Arkansas Tech University

Russellville, Arkansas

Basic Financial Statements and Other Reports

June 30, 2023

ARKANSAS TECH UNIVERSITY
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Arkansas Tech University
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We did not audit the financial statements of the Arkansas Tech University Foundation, Inc. or the Arkansas Tech University Facilities Development Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas Tech University Foundation, Inc. and the Arkansas Tech University Facilities Development Foundation, Inc., is based solely on the reports of the other auditors. The financial statements of the Arkansas Tech University Foundation, Inc. and the Arkansas Tech University Facilities Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards.* We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Comparative Information

We have previously audited the University's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 7, 2022. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 7-19, 81-83, and 84-85 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Selected Information for the Last Five Years (Schedule 1) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023**,** on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
November 7, 2023
EDHE13023

Arkansas

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Senate Chair
Sen. John Payton
Senate Vice Chair

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas Tech University
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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, 2023, 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 7, 2023. Our report includes a reference to other auditors who audited the financial statements of the Arkansas Tech University Foundation, Inc. and the 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 the Arkansas Tech University Facilities Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Arkansas Tech University Foundation, Inc. and the Arkansas Tech University Facilities Development Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the Arkansas Tech University Foundation, Inc. and the Arkansas Tech University Facilities Development Foundation, Inc.

Report on 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) as a basis for designing 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 were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted a certain matter that we reported to management of the University in a separate letter dated November 7, 2023.

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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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT

Matt Fink

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 7, 2023

Arkansas

Sen. David Wallace
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas Tech University
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2023, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2022	Fall Term 2022	Spring Term 2023	Summer I Term 2023
Student Headcount	1,450	9,445	8,210	1,496
Student Semester Credit Hours	6,296	98,975	83,818	6,872

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

Matt Fink

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 7, 2023

Management's Discussion And Analysis

(UNAUDITED)

Introduction

Arkansas Tech University (the University) is proud to present its consolidated financial statements for fiscal year 2022-23. 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 the FY 23 fiscal year with an overall increase in net position. This increase is partially do the $4,549,925 increase in investment income and the $3,918,875 increase in state appropriations. In addition, the University had a material reduction in both the pension and other post-employment benefits entry in the areas of expense.

The University's fiscal year 2022-23 state appropriations of $43,430,450 slightly increased compared to previous years. Major emphasis has been placed on the management of expenses and this was even more crucial this year, as COVID-19 required the University to stretch in many new ways.

Other impacts to the University's financial net position included the adoption of two Governmental Accounting Standards Board Statements, no. 68, *Accounting and Financial Reporting for Pensions* and no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Please refer to Notes 16 and 22 for a detailed analysis of these required changes to the financial statements.

The student population totaled 9,445 for the fall 2022, a 2.02% decrease from fall 2021. Due to the net impact of the student population decline management actively monitors revenue levels and net impact. This prudent management of resources practice resulted in the following FY22-23 financial results:

- Transfer $348,881 to Funded Depreciation.
- Net Pension liability increased by $11,335,190 from fiscal year 2022.
- There was a $1,108,352 decrease in the University's other post-employment benefits liability.

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

Condensed Statement of Net Position

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

Net Position is divided into three major categories. The first category—net investment in capital assets—provides information on the institution's equity in property, plant, and equipment. The next net position category—restricted 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 $12,079,153 for fiscal year 2023. A review of the Statement of Net Position reveals an increase overall in total assets and deferred outflows of resources by $39,310,208 and liabilities and deferred inflows of resources increased by $27,231,055. The most significant changes occurred in noncurrent assets, noncurrent liabilities, and deferred inflows of resources.

