractor and architect on November 9, 2018.
>
> On November 20, 2018, the Fifth Judicial District Prosecuting Attorney filed Class A misdemeanor charges of falsifying business records against the former University employee (four counts), the project manager employed by the general contractor (two counts), and the project architect (two counts).

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, 2018, 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 2017	Fall Term 2017	Spring Term 2018	Summer I Term 2018
Student Headcount	1,454	11,830	10,480	2,418
Student Semester Credit Hours	5,737	127,292	112,510	11,697

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 30, 2018

ARKANSAS TECH UNIVERSITY

Management's Discussion And Analysis (Unaudited)

ARKANSAS TECH UNIVERSITY

Introduction

Arkansas Tech University (the University) is proud to present its consolidated financial statements for fiscal year 2017-18. The University's financial statements, notes to financial statements and discussion and analysis are the responsibility of, and prepared by management. Management's discussion and analysis as required by Governmental Accounting Standards Board (GASB) Statements 34 and 35 are to be read in conjunction with the financial statements and notes.

Overview of Financial Statements and Financial Analysis

Arkansas Tech University completed its fiscal year with positive net results due in part from steady student population demand for our quality academic programs. The student population totaled 11,830 for the fall 2017, a less than one percent decrease from the fall 2016 enrollment of 11,894. Included in the fall 2017 were 1,049 graduate students, an increase of 24.7 percent over fall 2016. A record high was set in the fall 2017 when Arkansas Tech University surpassed 1,000 graduate students enrolled.

The University's fiscal year 2017-18 state appropriations of $35,937,492 remained relatively flat as in previous years. This fiscal year, the University gratefully accepted grant funding from the Governor. The Governor's grant of $1.7 million from the rainy day funds will go towards the purchase of cyber-lab equipment and facilities improvements. With unfunded mandates, increased personnel, and operating costs, and the expansion of the student population over the years, many of the University's services and facilities continue to be utilized to capacity. Major emphasis has been placed on the management of our expenses, such as utilities, scholarships, travel, personnel and benefits cost to assure that our operations remain within established budgetary limits.

Other impacts to the University's financial net position included the adoption of two Governmental Accounting Standards Board Statements. In Fiscal Year 14-15, we implemented GASB Statement no. 68, *Accounting and Financial Reporting for Pensions.* Please refer to Note 22 for a detailed analysis of this required change. In Fiscal Year 17-18, we implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Please refer Note 15 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 FY17-18 financial results occurred:

- Transfer $348,881 to Funded Depreciation.
- Campus construction and renovations of $7,287,048.
- Purchase $757,902 in capital equipment.
- Fund $2,639,502 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.

Condensed Statement of Net Position (Continued)

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 assets—is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes.

Restricted expendable net position is available for expenditure by the institution but must be spent for purposes subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. The final category, unrestricted net position, is not subject to externally-imposed stipulations, but can be used at the discretion of the governing board to meet current expenses for any purpose if not limited by contractual agreements with outside parties.

Although unrestricted net position is not subject to externally-imposed restrictions, the majority of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for Russellville and Ozark campus operations, capital projects, scholarships, and other academic priorities; working capital for auxiliary enterprises; and reserves for the continued recognition of OPEB and pension obligations.

Overall, the University's total net position increased by $2,231,504 from fiscal year 2017. A review of the statement of net position reveals an increase overall in total assets and deferred outflows of resources by $5,341,967 and liabilities and deferred inflows of resources increased by $3,110,463. The most significant changes occurred in current assets, bonds payable, and postemployment benefits other than pension liability.

Condensed Statement of Net Position

Assets:	June 30, 2018	June 30, 2017
Current assets	$62,674,737	$58,611,485
Noncurrent assets	35,411,338	33,037,639
Capital assets, net	135,161,069	137,684,336
Total Assets	233,247,144	229,333,460
Deferred Outflows of Resources	9,716,555	8,288,272
Total Assets and Deferred Outflows of Resources	242,963,699	237,621,732
Liabilities:		
Current liabilities	10,954,071	11,007,737
Noncurrent liabilities	105,598,974	104,937,819
Total Liabilities	116,553,045	115,945,556
Deferred Inflows of Resources	3,164,103	661,129
Total Liabilities and Deferred Inflows of Resources	119,717,148	116,606,685
Net Position:		
Net Investment in Capital Assets	58,105,223	56,746,015
Restricted - expendable	8,565,023	8,428,917
Restricted - nonexpendable	305,721	313,451
Unrestricted	56,270,584	55,526,664
Total Net Position	$ 123,246,551	$ 121,015,047

Note: FY 17 was not adjusted for OPEB because key actuarial information was not available.

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.)

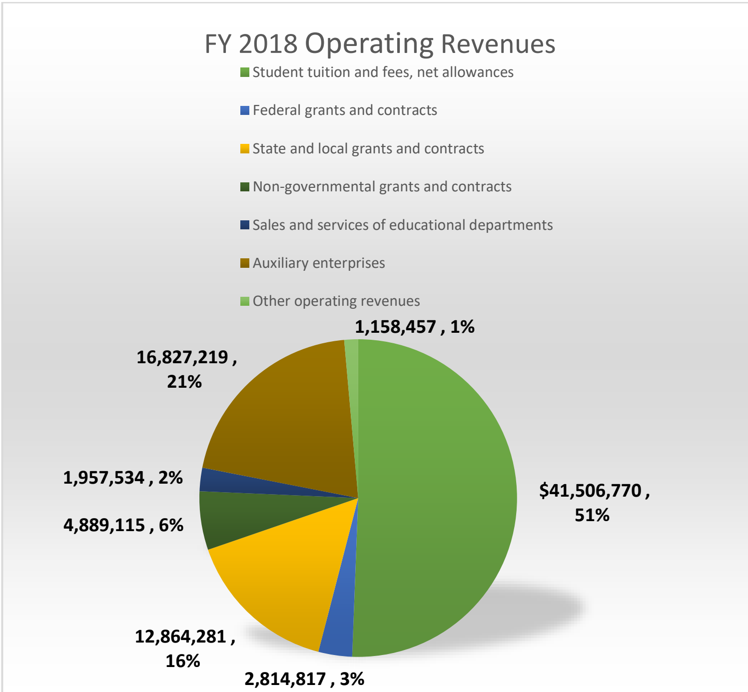
Condensed Statement of Revenues, Expenses and Changes in Net Position

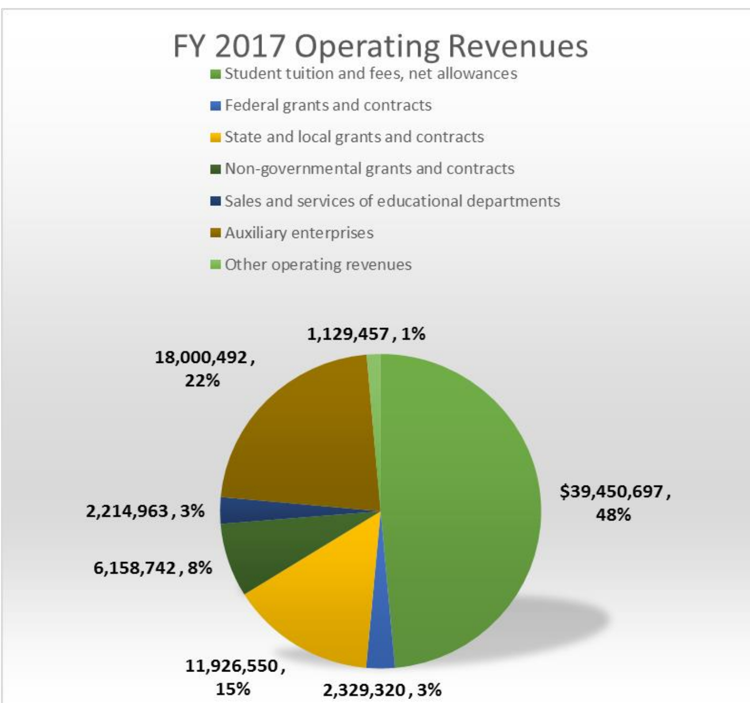
	June 30, 2018	June 30, 2017
Operating revenues	$ 82,018,193	$ 81,210,221
Operating expenses	(132,658,350)	(131,453,612)
Operating loss	(50,640,157)	(50,243,391)
Nonoperating revenues and expenses	53,670,932	52,580,852
Income (loss) before other revenues, expenses, gains, or losses	3,030,775	2,337,461
Other revenues, expenses, gains or losses	3,535,111	(331,905)
Increase (Decrease) in Net Position	6,565,886	2,005,556
Net Position at beginning of year *	116,680,665	119,009,491
Net Position at end of year	$ 123,246,551	$ 121,015,047

*Restated beginning FY18 Net Position to reflect the implementation of GASB 75. FY 17 was not adjusted for OPEB because key actuarial information was not available.

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

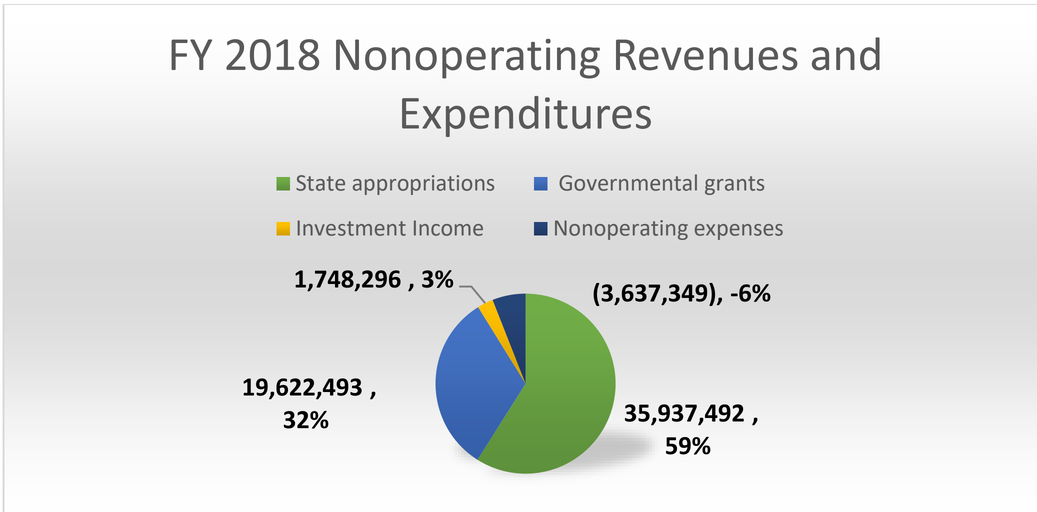
The FY18 operating revenues of $82,018,193 compared to last year's $81,210,221 had a slight increase of $807,972 or less than 1%. Noted increases were in tuition, fees, state and local grants.



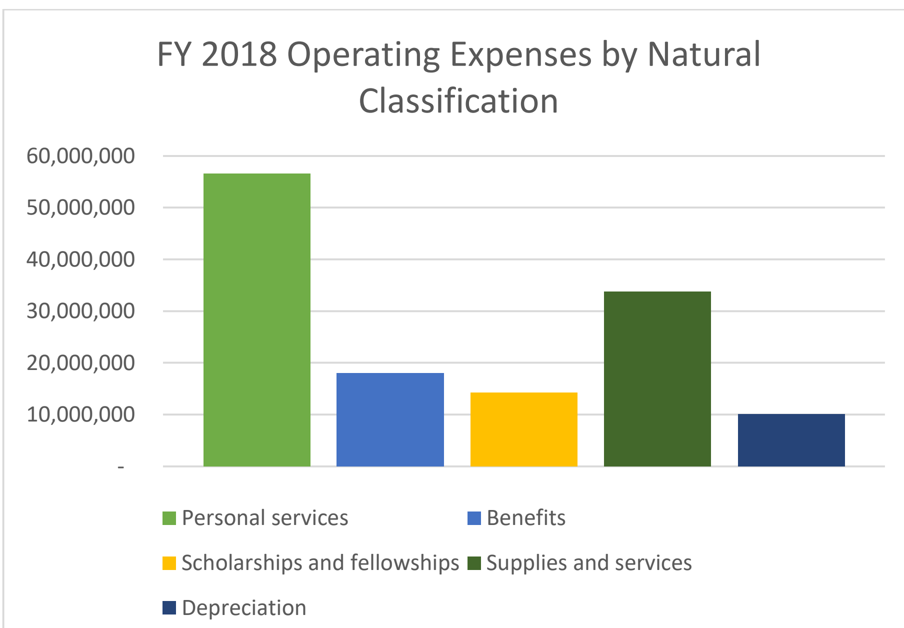


Condensed Statement of Revenues, Expenses and Changes in Net Position (Continued)

The FY18 nonoperating revenues and expenditures totaled $53,670,932 compared to $52,580,852 last year; a 2% increase. The biggest gains were in governmental grants and investment income.



The operating expenditures of $132,658,350 increased by $1,204,738 from last year, primarily due to cost of living and merit bonuses provided to faculty, non-classified, and classified staff.



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 University during the year. The FY18 cash balance totaled $81,717,741 compared to $73,899,019 from last year. Most of the increase can be attributed to the increase in investment activities and the reduction of capital related activities. 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, 2018	June 30, 2017
Cash provided (used) by:		
Operating activities	$ (39,154,551)	$ (39,738,233)
Noncapital financing activities	55,848,264	54,687,099
Capital and related financing activities	(10,559,794)	(14,795,513)
Investing activities	1,684,803	707,706
Net Change in Cash	7,818,722	861,059
Cash, beginning of year	73,899,019	73,037,960
Cash, end of year	$ 81,717,741	$ 73,899,019

Capital Asset and Debt Administration

At June 30, 2018, the University had $265,413,530 invested in capital assets, less accumulated depreciation of $130,252,461. Depreciation charges total $10,132,537 for the current fiscal year. Details of these assets are shown below.

Capital Asset (Net)	June 30, 2018	June 30, 2017
Land, improvements and infrastructure	$ 12,342,592	$ 12,933,652
Buildings	114,117,629	116,500,422
Construction in progress	4,718,020	3,764,428
Furniture, fixtures and equipment	2,822,475	3,072,679
Capital lease		135,895
Library holdings	952,235	1,035,378
Livestock for educational purposes	208,118	241,882
Total	$ 135,161,069	$ 137,684,336

ARKANSAS TECH UNIVERSITY

Capital Asset and Debt Administration (Continued)

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

	June 30, 2018	June 30, 2017
Fiber O Street - University Funds	$ 38,651	
Tech Connect Walking Trail - Grant Funds, University Funds	332,797	
Urban Planning - University Funds	233,000	
Administration Building Renovation - University Funds	273,382	
Jones Hall Water Infiltration - University Funds	104,362	
R. Pendergraft Library Cooling Tower - University Funds	112,799	
Caraway Hall - University Funds	733,428	
Stadium Suites - University Funds	285,815	
Tucker Hall - University Funds	99,665	
Paine Hall - University Funds	388,163	
Residence Life Summer Projects - University Funds	224,336	
716 N. El Pase Avenue - University Funds	637,548	
Dean Hall - University Funds	44,612	
Roush Hall - University Funds	177,821	
Glenwood Parking Lots - University Funds	109,831	
Brown Residence Hall - University Funds		$ 1,105,181
Caraway Building - University Funds		534,183
Crabaugh Residence Hall - University Funds		136,703
Paine Hall Renovation - University Funds		557,869
South Hall Renovaton - University Funds		247,927
Stadium Suites Renovation - University Funds		406,768
Resident Hall Infrastructure - University Funds		292,596
Turner Hall Renovation - University Funds		382,881
Wilson Hall Renovation - Grant Funds, University Funds		4,023,512
Witherspoon Building Renovation - University Funds		1,090,766
Total	$ 3,796,210	$ 8,778,386

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, 2018, the University had $76,855,947 in debt outstanding versus $80,585,758 the previous year. Principal payments made on debt during the year were $3,182,488. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt	June 30, 2018	June 30, 2017
Educational and general revenue bonds	$ 33,140,000	$ 37,456,272
Auxiliary facility revenue bonds	42,240,000	42,748,728
Capital lease obligations	120,570	262,114
Installment contract	80	1,024
Unamortized bond discount	(100,207)	(84,552)
Unamortized bond premium	1,455,504	202,172
Total	$ 76,855,947	$ 80,585,758

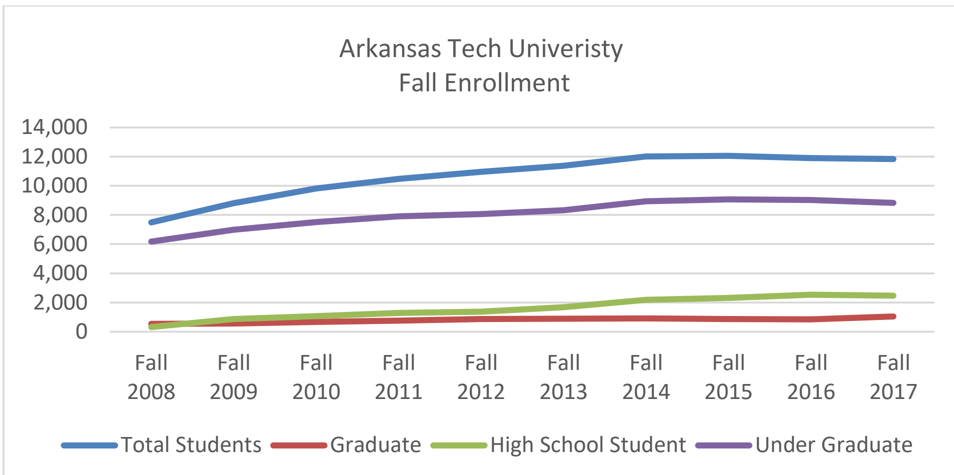
More detailed information about the University's long-term liabilities is presented in Notes 10, 11 and 12 to the financial statements.

Economic Conditions and Other Significant Factors

State government's financial and political support remain integral to the continued financial sustainability of the institution. The University's fiscal year 2018 state appropriations remained relatively constant. However, the Governor granted the University $1,731,677 from the State's rainy day fund to help complete a cyber laboratory and facilities projects. The State's higher education funding formula changed from an enrollment model to a productivity model based upon institution's outcomes. Overall, the higher education productivity model distribution carries some uncertainty on the future University's state general revenue allocations. In FY19, the state appropriation increase will be $693,692 or 1.9% for productivity funding due to the positive productivity outcomes made by the faculty and staff to retain and graduate students. The Arkansas Department of Higher Education's legislative recommendations for 2020 indicate general revenue distributions from the State will continue to remain flat with approximately $271,166 increase in Arkansas Tech's productivity funding. The State's general improvement funding for facilities and technology will not be distributed and may negatively impact the University's deferred maintenance backlog and slow the pace of technology improvements. Management will work both internally and externally to address the adoption of the funding formula, the University's outcomes, and to maximize state resources.

Economic Conditions and Other Significant Factors (Continued)

The "every student counts" guiding principle frames the strategic direction to manage the cost of attendance, so tuition and fees remain affordable, while delivering quality academic programs and University experiences. Annual undergraduate tuition and mandatory fees totaling $8,880 resulted in a 7% increase, were necessary in 2018 in order to support the University mission of student success, access, and excellence as a responsive campus community providing opportunities for progressive intellectual development and civic engagement. Below is a graph of fall enrollment from 2008 to 2017 categorized by student classifications.



Source: Office of Institutional Research and Effectiveness

Looking forward, ATU has yielded the largest enrollment in the 109 year history of the institution with a preliminary enrollment of 12,071 students for fall 2018, an increase of 2 percent over fall 2017. The increase was made possible through gains in concurrent enrollment. There are 3,172 high school students from Arkansas gaining college credit from ATU this fall as compared to 2,473 concurrent students one year ago. The University continues to focus on student success initiatives, student recruitment, and retention efforts.