ARKANSAS TECH UNIVERSITY

Condensed Statement of Net Position (Continued)

Condensed Statement of Net Position

Assets:	June 30, 2023	June 30, 2022
Current assets	$69,136,428	$69,763,630
Noncurrent assets	84,749,715	53,570,870
Capital assets, net	145,893,275	139,935,802
Total Assets	299,779,418	263,270,302
Deferred Outflows of Resources	8,854,629	6,053,537
Total Assets and Deferred Outflows of Resources	308,634,047	269,323,839
Liabilities:		
Current liabilities	12,746,045	13,013,803
Noncurrent liabilities	114,509,480	77,970,161
Total Liabilities	127,255,525	90,983,964
Deferred Inflows of Resources	7,538,570	16,579,076
Total Liabilities and Deferred Inflows of Resources	134,794,095	107,563,040
Net Position:		
Net Investment in Capital Assets	79,248,032	87,574,100
Restricted - nonexpendable	195,294	199,389
Restricted - expendable	46,553,192	14,896,198
Unrestricted	47,843,434	59,091,112
Total Net Position	$ 173,839,952	$ 161,760,799

ARKANSAS TECH UNIVERSITY

Condensed Statement of Revenues, Expenses and Changes in Net Position

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

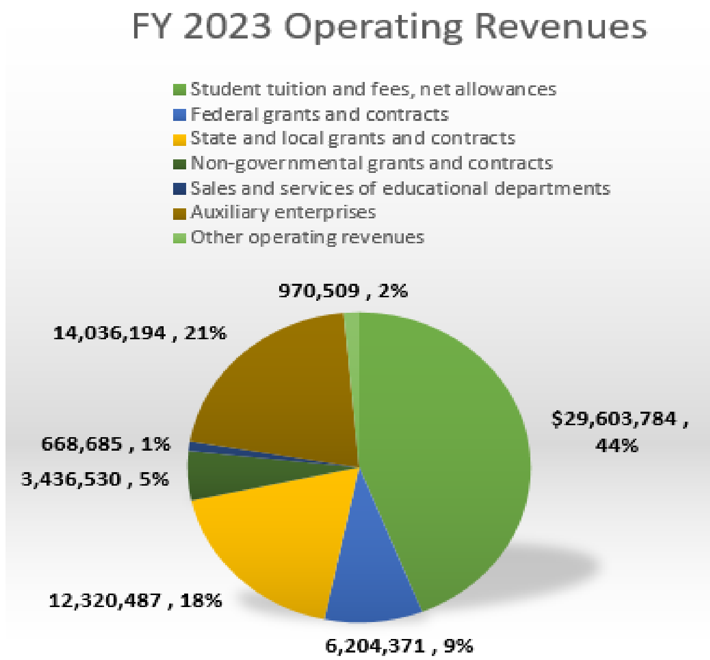
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2023	June 30, 2022
Operating revenues	$ 67,240,560	$ 68,436,933
Operating expenses	(122,597,490)	(133,233,543)
Operating loss	(55,356,930)	(64,796,610)
Nonoperating revenues and expenses	66,553,596	78,589,487
Income (loss) before other revenues, expenses, gains, or losses	11,196,666	13,792,877
Other revenues, expenses, gains or losses	882,487	4,116,063
Increase (Decrease) in Net Position	12,079,153	17,908,940
Net Position at beginning of year	161,760,799	143,851,859
Net Position at end of year	$ 173,839,952	$ 161,760,799