The University's overall financial position remains strong. The fiscal year ended June 30, 2018 marked an overall increase in net assets of the University, sustained enrollment, record number of degrees awarded, increased number of faculty, high-demand for academic programs, and improvements to facilities. We continue to strive for excellence and monitor our efforts to bring innovative programs to our students while we exercise prudent financial management. We remain optimistic for the University's operations during fiscal year 2018-19. Management will continue to align 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
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A

	June 30, 2018
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 57,037,853
Accounts receivable *(less allowance of $559,709)*	3,715,311
Notes receivable *(less allowance of $33,011)*	36,051
Inventories	46,923
Prepaid expenses	1,838,599
Total Current Assets	62,674,737
Noncurrent Assets:	
Cash and cash equivalents	24,679,888
Deposits with trustee	1,794,636
Endowment investments	4,197,232
Investments	3,996,539
Notes receivable *(less allowance of $680,363)*	743,043
Capital assets *(net of accumulated depreciation of $130,252,461)*	135,161,069
Total Noncurrent Assets	170,572,407
TOTAL ASSETS	233,247,144
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources-Refunding	883,936
Deferred Outflows of Resources-OPEB	382,585
Deferred Outflows of Resources-Pensions	8,450,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,716,555
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 242,963,699
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 3,343,099
Bonds, installment contracts, and leases payable	3,269,008
Compensated absences payable	562,519
Total other postemployment benefit liability	382,585
Unearned revenue	2,392,604
Funds held in trust for others	893,688
Other liabilities	110,568
Total Current Liabilities	10,954,071
Noncurrent Liabilities:	
Accounts payable and accrued liabilities	181,176
Bonds, installment contracts, and leases payable	73,586,939
Compensated absences	1,369,644
Total other postemployment benefit liability	8,618,739
Net pension liability	20,979,791
Refundable federal advances	862,685
Total Noncurrent Liabilities	105,598,974
TOTAL LIABILITIES	116,553,045
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources-OPEB	2,075,511
Deferred Inflows of Resources-Pensions	1,088,592
TOTAL DEFERRED INFLOWS OF RESOURCES	3,164,103
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	119,717,148

ARKANSAS TECH UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018

		June 30, 2018
NET POSITION		
Net Investment in capital assets:	$	58,105,223
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		160,057
Loans		145,664
Expendable:		
Scholarships and fellowships		1,024,347
Capital projects		298
Debt service		3,284,859
Education and general departments		4,255,519
Unrestricted:		56,270,584
TOTAL NET POSITION		123,246,551
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, and NET POSITION	$	242,963,699

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

ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2018

Exhibit A-1

		June 30, 2018
ASSETS		
Cash and cash equivalents	$	576,163
Unconditional promises to give, net		365,134
Investments		
Marketable investments		29,863,537
Annuities		367,317
Limited partnerships		2,080,075
Total investments		32,310,929
TOTAL ASSETS	$	33,252,226
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	4,244
University funds under management		4,309,030
Reserve for annuities payable		62,264
Total liabilities		4,375,538
NET ASSETS		
Unrestricted		6,154,795
Temporarily restricted		5,782,403
Permanently restricted		16,939,490
Total net assets		28,876,688
Total liabilities and net assets	$	33,252,226

ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2018

	June 30, 2018
ASSETS	
Current assets:	
Rent receivable (net of allowance for doubtful accounts of $5,355 and $7,138, respectively)	$ 40,215
Restricted cash and cash equivalents	6,623,937
Property and equipment at cost:	
Property and equipment	8,586,469
Less accumulated depreciation	(4,220,675)
Net property and equipment	4,365,794
Other assets:	
Unamortized debt issuance cost	142,798
Unamortized debt discount	165,317
Total other assets	308,115
TOTAL ASSETS	$ 11,338,061
LIABILITIES AND UNRESTRICTED NET ASSETS	
Current liabilities:	
Current maturities of long-term debt	$ 345,000
Accounts payable	126,644
Security deposits	76,750
Accrued interest	16,805
Total current liabilities	565,199
Long-term debt	4,690,000
Unrestricted net assets	6,082,862
TOTAL LIABILITIES AND NET ASSETS	$ 11,338,061

ARKANSAS TECH UNIVERSITY

Exhibit B

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Year Ended June 30 2018
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowance of $28,571,628)	$ 41,506,770
Federal grants and contracts	2,814,817
State and local grants and contracts	12,864,281
Non-governmental grants and contracts	4,889,115
Sales and services of educational departments	1,957,534
Auxiliary enterprises:	
Athletics (net of scholarship allowance of $1,300,919)	5,080,068
Residence life (net of scholarship allowance of $3,938,248)	5,694,785
Bookstore	516,314
Food service (net of scholarship allowance of $3,039,994)	4,129,066
Health Services	1,406,986
Other operating revenues	1,158,457
TOTAL OPERATING REVENUES	82,018,193
OPERATING EXPENSES	
Personal services	56,564,594
Benefits	17,980,037
Scholarships and fellowships	14,201,154
Supplies and services	33,780,028
Depreciation	10,132,537
TOTAL OPERATING EXPENSES	132,658,350
OPERATING INCOME (LOSS)	(50,640,157)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	35,937,492
Governmental grants	19,622,493
Investment income (net of investment expense of $14,086)	1,748,296
Interest on capital asset - related debt	(2,879,636)
Bond issuance costs	(514,430)
Paying agents fees capital asset related debt	(39,970)
Gain or (loss) on disposal of capital assets	(196,405)
Other revenues (expenses)	(6,908)
NET NONOPERATING REVENUES (EXPENSES)	53,670,932
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	3,030,775
Capital appropriations	2,252,718
Capital grants and gifts	453,649
Additions to endowments	492,310
Adjustments to prior year revenues and expenses	77,770
Other	258,664
INCREASE (DECREASE) IN NET POSITION	6,565,886
NET POSITION - BEGINNING OF YEAR AS ORIGINALLY STATED	121,015,047
Restatement of prior year balance (See Note 15 - OPEB)	(4,334,382)
NET POSITION - BEGINNING OF YEAR RESTATED	116,680,665
NET POSITION - END OF YEAR	$ 123,246,551

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

ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-1

	Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support revenues and reclassifications:				
Contributions and revenues	$ 583,344	$ 1,329,217	$ 2,093,915	$ 4,006,476
Investment income, net	2,039,972	235,587	44,422	2,319,981
Net assets released from restrictions:				
Satisfaction of Program or time restrictions	1,376,013	(1,376,013)		
Uncollectible promise to give	435,489		(435,489)	
Total net assets released from restrictions	1,811,502	(1,376,013)	(435,489)	
Total public support, revenues and reclassifications	4,434,818	188,791	1,702,848	6,326,457
Expenses:				
Program services:				
Scholarships	560,762			560,762
Amount paid to benefit Arkansas Tech University	1,336,376			1,336,376
Supporting services and other:				
Management and general	232,742			232,742
Fundraising	537,589			537,589
Uncollectible promise to give	435,489			435,489
Total expenses	3,102,958			3,102,958
Changes in net assets	1,331,860	188,791	1,702,848	3,223,499
Net assets at beginning of year	4,822,935	5,979,685	14,850,569	25,653,189
Reclassifications and internal transfers		(386,073)	386,073	
Net assets at end of year	$ 6,154,795	$ 5,782,403	$ 16,939,490	$ 28,876,688

ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-2

	June 30, 2018
Income:	
Rental	$ 1,648,019
Investment	55,651
Other	2,861
Total Income	1,706,531
Expenses:	
Audit and professional	6,000
Maintenance and repairs	48,303
Pest control	1,800
Utilities	152,654
Insurance	30,921
Depreciation and amortization	376,655
Interest expense	206,696
Bad debts expense (recovery)	2,420
Bond trustee fees	4,348
Administrative cost-Arkansas Tech University	45,194
Miscellaneous	21,442
Total expenses	896,433
Increase in unrestricted net assets before allocation to Arkansas Tech University	810,098
Allocation received from (to) Arkansas Tech University	191,463
Increase in unrestricted net assets	1,001,561
Unrestricted net assets at beginning of year	5,081,301
Unrestricted net assets at end of year	$ 6,082,862

ARKANSAS TECH UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	June 30, 2018
Cash Flows From Operating Activities:	
Tuition and fees	$ 41,587,843
Grants and contracts	20,568,213
Payments to suppliers	(34,320,010)
Payments for personal services	(56,564,594)
Payments for benefits	(16,345,954)
Payments for scholarships and fellowships	(14,278,613)
Auxiliary Enterprises:	
Residential life	5,694,785
Food service	4,129,066
Bookstore	516,314
Athletics	5,080,068
Health services	1,406,986
Sales and service of educational departments	2,212,888
Other receipts (payments)	1,158,457
Net Cash Provided (Used) by Operating Activities	(39,154,551)
Cash Flows From Noncapital Financing Activities:	
State appropriations	35,937,492
Direct lending receipts	39,684,095
Direct lending payments	(39,684,095)
Noncapital grants and gifts received	19,622,493
Principal paid on non-capital debt	(944)
Interest paid on non-capital debt	(16)
Additions to endowment funds	123,000
Student organization/agency transactions (net)	166,239
Net Cash Provided (Used) by Noncapital Financing Activities	55,848,264
Cash Flows From Capital and Related Financing Activities:	
Capital grants and gifts received	453,649
Purchases of capital assets	(2,157,698)
Construction in progress expenditures	(3,177,008)
Distributions from trustee of bond reserve and interest earnings	332,933
Payments to bond trustees for bond principal	(3,040,000)
Payments to bond trustees for interest and fees	(2,822,471)
Principal paid on capital debt leases	(141,544)
Interest paid on capital debt leases	(7,655)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,559,794)
Cash Flows From Investing Activities:	
Investment income	1,684,803
Net Cash Provided (Used) by Investing Activities	1,684,803
Net increase in cash	7,818,722
Cash - beginning of the year	73,899,019
Cash - end of year	$ 81,717,741