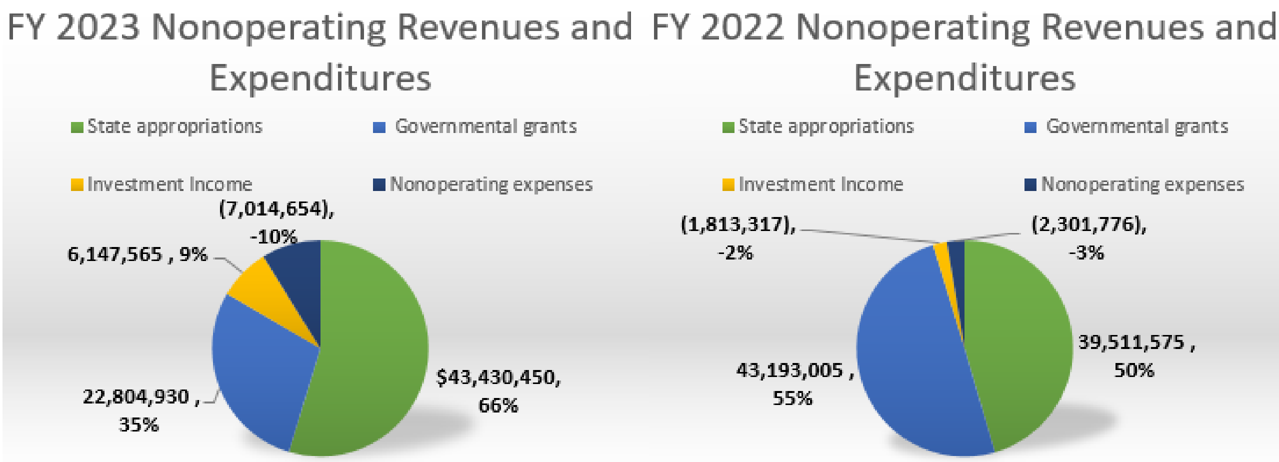
Condensed Statement of Revenues, Expenses and Changes in Net Position (Continued)

The FY23 operating revenues of $67,240,560 compared to last year's $68,436,933 had a decrease of $1,196,373. Noted increases were in Federal grants and contracts and sales and state and local grants and contracts. Noted decreases were in auxiliaries, and student tuition and fees.

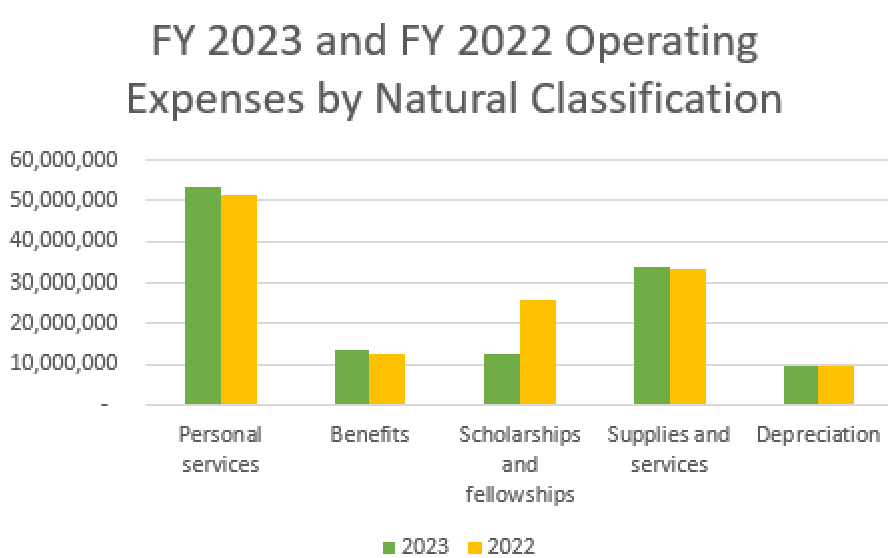


Condensed Statement of Revenues, Expenses and Changes in Net Position (Continued)

The FY23 nonoperating revenues and expenditures totaled $65,368,291 compared to $78,589,487 last year. The biggest gains were in state appropriations and investment income.



The operating expenditures of $122,597,490 decreased by $10,636,053 from last year, primarily due to the decrease in scholarships. In FY22, Arkansas Tech University expensed $13,633,853 in CARES Act scholarships.



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 FY23 cash balance totaled $109,713,078 compared to $110,918,676 from last year. The decrease was in part due to the decline in enrollment, which resulted in less tuition and fees. The statement is divided into five sections on Exhibit C. 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. The condensed statement is shown below and includes a summary version of the cash flow.