ARKANSAS TECH UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

		June 30, 2018
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(50,640,157)
Depreciation expense		10,132,537
Receivables		255,354
Student loan receivables		192,428
Inventories		13,649
Prepaid expenses		(149,465)
Payables		(440,099)
Other liabilities		35,933
Unapplied student aid		(77,459)
Unearned revenue		(111,355)
Compensated absences		94,966
Other postemployment benefits		414,448
Pension liability		1,124,669
Net cash provided (used) by operating activities	$	(39,154,551)
Noncash transactions:		
Donated capital assets	$	16,151
Loss on disposal of capital assets		(196,405)
Increase/(Decrease) in market valuation of investments		432,802
Interest and fees on long-term debt paid directly from deposit with trustee		33,047
Proceeds and net premium from refunding bond issues deposited with trustee		35,030,758
Deposit with trustee utilized to refund bonds		1,177,018
Issuance costs on refunding bonds paid from bond proceeds		(223,772)
Underwriter's discount paid from bond proceeds		(290,658)

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

ARKANSAS TECH UNIVERSITY

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

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

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

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

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

Arkansas Valley Vocational Technical Institute (AVTI) merged with Arkansas Tech University effective July 1, 2003. Act 260 of 2007 changed the name of Arkansas Valley Technical Institute of Arkansas Tech University to Arkansas Tech University – Ozark Campus. The Ozark Campus of ATU is located 50 miles west of Russellville. Enrollment for fall is 2,104 students and the Ozark Campus offers nineteen associate degree programs, as well as thirty-five 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 837 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

During the year ended June 30, 2018, the Foundation transferred equipment and funds of $310,894 to the University for proper accountability and academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P. O. Box 8820, Russellville, AR 72801.

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

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

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

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.

<u>Financial Statement Presentation</u>: In June 1999, the GASB issued Statement no. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* This was followed in November 1999 by GASB Statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* As an institution of higher education of the State of Arkansas, the University was required to adopt GASB Statements no. 34 and no. 35. The financial statement presentation required by GASB Statements no. 34 and no. 35 provides a comprehensive, entity- wide perspective of the University's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows. This replaces the fund-group perspective previously required.

<u>Basis of Accounting</u>: 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.

<u>Cash Equivalents</u>: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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. 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.

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.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued uncompensated 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 invested 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.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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)	$ 872,405	$ 872,555
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name.	85,562,373	84,920,002
Total Deposits	$ 86,434,778	$ 85,792,557

The above deposits do not include cash on hand maintained by the University in the amount $13,825. The above deposits include certificates of deposits of $3,996,539 reported as investments and classified as nonparticipating contracts and cash held for the Arkansas Tech University Facilities Development Foundation, Inc. of $157,323. Additionally, the above deposits include negotiable certificates of deposit of $577,000 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 $28,100,979 and Arkansas Tech University owns approximately 15 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**	**<B**	**NR**
US Stocks	$2,347,092					$2,347,092
Non-US Stocks	581,736					581,736
Other	1,268,404					1,268,404
Total investments	$ 4,197,232					$4,197,232

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 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.

NOTE 3: Investments (Continued)

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:		
Investments by fair value level	6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	$ 577,000	$ 577,000		
External Investment Pool	4,197,232	3,785,490		$ 411,742
Total Investments at Fair Value	$ 4,774,232	$ 4,362,490	$ -	$ 411,742

Deposits with Trustee

At June 30, 2018, the University's deposits with trustee in the amount of $1,794,636 were invested by the trustee in certificates of deposit and The Federated Government Obligations Fund.

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.

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
Government Agencies(1)	$	487,054
Repurchase Agreements(2)		308,062
U.S. Treasury(1)		422,520
Total Investments measured at the NAV	$	1,217,636

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.

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

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

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

NOTE 3: Investments (Continued)

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

Repurchase agreements are subject to credit risks.

NOTE 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 $160,057 as of June 30, 2018. The University may not spend any of the principal. State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established. The original principal of $155,929 was reported as nonexpendable restricted net assets. 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, 2018 and June 30, 2017, respectively:

	June 30, 2018	June 30, 2017
Student Tuition and Fees	$3,416,809	$2,948,653
Auxiliary Enterprise and Other Operating Activities	162,326	812,792
Scholarship	13,511	5,913
Federal, State and Private Grants & Contracts	571,172	511,951
Accrued Interest	3,656	3,266
Credit Memos	4,781	121,479
Other	102,765	97,820
	4,275,020	4,501,874
Less Allowance for Doubtful Accounts	(559,709)	(531,209)
Net Accounts Receivable	$3,715,311	$3,970,665

NOTE 6: Inventories

Inventories consisted of the following at June 30, 2018, and June 30, 2017, respectively:

	June 30, 2018	June 30, 2017
Museum	$12,344	$12,126
Post Office	9,931	23,608
Lake Point Conference Center	17,939	18,938
Hospitality	470	806
Supplies	6,239	5,094
	$46,923	$60,572

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, 2018. 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, 2018, the notes receivable were $779,094, net of the allowance for uncollectible loans of $713,374.

NOTE 8: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not depreciated				
Land	$ 2,673,975	$ 364,978	$ (100,000)	$ 2,938,953
Landscaping	235,557			235,557
Livestock for educational purposes	241,882	58,613	(92,377)	208,118
Construction in progress	3,764,428	3,177,009	(2,223,417)	4,718,020
Total capital assets not being depreciated	$ 6,915,842	$ 3,600,600	$ (2,415,794)	$ 8,100,648
Other capital assets				
Intangible Asset - Software License	$ 1,419,153			$ 1,419,153
Capital Leases	1,614,785			1,614,785
Non-major infrastructure networks	8,081,025	$ 453,450		8,534,475
Land improvements	14,613,734	183,515		14,797,249
Buildings	201,965,629	5,331,513	$ (1,515,790)	205,781,352
Furniture, fixtures and equipment	15,885,174	757,902	(147,490)	16,495,586
Library holdings	9,437,793	147,225	(914,736)	8,670,282
Total other capital assets	253,017,293	6,873,605	(2,578,016)	257,312,882
Less accumulated depreciation:				
Intangible Asset - Software License	(1,419,153)			(1,419,153)
Capital Leases	(1,478,890)	(135,895)		(1,614,785)
Non-major infrastructure networks	(4,680,518)	(693,250)		(5,373,768)
Land improvements	(7,990,121)	(799,753)		(8,789,874)
Buildings	(85,465,207)	(7,265,164)	1,066,648	(91,663,723)
Furniture, fixtures, and equipment	(12,812,495)	(1,008,107)	147,491	(13,673,111)
Library materials	(8,402,415)	(230,368)	914,736	(7,718,047)
Total accumulated depreciation	(122,248,799)	(10,132,537)	2,128,875	(130,252,461)
Other capital assets, net	$ 130,768,494	$ (3,258,932)	$ (449,141)	$ 127,060,421
Capital Asset Summary:				
Capital assets not being depreciated	$ 6,915,842	$ 3,600,600	$ (2,415,794)	$ 8,100,648
Other capital assets, at cost	253,017,293	6,873,605	(2,578,016)	257,312,882
Total cost of capital assets	259,933,135	10,474,205	(4,993,810)	265,413,530
Less accumulated depreciation	(122,248,799)	(10,132,537)	2,128,875	(130,252,461)
Capital assets, net	$ 137,684,336	$ 341,668	$ (2,864,935)	$ 135,161,069

NOTE 9: Unearned Revenue

Unearned Revenue consists of the following at June 30, 2018 and June 30, 2017, respectively:

	June 30, 2018	June 30, 2017
Prepaid tuition and fees	$ 1,301,490	$ 1,204,459
Grants and contracts	834,695	1,009,360
Scholarships	147,460	176,849
Other	108,959	113,291
Total	$ 2,392,604	$ 2,503,959

NOTE 10: Long Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

Long Term Liabilities	June 30, 2017	Additions	Deletions	June 30, 2018	Current Portion	Noncurrent Portion
Revenue Bonds	$ 80,205,000	$ 34,195,000	$ 39,020,000	$ 75,380,000	$ 3,145,000	$ 72,235,000
Less bond discount	84,552	20,080	4,423	100,207	3,520	96,687
Plus bond premium	202,172	1,370,268	116,936	1,455,504	6,878	1,448,626
Total bonds payable	80,322,620	35,545,188	39,132,513	76,735,297	3,148,358	73,586,939
Capital leases	262,114		141,544	120,570	120,570	
Installment contract	1,024		944	80	80	
Compensated absence	1,837,197	1,820,564	1,725,598	1,932,163	562,519	1,369,644
Total	$ 82,422,955	$ 37,365,752	$ 41,000,599	$ 78,788,110	$ 3,831,527	$ 74,956,583

Deletions column includes debt refunding of $35,980,000
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 bonds amounted to $3,040,000 for the fiscal year ended June 30, 2018. 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, 2018	Maturities to June 30, 2018
Revenue Bonds 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	$ 2,430,000	$ 320,000
Revenue Bonds Series 2013 **Chambers Cafeteria Renovation** 1.2%-4.0% February 1, 2013 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at a level equal to at least 120% of the combined maximum annual debt service.	3,250,000	2,865,000	385,000
Revenue Bonds 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 a level equal to at least 120% of the combined maximum annual debt service.	1,750,000	1,530,000	220,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities to June 30, 2018
Revenue Bonds 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 maximum annual debt service.	$ 5,000,000	$ 4,595,000	$ 405,000
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 at least 120% of the combined maximum annual debt service.	16,335,000	14,625,000	1,710,000
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 at least 120% of the combined maximum annual debt service.	6,000,000	5,555,000	445,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities to June 30, 2018
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	$ 9,395,000	$ 1,600,000
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 combined maximum annual debt service.	2,000,000	1,215,000	785,000
Housing Revenue Refunding Bond Series 2017 **2001 Nutt Hall/ 2011 Tucker Hall** **2011A & 2012A M Street Dorm** **2012B Paine Hall** **2012C Baswell Hall** 3.0%-3.75% December 21, 2017 Final Maturity Date: June 1, 2041 Housing Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	21,945,000	21,460,000	485,000