Condensed Statement of Cash Flows

	June 30, 2023	June 30, 2022
Cash provided (used) by:		
Operating activities	$ (48,516,730)	$ (56,088,852)
Noncapital financing activities	66,545,399	85,217,996
Capital and related financing activities	(23,792,640)	(13,512,009)
Investing activities	4,558,373	1,966,901
Net Change in Cash	(1,205,598)	17,584,036
Cash, beginning of year	110,918,676	93,334,640
Cash, end of year	$ 109,713,078	$ 110,918,676

ARKANSAS TECH UNIVERSITY

Capital Asset and Debt Administration

At June 30, 2023, the University had $315,371,357 invested in capital assets, less accumulated depreciation of $169,478,082. Depreciation charges total $9,808,117 for the current fiscal year. Details of these assets are shown below.

Capital Asset (Net)	June 30, 2023	June 30, 2022
Land, improvements and infrastructure	$ 7,910,094	$ 8,198,504
Buildings	112,731,860	110,374,920
Construction in progress	20,547,067	17,000,578
Furniture, fixtures and equipment	3,868,734	3,539,154
Library holdings	512,605	571,116
Livestock for educational purposes	322,915	251,530
Total	$ 145,893,275	$ 139,935,802

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, 2023	June 30, 2022
Williamson Dining Hall - Grants and University Funds	$ 6,848,744	
Post Office Renovation - Auxiliary Funds	6,250	
University Commons - Auxiliary Funds	202,554	
Nutt Chiller Replacement - Auxiliary Funds	262,998	
Crabaugh HVAC - Grant Funds	601,999	
Dean Hall HVAC - Grant Funds	1,902,914	
Witherspoon HVAC - Grant Funds	561,281	
Wilson Hall - University Funds		$ 832,075
Baswell Hall - University Funds		25,950
Tucker Hall - University Funds		179,238
Paine Hall - University Funds		122,886
Ozark Automotive - University Funds		299,738
McEver Summer Projects - University Funds		141,263
Total	$ 10,386,740	$ 1,601,150

More detailed information about the University's capital assets is presented in Note 8 and Note 14 of the financial statements.

Capital Asset and Debt Administration (Continued)

Debt

At June 30, 2023, the University had $91,695,961 in debt outstanding versus $64,863,429 the previous year. Principal payments on general obligation bonds during the year were $3,375,000. The table below summarizes these amounts by type of debt instrument. Moody's Investor Service continued its rating of A1 with a stable outlook.

Outstanding Debt	June 30, 2023	June 30, 2022
Educational and general revenue bonds	$ 26,540,000	$28,150,000
Auxiliary facility revenue bonds	62,050,000	34,015,000
Notes payable from direct placement	776,538	844,387
Unamortized bond discount	(16,287)	(17,115)
Unamortized bond premium	2,335,050	1,852,064
Lease Liability	10,660	19,093
Total	$ 91,695,961	$64,863,429

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

Economic Conditions and Other Significant Factors

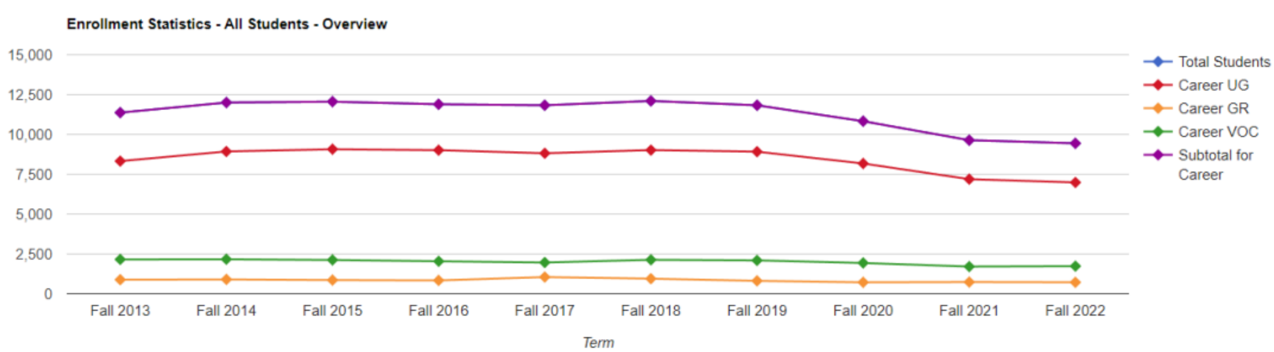
State government's financial and political support remain integral to the continued financial sustainability of the institution. The University's fiscal year 2023 state appropriations remained strong, even though COVID-19 impacted the entire fiscal year. The State Legislature uses funding categories to maintain a balanced budget.

Economic Conditions and Other Significant Factors (Continued)

On March 11, 2020 the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordering the Arkansas Department of Health to take action to prevent the spread of coronavirus disease (COVID-19). Various other Executive Orders followed. The emergency order remained in effect until it expired May 30, 2021, per Executive Order 21-07. During FY21 the campus moved to a blended instructional format. It included online, hybrid, and in class instruction. A similar format was used for FY22, but with more emphasis on in class instruction. Note 24 addresses the COVID-19 event. The long-term effects remain unknown. The Federal government provided CARES Act funding, through the Higher Education Emergency Relief Fund (HEERF), to address some of the vital needs. The American Rescue Plan funding was also added.

On December 20, 2022, the University was authorized to issue $29,800,000 in student fee revenue bonds for the purpose of a Student Union and Recreation Center. The term of the bond is thirty years with an interest rate of 5.00 percent. The bond issue cost of $437,489 were expensed in fiscal year 2023. The Student Union and Recreation Center will be completed by December 2025.

The "every student counts" guiding principle frames the strategic direction of managing cost of attendance, so tuition and fees remain affordable, while delivering quality academic programs and University experiences. For FY 23 the Russellville Campus tuition rates for undergraduate and graduate increased by 3%. The Ozark Campus adopted a tuition rate that was 1.50% higher than the prior year. The increase was necessary to support the University mission of student success, access, and excellence. Below is a graph of fall enrollment from 2014 to 2023 categorized by student classification. The FY 23 budget included a predicted decline in enrollment. Official fall 2022 enrollment numbers reflect lower enrollment.



Economic Conditions and Other Significant Factors (Continued)

Prior to the pandemic, ATU yielded the largest enrollment in the history of the institution with enrollment of 12,101 students in fall 2018. Although the total enrollment dipped during the pandemic, the budget has been adjusted and remains viable. During FY22, the University implemented the restructuring activity and implemented a five-year budget plan. This plan included projection of enrollments. For FY23, the University budgeted an anticipated decline in enrollment. This projection was based upon expectation of the COVID impact and many other factors. The University continues to focus efforts on student success initiatives, student recruitment, and retention in order to achieve enrollment projections.

The University's overall financial position remains strong. 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 2023-24 and beyond. The adopted five-year budget model has laid the groundwork for a strong future. Management will continue to align resources and make adjustments as necessary to assure the continued financial integrity of Arkansas Tech University.