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NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities to June 30, 2018
Student Fee Revenue Refunding Bond Series 2017 **2010 Ozark Student Union** **2012A Old Art & 2012B 2003 Art Building** **2012C 2004 Hull Building** **2012D 2005 Art Building** 3.0%-4.0% December 21, 2017 Final Maturity Date: June 1, 2042 Student Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	$ 7,550,000	$ 7,150,000	$ 400,000
Revenue Refunding Bond Series 2017 **2007 Sports Complex/Baswell Hall** **2012 Baseball Field** 3.0%-3.75% December 21, 2017 Final Maturity Date: June 1, 2042 Athletic Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	3,470,000	3,365,000	105,000

(Continued on next page)

NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2018	Maturities to June 30, 2018
Revenue Refunding Bond Series 2017 **2008 Eastgate/Campus Courts** 3.625% December 21, 2017 Final Maturity Date: June 1, 2038 Housing Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	$ 1,230,000	$ 1,195,000	$ 35,000
Bond Discount	(115,192)	(100,207)	(14,985)
Bond Premium	1,537,594	1,455,504	82,090
Total	$ 83,697,402	$ 76,735,297	$ 6,962,105

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

As of June 30, 2018, debt service reserves aggregating $1,794,636 were maintained. The University's reserve balances exceeded the reserve requirements at June 30, 2018.

The changes in bonds payable are as follows:

June 30, 2017	Issued	Retired	June 30, 2018
$ 80,205,000	34,195,000	39,020,000	$ 75,380,000

NOTE 11: Bonds Payable (Continued)

The principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	3,145,000	2,685,138	5,830,138
2020	3,215,000	2,599,165	5,814,165
2021	3,325,000	2,509,110	5,834,110
2022	3,005,000	2,405,679	5,410,679
2023	3,120,000	2,302,024	5,422,024
2024-2028	17,295,000	9,730,606	27,025,606
2029-2033	17,975,000	6,440,928	24,415,928
2034-2038	15,410,000	3,341,919	18,751,919
2039-2043	8,275,000	924,644	9,199,644
2044	615,000	19,375	634,375
Total	$ 75,380,000	$ 32,958,588	$ 108,338,588

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, 2018, were $3,145,000 and $72,235,000, respectively.

NOTE 12: Capital Leases and Installment Contracts Payable

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, 2018 was $180.

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

Year Ending June 30,	Principal	Interest	Total
2019	$180		$180
Total	$180		$180

ARKANSAS TECH UNIVERSITY

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, 2018
Equipment – Folding Machine	$ 10,102
Total Minimum Lease Payments	180
Less: Amount Representing Interest	
Total Present Value of Net Minimum Lease Payments	$ 180

Accumulated depreciation for the above item was $10,102 at June 30, 2018.

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, 2018 was $15,530.

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

Year Ending June 30,	Principal	Interest	Total
2019	15,530	279	15,809
Totals	$ 15,530	$ 279	$ 15,809

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

Class of Property	Asset Balance June 30, 2018
Equipment – Server	$ 86,349
Total Minimum Lease Payments	15,809
Less: Amount Representing Interest	279
Total Present Value of Net Minimum Lease Payments	$ 15,530

Accumulated depreciation for the above item was $86,349 at June 30, 2018.

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

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, 2018 was $10,580.

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

Year Ending June 30,	Principal	Interest	Total
2019	10,580	190	10,770
Totals	$ 10,580	$ 190	$ 10,770

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

Class of Property	Asset Balance June 30, 2018
Equipment – Server	$ 58,826
Total Minimum Lease Payments	10,770
Less: Amount Representing Interest	190
Total Present Value of Net Minimum Lease Payments	$ 10,580

Accumulated depreciation for the above item was $58,826 at June 30, 2018.

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

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, 2018 was $94,280

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

Year Ending June 30,	Principal	Interest	Total
2019	94,280	1,689	95,969
Totals	$ 94,280	$ 1,689	$ 95,969

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

Class of Property	Asset Balance June 30, 2018
Equipment – Server	$ 524,198
Total Minimum Lease Payments	95,969
Less: Amount Representing Interest	1,689
Total Present Value of Net Minimum Lease Payments	$ 94,280

Accumulated depreciation for the above item was $524,198 at June 30, 2018.

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

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, 2018 were $945.

Total installment contract principal and interest payments are as follows:

Year Ending June 30, 2018	Principal	Interest	Total
2019	80		80
Totals	$ 80		$ 80

NOTE 13: Commitments

The Institution was contractually obligated for the following at June 30, 2018:

Project Name	Construction in Progress	Balance Remaining on Contract	Completion Date
New Academic Facility	$ 109,248		6/30/19
New Public Safety Building	33,637		12/1/18
Turner Hall Fresh Air System	10,973	$ 224,835	9/15/18
Multi-Purpose Sports Complex Bldg	3,946,161	182,598	9/30/18
Multi-Purpose Sports Complex Bldg		4,091	9/30/18
Williamson ANCRC TGT1724	521,041	683,238	11/30/18
Williamson Hall Renovation	96,960	24,225	11/30/18
Total CIP	**$ 4,718,020**	**$ 1,118,987**	

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, 2018, 2017, and 2016 were $3,488,128, $3,360,426, and $3,327,302, respectively. Participants' contributions were $2,593,792, $2,469,742, and $2,504,225, for the year ended June 30, 2018, 2017, and 2016, 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.

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, 2018, 2017, and 2016, were $500,381, $539,569, and $539,437, 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.

NOTE 14: Employee Retirement Benefits (Continued)

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 14.75 percent of covered salaries. The University's contributions to APERS for the years ended June 30, 2018, 2017, and 2016, were $1,712,980, $1,569,803, and $1,455,575, 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, 2018, 2017, and 2016, were $40,859, $45,557, and $51,603, respectively. The participants' contributions for VALIC for the years ended June 30, 2018, 2017, and 2016, were $20,677, $24,908, and $29,088, 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, 2018, 2017, and 2016, were $7,277, $7,134, and $7,064, respectively. The participants' contributions for Delta Life for the year ended June 30, 2018, 2017, and 2015, were $3,638, $3,564, and $3,529, respectively.

NOTE 15: Postemployment Benefits Other Than Pension (OPEB)

Arkansas Tech University implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 establishes new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

General Information about OPEB Plan

Medical Plan description.

Arkansas Tech University offers a single-employer, defined benefit OPEB plan for all permanent benefits eligible employees. Employees who are have reached age 60 and completed 10 years of service with Arkansas Tech University are eligible to participate in the University's Retirement with Benefits Plan. The University allows continued group health insurance coverage until the retiree reaches Medicare eligibility. Coverage is also offered to dependents. If the retiree predeceases the dependent, coverage for the survivor 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.

For participants retiring between July 1, 1998 and July 1, 2017, the University pays one hundred percent of the retiree's premium for health insurance coverage until the individual reaches Medicare eligibility.

For participants retiring after July 1, 2017, the retiree will be responsible for the same percentage of premium that they were responsible for while active. The retiree will also be subject to premium changes in the same proportion as the active employee group. Coverage is still offered until Medicare eligibility.

Additionally, the University has five employees that participate in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a partial participant in the plan, the University's partial increase in the OPEB liability of $292,806 represents a pro-rata share of the statewide liability, which was actuarially determined in accordance with GASB Statement no. 75. 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, 2018.

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

ARKANSAS TECH UNIVERSITY
MEDICAL BENEFITS OPTIONS FOR 2018

PLAN BENEFITS	OPTION 1 HSA 618E	OPTION 2 PPO $3,000	OPTION 3 PPO $950
Deductible	In-Network $2,700 Individual / $5,400 Family Out-of-Network $5,400 Indiv./$10,800 Family	$3,000 Individual / $6,000 Family	$950 Individual / $1,900 Family
Annual Limit on Cost Sharing	Individual / Family In-Network $2,700 / $5,400 Out-of-Network Unlimited / Unlimited	Individual / Family In-Network $5,500 / $11,000 Out-of-Network $10,000 / $20,000	Individual / Family In-Network $3,450 / $6,900 Out-of-Network No Limit / No Limit
Coinsurance (**in-network** and **out-of-network**)	0%/20%	20%/40%	20%/40%
Primary Care Physician Visits	0% After Deductible/ 20% After Deductible	$35.00 Co-Pay	$35.00 Co-Pay
Specialty Physician Visit	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Preventive Health Service Immunizations (by PCP) Routine Well Baby Care (by PCP) Routine Physicals Exams Adults (by PCP) Annual Routine GYN Visit (PCP or GYN) Mammography/Pap Smear/PSA Colonoscopy Screenings (for ages 50-75 years of age and 1 every 10 years)	 0% / 0% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%	 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%	 0% /20% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%
Professional Fees for In-Patient and Out-Patient Surgical and Medical Services	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
In-Patient Hospital Services	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Out-Patient Hospital Services (including surgery)	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Diagnostics, Lab & X-Ray	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Emergency Room Visit	0% After Deductible/0% After Deductible	20% After Deductible/20% After Deductible	20% After Deductible/20% After Deductible
Maternity and Obstetrics	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Therapeutic Services In-Patient (limited to 60 days) Out-Patient (limited to 30 visits total) • Physical, occupational and speech therapy • Chiropractic	 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible	 20% After Deductible/40% After Deductible $35.00 Co-Pay/40% After Deductible 20% After Deductible/40% After Deductible	 20% After Deductible/40% After Deductible $35.00 Co-Pay/40% After Deductible 20% After Deductible/40% After Deductible
Other Services Durable Medical Equipment Diabetic Supplies Mental Health Ambulance Services – Ground up to $1,000 per trip – Air up to $5,000 per trip	 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/0% After Deductible 0% After Deductible/0% After Deductible	 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/20% After Deductible 20% After Deductible/20% After Deductible	 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/20% After Deductible 20% After Deductible/20% After Deductible
Drug Coverage	In-Network: 0% After Ded. Out-of-Network: Non Covered	Generic Tier 1 - $15.00 Preferred Brand Tier 2 - $45.00 Non-Preferred Brand Tier 3 - $65.00	Generic Tier 1 - $15.00 Preferred Brand Tier 2 - $45.00 Non-Preferred Brand Tier 3 - $65.00

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

Life Insurance Plan Description

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

Employees Covered by Benefit Terms.
At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	58
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	903
	961

Total OPEB Liability

Arkansas Tech University's total OPEB liability of $9,001,324 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2018. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75.

Actuarial assumptions and other inputs.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25 percent
Salary increases	Sample merit and longevity increases excluding inflation shown below.

Age	Merit & Longevity
20	6.6%
25	5.1%
30	3.2%
35	2.3%
40	1.9%
45	1.5%
50	1.1%
55	0.8%
60	0.7%

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

Actuarial assumptions and other inputs (Continued).

Discount rate	3.56 percent
Health cost trend rates	8.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2024 and later years.
Retirees' share of benefit-related costs	Retirees are responsible for the portion of premium rates not covered by the University's explicit subsidy. Employees retiring on/after July 1, 2017 will be responsible for the same percentage of premiums that they were responsible for while active.
Measurement date	A July 1, 2017 measurement date was used.

The discount rate was based on Fidelity 20-Year-Go-Municipal Bond Index.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of a 2011 actuarial experience study.

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balance at 6/30/17	$11,067,364
Changes for the year:	
Service cost	654,843
Interest	330,873
Differences between expected and actual experience	(274,183)
Changes in assumptions	(1,990,011)
Benefit payments	(787,562)
Net changes	(2,066,040)
Balance at 6/30/18	$9,001,324

Changes of assumptions and other inputs reflect a change in the discount rate. The prior full valuation used a discount rate of 4.0 percent. The current full valuation uses a discount rate of 2.92 percent as of July 1, 2016 and 3.56 as of July 1, 2017.

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

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher 4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$9,825,552	$9,001,324	$8,295,585

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.
The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	$8,491,382	$9,001,324	$9,588,313

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

For the year ended June 30, 2018, the University recognized an OPEB expense of $797,033. At June 30, 2018, the University reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expended and actual experience		$ (251,334)
Changes of assumptions or other inputs		(1,824,177)
Contributions subsequent to the measurement date	$ 382,585	
Total	$ 382,585	$ (2,075,511)

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

The $382,585 reported as deferred outflows of resources resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported at June 30, 2018 for deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below:

FYE:	Balance
2019	$(188,683)
2020	(188,683)
2021	(188,683)
2022	(188,683)
2023	(188,683)
Thereafter	(1,132,096)

Restatement of Beginning Balance

Beginning net position, as reported on the Statement of Revenues, Expenses and Changes in Net Position, was restated due to the implementation of GASB Statement no. 75. As a result, beginning of the year Net Position was reduced $4,334,382 to reflect the net effect of recognizing the University's total postemployment benefit liability and deferred outflows of resources attributable to the year ended June 30, 2017.

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 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	Partial employee contribution for individual coverage; entire premium amount for covered dependents.	Arkansas Blue Cross Blue Shield
Workers' compensation	Reimbursement of medical expenses and loss of salary due to job-related injury or illness.	The administrator is reimbursed quarterly for claims paid and administrative expenses	Arkansas Public Employees Claims Division

Note 16: Risk Management (Continued)

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by State employees or officials. There is a limit of $300,000 and a $2,500 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the University's State Treasury funds.

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

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

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

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

Note 17: Natural Classifications with Functional Classifications

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

Functional Classification	Personal Services	Benefits	Scholarships & Fellowships	Supplies & Services	Depreciation & Amortization	Total
Instruction	$27,049,464	$ 7,343,087	$ 653,917	$8,270,412		$43,316,880
Research	3,977,472	1,037,108	4,828	293,766		5,313,174
Public service	332,253	114,623		42,072		488,948
Academic support	5,161,812	1,679,423		3,466,660		10,307,895
Student services	4,661,037	1,656,614		1,528,525		7,846,176
Institutional support	7,685,181	2,874,106		5,041,980		15,601,267
Operation of plant	3,487,065	1,911,511		4,981,395		10,379,971
Scholarships			11,665,193			11,665,193
Depreciation					10,132,537	10,132,537
Auxiliary enterprises	4,210,310	1,363,565	1,877,216	10,155,218		17,606,309
Total expenses	$ 56,564,594	$17,980,037	$14,201,154	$ 33,780,028	$10,132,537	$132,658,350

NOTE 18: Disaggregation of Payables

The accounts payable and other liabilities of $3,524,275 consisted of $2,889,076 due to vendors, salaries, and other payroll related items, $181,176 of construction contract retainages held, $46,380 due for construction contractor payments, and $407,643 due for bond interest.

NOTE 19: Early Extinguishment of Debt

On December 21, 2017, the University issued $34,195,000 (four separate issues) in Revenue Bonds with interest rates ranging from 3.00%-4.00% to refund $35,980,000 of outstanding 2001, 2007, 2008, 2010, 2011, 2012 Housing, Student Fee, and Athletic Revenue Bonds with an interest rate range of 1.00%-5.25%. Bond proceeds and net premium of $35,030,758 (after payment of debt issuance costs of $223,772 and underwriter's discount of $290,658), along with the remaining debt service reserve funds of $1,177,018 were deposited with an escrow agent to refund the bonds. The bonds were called December 21, 2017. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $168,993. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through the year 2042. The University issued the refunding to reduce its total debt service payments by $5,938,397 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,522,712.

NOTE 20: Pledged Revenues

At June 30, 2018, the University's pledged revenues were as follows:

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Housing Bonds-2001 *	2/1/2001	12/1/2031	Construct Nutt Hall	Housing Fees	$9,633,033
Athletic Revenue Bonds-2007 *	3/1/2007	3/1/2037	Construct athletic facilities & Baswell Hall	Athletic Revenues	6,380,987
Housing Revenue Bonds-2008 *	2/1/2008	2/1/2038	Renovate Campus Courts and Eastgate Apartments	Housing Fees	9,633,033
Student Fee Revenue Bonds-2010 *	9/1/2010	9/1/2040	Construct Ozark Student Union	Student Tuition & Fees	70,078,398
Housing Revenue Bonds 2011 *	5/1/2011	5/1/2041	Tucker Hall	Housing Fees	9,633,033
Housing Revenue Bonds 2011 *	12/1/2011	6/1/2041	Construct "M" Street Dorm	Housing Fees	9,633,033
Housing Revenue Bonds 2011 *	4/1/2012	3/1/2041	Construct "M" Street Dorm	Housing Fees	9,633,033
Housing Refunding Bonds 2012B *	4/1/2012	3/1/2030	Paine Hall	Housing Fees	9,633,033
Housing Refunding Bonds 2012C *	4/1/2012	3/1/2037	Construct Baswell Hall	Housing Fees	9,633,033
Student Fee Revenue Bonds-2012A *	5/1/2012	6/1/2042	Renovate Old Art Building	Student Tuition & Fees	70,078,398
Student Fee Revenue Bonds-2012B *	5/1/2012	6/1/2033	Construct Art Building	Student Tuition & Fees	70,078,398
Student Fee Revenue Bonds-2012C *	5/1/2012	6/1/2029	Construct Hull Building	Student Tuition & Fees	70,078,398

(continued on next page)

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Student Fee Revenue Bonds-2012D *	5/1/2012	6/1/2034	Construct Art Building	Student Tuition & Fees	$70,078,398
Athletic Revenue Bonds-2007 *	7/1/2012	3/1/2042	Renovate Baseball Field Complex	Athletic Revenues	6,380,987
Auxiliary Revenue Bond 2012	12/1/2012	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	7,169,060
Auxiliary Revenue Bond 2013	12/1/2012	1/1/2043	Renovate Chambers	Russellville Food Service Revenue	7,169,060
Auxiliary Revenue Bond 2013A	6/13/2013	1/1/2043	Renovate Chambers	Russellville Food Service Revenue	7,169,060
Student Fee Revenue Bonds-2013	11/1/2013	12/1/2043	Construct Brown Building	Student Tuition & Fees	70,078,398
Student Fee Revenue Bonds-2014	10/1/2014	5/1/2039	Ozark Student Services Building; Academic Classroom; Physical Plant; Rothwell McEver & Corley Buildings	Student Tuition & Fees	70,078,398
Student Fee Revenue Bonds-2014	10/1/2014	5/1/2044	Construct Ozark Allied Health Building and refoof Ozark Technology and Academic Support Building	Student Tuition & Fees	70,078,398
Housing Refunding Bonds 2014	10/1/2014	5/1/2039	Baswell Hall, Critz Hall and Hughes Building	Housing Fees	9,633,033
Student Fee Revenue Bonds-2015	11/1/2015	11/1/2020	Computer Equipment Upgrade	Student Tuition & Fees	70,078,398

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NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Housing Refunding Bonds-2017	12/21/2017	6/1/2041	2001 Nutt Hall 2011 Tucker Hall 2011A M. Street Dorm 2012A M. Street Dorm 2012B Paine Hall 2012C Baswell Hall	Housing Fees	$9,633,033
Student Fee Refunding Bonds 20.17	12/21/2017	6/1/2042	2010 Oz Student Union 2012A Old Art Building 2012B 2003 Art Bldg 2012C 20014 Hull Bldg 2012D 2005 Art Bldg	Student Tuition & Fees	70,078,398
Athletic Refunding Bonds 2017	12/21/2017	6/1/2042	2007 Sports Complex 2012 Baseball Field	Athletic Revenues	6,380,987
Housing Refunding Bonds 2017 Taxable	12/21/2017	6/1/2038	2008 Eastgate/ Campus Courts	Housing Fees	9,633,033

* bond issue was refunded in fiscal year 2018 - see Note 19.

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2018 PRINCIPAL PAID	FY 2018 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2018	INTEREST OUTSTANDING 6/30/2018
Housing Bonds 2001	$10,000,000	$305,000	$174,481	$0	$0
Athletic Revenue Revenue Bonds-2007	2,720,000	0	48,248	0	0
Housing Revenue Bonds-2008	1,505,000	0	28,397	0	0
Auxiliary Revenue Bond 2010	575,000	15,000	10,368	0	0
Housing Revenue Bonds-2011	2,400,000	0	49,806	0	0
Housing Revenue Bonds 2011	7,600,000	0	148,824	0	0
Housing Revenue Bonds 2012A	4,905,000	0	87,484	0	0
Housing Refunding Bonds 2012B	3,100,000	0	39,068	0	0
Housing Refunding Bonds 2012C	1,070,000	0	17,419	0	0
Student Fee Revenue Bonds 2012A	830,000	0	14,409	0	0

ARKANSAS TECH UNIVERSITY

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2018 PRINCIPAL PAID	FY 2018 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2018	INTEREST OUTSTANDING 6/30/2018
Student Fee Refunding Bonds 2012B	$3,355,000	$0	$45,248	$0	$0
Student Fee Refunding Bonds 2012C	4,680,000	0	53,023	0	0
Student Fee Refunding Bonds 2012D	860,000	0	12,486	0	0
Athletic Revenue Bond 2012	1,500,000	0	25,669	0	0
Auxiliary Revenue Bond 2012	2,750,000	65,000	81,825	2,430,000	1,270,170
Auxiliary Revenue Bond 2013	3,250,000	75,000	100,271	2,865,000	1,565,561
Auxiliary Revenue Bond 2013A	1,750,000	45,000	56,753	1,530,000	892,138
Student Fee Revenue Bonds 2013	5,000,000	110,000	201,585	4,595,000	3,359,036
Student Fees Refunding Bonds 2014	16,335,000	495,000	508,510	14,625,000	6,173,050
Student Fee Revenue Bonds 2014	6,000,000	135,000	197,319	5,555,000	3,086,094

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ARKANSAS TECH UNIVERSITY

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2018 PRINCIPAL PAID	FY 2018 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2018	INTEREST OUTSTANDING 6/30/2018
Housing Refunding Bonds 2014	$10,995,000	$375,000	$338,863	$9,395,000	$3,703,331
Student Fee Revenue Bonds 2015	2,000,000	395,000	23,359	1,215,000	34,031
Housing Refunding Bonds 2017	21,945,000	485,000	360,372	21,460,000	8,852,382
Student Fee Refunding Bonds 2017	7,550,000	400,000	122,125	7,150,000	2,231,794
Athletic Fee Refunding Bonds 2017	3,470,000	105,000	47,933	3,365,000	1,287,850
Athletic Fee Refunding Bonds 2017 Taxable	1,230,000	35,000	19,817	1,195,000	503,150

The approximate percentages of revenues pledged for the year ended June 30, 2018 were as follows:

Student tuition and fees – 3.87%

Food service fees – 6.27%

Housing fees – 25.02%

Athletic revenue – 4.41%

NOTE 21: Contingent Liabilities

On August 24, 2016, the Securities and Exchange Commission entered a cease-and-desist order to the Board of Trustees of Arkansas Tech University pursuant to Section 8A of the Securities Act of 1933. The matter involved material omissions by Arkansas Tech University in the sale of municipal securities. Specifically, in certain official statements for municipal securities, Arkansas Tech University failed to disclose that it had not been in material compliance with prior agreements to provide continuing disclosure. Arkansas Tech University was an issuer responsible for making the continuing disclosure and for the omissions in the official statements. As a result of the conduct, Arkansas Tech University violated Section 17(a)(2) of the Securities Act. The violations were self-reported by Arkansas Tech University to the SEC pursuant to the Division of Enforcement's Municipalities Continuing Disclosure Cooperation Initiative. In addition to other undertakings including, but not limited to establishing appropriate written policies, complying with existing continuing disclosure undertaking, and updating past delinquent filings, Arkansas Tech University shall disclose in a clear and conspicuous fashion the terms of the settlement in Administrative Proceeding File No. 3-17426 in any final official statement for an offering by Arkansas Tech University for five years.

On July 3, 2017, the University received a demand letter from a former employee asserting a claim in the amount $105,611 for alleged salary shortages that began in July, 2011. On February 27, 2018, the former employee filed a lawsuit against Arkansas Tech University in Pope County Circuit Court, Case No. 58-CV-2018-132, alleging breach of contract. The University filed a motion to dismiss based upon sovereign immunity and the plaintiff voluntarily dismissed her claim. On May 16, 2018, Plaintiff re-filed her breach of contract claim before the Arkansas State Claims Commission. The complaint did not specify the amount of damages being sought. That case, Arkansas State Claims Commission No. 180951, is currently set for a hearing on November 16, 2018, before the Claims Commission to hear the University's Motion to Dismiss. The University has, and will continue to, aggressively defend the matter.

On August 14, 2018, Arkansas Tech University received a Notice of Charge of Discrimination (Charge No. 493-2018-01536) from the Equal Employment Opportunity Commission. The charge was filed by a former employee and alleged discrimination based upon disability. The EEOC has requested a Position Statement from the University that is due no later than September 25, 2018. The University will aggressively defend this matter.

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	**Arkansas Public Employees Retirement System**
1400 West Third Street	124 W. Capitol, Suite 400
Little Rock, AR 72201	Little Rock, AR 72201-3704
(501) 682-1517	(501) 682-7800
https://www.artrs.gov/publications	http://www.apers.org/annualreports/index.php

NOTE 22: Pensions (Continued)

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%.

NOTE 22: Pensions (Continued)

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, 2018, 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 $1,712,980 for the year ended June 30, 2018.

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.

APERS

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, 2018, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the University were $500,381 for the year ended June 30, 2018.

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.

NOTE 22: Pensions (Continued)

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

At June 30, 2018, the University reported liabilities of $20,979,791 ($15,513,102 APERS and $5,466,689 ATRS) for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, 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, 2017, the University's proportion was 0.1300% for ATRS and 0.6003% for APERS.

For the year ended June 30, 2018, the University recognized a decrease in pension expense of $406,822 for ATRS and an increase of $1,531,491 for APERS. The total pension expense for year ended June 30, 2018 for ATRS and APERS was $93,559, and $3,244,471, respectively. For the year ended June 30, 2018, 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 - $75,760 deferred outflows, APERS - $300,729 deferred outflows; ATRS - $134,005 deferred inflows, and APERS - $305,108 deferred inflows)	$376,489	$439,113
Changes of assumptions or other inputs (APERS - $2,496,034, ATRS – 1,460,734)	3,956,768	
Net differences between projected and actual earnings on pension plan investments (APERS-$650,046 deferred outflows. ATRS $386,131 – deferred inflows)	650,046	386,131
Changes in University's proportion and differences between the University's contributions and proportionate share of the University's contributions (APERS - $1,253,370 – deferred outflows; ATRS - $258,732 – deferred inflows, APERS - $4,616 – deferred inflows)	1,253,370	263,348
The University's contributions subsequent to the measurement date (ATRS - $500,381 and APERS - $1,712,980)	2,213,361	
Total	$8,450,034	$1,088,592

NOTE 22: Pensions (Continued)

$2,213,361 (APERS - $1,712,980; ATRS - $500,381) was reported as deferred outflows of resources related to pensions resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	$1,404,324 (ATRS - $19,585 and APERS - $1,384,739)
2020	$2,308,604 (ATRS - $394,075 and APERS - $1,914,529)
2021	$1,420,133 (ATRS - $262,898 and APERS - $1,157,235)
2022	($108,731) (ATRS - ($42,683) and APERS - ($66,048)
2023	$123,751 (ATRS - $123,751)
Total	$5,148,081 (ATRS - $757,626 and APERS - $4,390,455)

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, 2017	June 30, 2017
Inflation rate	2.75%	3.25%
Salary increases	2.75% to 7.75%, including inflation	3.25% - 9.85%, including inflation
Investment rate of return	7.50%	7.15%
Mortality rates	RP-2014 Healthy Annuitant Disabled Annuitant, and Employee Mortality Tables were used for males and females.	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, 2010, through June 30, 2015	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.

NOTE 22: Pensions (Continued)

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 2017 -2026 were based upon capital market assumptions provided by the plan investment consultant.

For each major asset class that is included in each pension plans' target asset allocation as of June 30, 2017, these best estimates are summarized in the following table.

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	50.00%	5.0%
Fixed income	20.00%	1.2%
Alternatives	5.00%	4.8%
Real assets	15.00%	3.7%
Private equity	10.00%	6.5%
Cash equivalents	0.00%	0.3%

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	5.97%
International Equity	24.00%	6.54%
Real Assets	16.00%	4.59%
Absolute Return	5.00%	3.15%
Domestic Fixed	18.00%	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 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

NOTE 22: Pensions (Continued)

ATRS

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 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 7.50%	$8,756,309	$5,466,689	$2,739,584
APERS – Current discount rate 7.15%	$23,624,455	$15,513,102	$8,777,875

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.

ARKANSAS TECH UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Healthcare and Life Insurance Benefits

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB Statement no. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and eventually will build up to 10 years of information.

Arkansas Tech University implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017-18. This statement replaces GASB no. 45. GASB Statement no. 75 establishes new standards for accounting and financial reporting of employer provided OPEB plans. This statement identifies methods and assumptions that are required to be used to project future benefit payments.

General Information about OPEB Plan

Medical Plan Description

Arkansas Tech University offers a single-employer, defined benefit OPEB plan for all permanent benefits eligible employees. Employees who are have reached age 60 and completed 10 years of service with Arkansas Tech University are eligible to participate in the University's Retirement with Benefits Plan. The University allows continued group health insurance coverage until the retiree reaches Medicare eligibility. Coverage is also offered to dependents. If the retiree predeceases the dependent, coverage for the survivor 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.

For participants retiring between July 1, 1998 and July 1, 2017, the University pays one hundred percent of the retiree's premium for health insurance coverage until the individual reaches Medicare eligibility.

For participants retiring after July 1, 2017, the retiree will be responsible for the same percentage of premium that they were responsible for while active. The retiree will also be subject to premium changes in the same proportion as the active employee group. Coverage is still offered until Medicare eligibility.

Additionally, the University has five employees that participate in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a partial participant in the plan, the University's partial increase in the OPEB liability of $292,806 represents a pro-rata share of the statewide liability, which was actuarially determined in accordance with GASB Statement no. 75. 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, 2018.

Postemployment Healthcare and Life Insurance Benefits (Continued)

ARKANSAS TECH UNIVERSITY
MEDICAL BENEFITS OPTIONS FOR 2018

PLAN BENEFITS	OPTION 1 HSA 618E	OPTION 2 PPO $3,000	OPTION 3 PPO $950
Deductible	In-Network $2,700 Individual / $5,400 Family Out-of-Network $5,400 Indiv./$10,800 Family	$3,000 Individual / $6,000 Family	$950 Individual / $1,900 Family
Annual Limit on Cost Sharing	Individual / Family In-Network $2,700 / $5,400 Out-of-Network Unlimited / Unlimited	Individual / Family In-Network $5,500 / $11,000 Out-of-Network $10,000 / $20,000	Individual / Family In-Network $3,450 / $6,900 Out-of-Network No Limit / No Limit
Coinsurance (**in-network** and **out-of-network**)	0%/20%	20%/40%	20%/40%
Primary Care Physician Visits	0% After Deductible/ 20% After Deductible	$35.00 Co-Pay	$35.00 Co-Pay
Specialty Physician Visit	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Preventive Health Service Immunizations (by PCP) Routine Well Baby Care (by PCP) Routine Physicals Exams Adults (by PCP) Annual Routine GYN Visit (PCP or GYN) Mammography/Pap Smear/PSA Colonoscopy Screenings (for ages 50-75 years of age and 1 every 10 years)	 0% / 0% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%	 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%	 0% /20% 0% / 20% 0% / 20% 0% / 20% 0% / 20% 0% / 20%
Professional Fees for In-Patient and Out-Patient Surgical and Medical Services	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
In-Patient Hospital Services	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Out-Patient Hospital Services (including surgery)	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Diagnostics, Lab & X-Ray	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Emergency Room Visit	0% After Deductible/0% After Deductible	20% After Deductible/20% After Deductible	20% After Deductible/20% After Deductible
Maternity and Obstetrics	0% After Deductible/20% After Deductible	20% After Deductible/40% After Deductible	20% After Deductible/40% After Deductible
Therapeutic Services In-Patient (limited to 60 days) Out-Patient (limited to 30 visits total) • Physical, occupational and speech therapy • Chiropractic	 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible	 20% After Deductible/40% After Deductible $35.00 Co-Pay/40% After Deductible 20% After Deductible/40% After Deductible	 20% After Deductible/40% After Deductible $35.00 Co-Pay/40% After Deductible 20% After Deductible/40% After Deductible
Other Services Durable Medical Equipment Diabetic Supplies Mental Health Ambulance Services – Ground up to $1,000 per trip – Air up to $5,000 per trip	 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/20% After Deductible 0% After Deductible/0% After Deductible 0% After Deductible/0% After Deductible	 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/20% After Deductible 20% After Deductible/20% After Deductible	 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/40% After Deductible 20% After Deductible/20% After Deductible 20% After Deductible/20% After Deductible
Drug Coverage	In-Network: 0% After Ded. Out-of-Network: Non Covered	Generic Tier 1 - $15.00 Preferred Brand Tier 2 - $45.00 Non-Preferred Brand Tier 3 - $65.00	Generic Tier 1 - $15.00 Preferred Brand Tier 2 - $45.00 Non-Preferred Brand Tier 3 - $65.00

Postemployment Healthcare and Life Insurance Benefits (Continued)

Life Insurance Plan Description

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

*Employees Covered by Benefit Term***s.**
At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	58
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	903
	961

Total OPEB Liability

Arkansas Tech University's total OPEB liability of $9,001,324 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs.
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25 percent
Salary increases	Sample merit and longevity increases excluding inflation shown below.

Age	Merit & Longevity
20	6.6%
25	5.1%
30	3.2%
35	2.3%
40	1.9%
45	1.5%
50	1.1%
55	0.8%
60	0.7%

Postemployment Healthcare and Life Insurance Benefits (Continued)

Actuarial assumptions and other inputs (Continued).

Discount rate	3.56 percent
Health cost trend rates	8.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2024 and later years.
Retirees' share of benefit-related costs	Retirees are responsible for the portion of premium rates not covered by the University's explicit subsidy. Employees retiring on/after July 1, 2017 will be responsible for the same percentage of premiums that they were responsible for while active.
Measurement date	A July 1, 2017 measurement date was used.

The discount rate was based on Fidelity 20-Year-Go-Municipal Bond Index.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of a 2011 actuarial experience study.

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balance at 6/30/17	$ 11,067,364
Changes for the year:	
Service cost	654,843
Interest	330,873
Differences between expected and actual experience	(274,183)
Changes in assumptions	(1,990,011)
Benefit payments	(787,562)
Net Changes	(2,066,040)
Balances at 6/30/18	$ 9,001,324
Covered employee payroll	$ 43,683,964
Net OPEB liability as % of covered payroll	20.6%

*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Postemployment Healthcare and Life Insurance Benefits (Continued)

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Changes of assumptions and other inputs reflect a change in the discount rate. The prior full valuation used a discount rate of 4.0 percent. The current full valuation uses a discount rate of 2.92 percent as of July 1, 2016 and 3.56 as of July 1, 2017.

Sensitivity of the total OPEB liability to changes in the discount rate.
The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher 4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$9,825,552	$9,001,324	$8,295,585

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.
The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	$8,491,382	$9,001,324	$9,588,313

Postemployment Healthcare and Life Insurance Benefits (Continued)

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

For the year ended June 30, 2018, the University recognized an OPEB expense of $797,033. At June 30, 2018, the University reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expended and actual experience		$ (251,334)
Changes of assumptions or other inputs		(1,824,177)
Contributions subsequent to the measurement date	$ 382,585	
Total	$ 382,585	$ (2,075,511)

The $382,585 reported as deferred outflows of resources resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported at June 30, 2018 for deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below:

FYE:	Balance
2019	$(188,683)
2020	(188,683)
2021	(188,683)
2022	(188,683)
2023	(188,683)
Thereafter	(1,132,096)

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

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

	2018*	2017*	2016*	2015*
University's proportion of the NPL	0.1300%	0.1362%	0.1386%	0.1394%
University's proportionate share of NPL	$5,466,689	$6,009,569	$4,513,157	$3,660,521
University's covered payroll **	$3,854,064	$3,853,121	$3,836,236	$4,099,736
University's proportionate share of NPL as a % of covered payroll	141.84%	155.97%	117.65%	89.29%
Plan fiduciary net position as % of total pension liability	79.48%	76.75%	82.20%	84.98%

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

	2018*	2017*	2016*	2015*
University's proportion of the NPL	0.6003%	0.5586%	0.5447%	0.4638%
University's proportionate share of NPL	$15,513,102	$13,357,051	$10,031,477	$6,580,919
University's covered payroll **	$10,826,228	$10,038,448	$9,243,408	$8,302,554
University's proportionate share of NPL as a % of covered payroll	143.29%	133.06%	108.53%	79.26%
Plan fiduciary net position as % of total pension liability	75.65%	75.50%	80.39%	84.15%

**The 2018 amounts presented were determined as of June 30, 2017 and the 2017 amounts were determined as of June 30, 2016, etc., the actuarial valuation dates.*

***Restated 2016 and 2015 amounts per GASB No. 82 – Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73.*

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

Schedule of University Contributions
Arkansas Teacher Retirement System

	2018	2017	2016	2015
Contractually required contribution	$500,381	$539,569	$539,437	$537,073
Contributions in relation to contractually required contribution	(500,381)	(539,569)	(539,437)	(537,073)
Contribution deficiency (excess)	-	-	-	-
University's covered payroll*	$3,574,150	$3,854,064	$3,853,121	$3,836,236
Contributions as a % of covered payroll	14.00%	14.00%	14.00%	14.00%

Schedule of University Contributions
Arkansas Public Employees Retirement System

	2018	2017	2016	2015
Contractually required contribution	$1,712,980	$1,569,803	$1,455,575	$1,364,327
Contributions in relation to contractuallyrequired contribution	(1,712,980)	(1,569,803)	(1,455,575)	(1,364,327)
Contribution deficiency (excess)	-	-	-	-
University's covered payroll*	$11,813,655	$10,826,228	$10,038,448	$9,243,408
Contributions as a % of covered payroll	14.50%	14.50%	14.50%	14.76%

**Restated 2016 and 2015 amounts per GASB No. 82 – Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73.*

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, 2018
(Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets and Deferred Outflows	$ 242,963,699	$ 237,621,732	$ 238,465,156	$ 230,566,875	$ 214,537,895
Total Liabilities and Deferred Inflows	119,717,148	116,606,685	119,455,665	116,657,301	95,228,003
Total Net Position	123,246,551	121,015,047	119,009,491	113,909,574	119,309,892
Total Operating Revenues	82,018,193	81,210,221	80,684,954	77,383,271	72,985,618
Total Operating Expenses	132,658,350	131,453,612	130,738,612	125,208,348	120,210,218
Total Net Non-Operating Revenues	53,670,932	52,580,852	52,929,085	54,416,642	53,259,131
Total Other Revenues, Expenses, Gains or Losses	3,535,111	(331,905)	2,224,490	818,957	4,162,659