Laury Fiorello
Vice President for Administration and Finance

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

		June 30, 2023		June 30, 2022
ASSETS				
Current Assets:				
Cash and cash equivalents	$	64,392,205	$	65,417,591
Accounts receivable *(less allowance of $1,420,122 and $1,335,281, respectively)*		3,222,963		2,998,023
Lease receivable		4,224		4,184
Notes receivable *(less allowance of $8,139 and $29,037, respectively)*		67,922		41,464
Inventories		27,892		31,035
Prepaid expenses		1,421,222		1,271,333
Total Current Assets		69,136,428		69,763,630
Noncurrent Assets:				
Cash and cash equivalents		45,320,873		45,501,085
Deposits with trustee		30,743,594		296,495
Endowment investments		8,505,563		7,545,841
Lease receivable		35,358		39,582
Right to use asset *(net of accumulated amortization of $17,375 and $8,688, respectively)*		10,136		18,823
Notes receivable *(less allowance of $5,538 and $118,381, respectively)*		46,211		169,044
Prepaid expenses		87,980		
Capital assets *(net of accumulated depreciation of $169,478,082 and $163,122,454, respectively)*		145,893,275		139,935,802
Total Noncurrent Assets		230,642,990		193,506,672
TOTAL ASSETS		299,779,418		263,270,302
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources-Refunding		864,459		908,113
Deferred Outflows of Resources-OPEB		1,477,135		1,659,588
Deferred Outflows of Resources-Pensions		6,513,035		3,485,836
TOTAL DEFERRED OUTFLOWS OF RESOURCES		8,854,629		6,053,537
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	308,634,047	$	269,323,839
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$	4,562,311	$	4,131,292
Lease payable		8,517		8,433
Bonds and notes payable		4,116,215		3,539,542
Compensated absences payable		506,852		563,442
Total other postemployment benefit liability		351,944		384,337
Unearned revenue		2,665,552		3,859,234
Funds held in trust for others		402,710		388,006
Other liabilities		131,944		139,517
Total Current Liabilities		12,746,045		13,013,803
Noncurrent Liabilities:				
Accounts payable and accrued liabilities		438,694		224,016
Lease payable		2,143		10,660
Bonds and notes payable		87,569,086		61,304,794
Compensated absences		1,442,581		1,603,641
Total other postemployment benefit liability		6,296,104		7,372,063
Net pension liability		18,590,066		7,254,876
Refundable federal advances		170,806		200,111
Total Noncurrent Liabilities		114,509,480		77,970,161
TOTAL LIABILITIES		127,255,525		90,983,964

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit A

	June 30, 2023	June 30, 2022
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources-Leases		$ 23,974
Deferred Inflows of Resources-OPEB	$ 4,343,757	3,721,221
Deferred Inflows of Resources-Pensions	3,194,813	12,833,881
TOTAL DEFERRED INFLOWS OF RESOURCES	7,538,570	16,579,076
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 134,794,095	$ 107,563,040
NET POSITION		
Net investment in capital assets:	79,248,032	87,574,100
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	155,929	155,929
Loans	39,365	43,460
Expendable:		
Scholarships and fellowships	3,006,841	2,794,330
Debt service	34,783,548	4,178,146
Education and general departments	8,762,803	7,923,722
Unrestricted:	47,843,434	59,091,112
TOTAL NET POSITION	173,839,952	161,760,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, and NET POSITION	$ 308,634,047	$ 269,323,839

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

ARKANSAS TECH UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2023 AND 2022

Exhibit A-1

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	$ 1,970,481	$ 864,449
Unconditional promises to give, net	1,886,377	978,982
Note receivable, net	2,551,263	
Investments		
Marketable securities	45,663,178	47,787,848
Annuities	409,653	389,639
Cash surrender value of life insurance	1,379,917	1,344,457
Limited partnerships	3,773,035	3,259,267
Total investments	51,225,783	52,781,211
Deferred compensation trust	272,463	246,574
TOTAL ASSETS	$ 57,906,367	$ 54,871,216
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 106,775	$ 259
University funds under management	8,515,998	7,545,840
Reserve for annuities payable	45,287	48,206
Deferred compensation payable	272,463	246,574
TOTAL LIABILITIES	8,940,523	7,840,879
NET ASSETS		
Without donor restrictions	4,751,969	4,757,354
With donor restrictions	44,213,875	42,272,983
TOTAL NET ASSETS	48,965,844	47,030,337
TOTAL LIABILITIES AND NET ASSETS	$ 57,906,367	$ 54,871,216

ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2023 AND 2022

Exhibit A-2

Assets

	2023	2022
Cash in bank	$ 50,627	$ 53,685
	$ 50,627	$ 53,685

Liabilities and Net Assets

Net assets without donor restrictions	$ 50,627	$ 53,685
	$ 50,627	$ 53,685

ARKANSAS TECH UNIVERSITY

Exhibit B

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $27,322,304 and $27,201,328, respectively)	$ 29,603,784	$ 31,664,606
Federal grants and contracts	6,204,371	4,915,199
State and local grants and contracts	12,320,487	11,596,996
Non-governmental grants and contracts	3,436,530	3,417,212
Sales and services of educational departments	668,685	641,603
Auxiliary enterprises:		
Athletics (net of scholarship allowance of $1,509,292 and $1,583,003, respectively)	4,046,803	4,152,127
Residence life (net of scholarship allowance of $4,438,876 and $4,408,293, respectively)	4,809,533	5,131,619
Bookstore	165,976	286,821
Food service (net of scholarship allowance of $3,231,171 and $2,968,067, respectively)	2,944,605	3,338,173
Student union (net of scholarship allowance of $576,571)	624,716	946,222
Health services	1,444,561	1,505,932
Other operating revenues	970,509	840,423
TOTAL OPERATING REVENUES	67,240,560	68,436,933
OPERATING EXPENSES		
Personal services	53,190,522	51,628,714
Benefits	13,354,427	12,404,264
Scholarships and fellowships	12,575,055	26,019,187
Supplies and services	33,669,369	33,386,746
Depreciation	9,808,117	9,794,632
TOTAL OPERATING EXPENSES	122,597,490	133,233,543
OPERATING INCOME (LOSS)	(55,356,930)	(64,796,610)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	43,430,450	39,511,575
Governmental grants	22,804,930	43,193,005
Investment income (loss) (net of investment expense of $103,196 and $114,084, respectively)	6,147,565	(1,813,317)
Interest on capital asset related debt	(2,485,869)	(1,846,429)
Bond issuance costs	(437,489)	
Paying agents fees capital asset related debt	(29,546)	(27,445)
Gain or (loss) on disposal of capital assets	(2,740,873)	(95,948)
Lease amortization	(8,687)	(8,688)
Other revenues (expenses)	(1,312,190)	(323,266)
NET NONOPERATING REVENUES (EXPENSES)	65,368,291	78,589,487
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	10,011,361	13,792,877
Capital appropriations		
Capital grants and gifts	493,286	2,711,279
Insurance proceeds	298,246	794,228
Proceeds from energy project		232,077
Increase (decrease) in valuation of livestock	70,070	76,900
Extraordinary item - Impairment gain, net of insurance recovery	1,185,305	
Adjustments to prior year revenues and expenses	20,885	301,579
INCREASE (DECREASE) IN NET POSITION	12,079,153	17,908,940
NET POSITION - BEGINNING OF YEAR	161,760,799	143,851,859
NET POSITION - END OF YEAR	$ 173,839,952	$ 161,760,799

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

Exhibit B-1

ARKANSAS TECH UNIVERSITY FOUNDATION, INC
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, GAINS AND RECLASSIFICATIONS						
Contributions and revenues	$ 46,872	$ 3,550,245	$ 3,597,117	$ 203,198	$ 11,920,236	$ 12,123,434
Investment income, net	425,733	1,321,674	1,747,407	(4,835,433)	(369,941)	(5,205,374)
Net assets released from restrictions:						
Satisfaction of program or time restrictions	2,931,027	(2,931,027)		1,448,769	(1,448,769)	
Total Support, Revenues, Gains and Reclassifications	3,403,632	1,940,892	5,344,524	(3,183,466)	10,101,526	6,918,060
EXPENSES						
Program services						
Scholarships	997,139		997,139	921,471		921,471
Amount paid to benefit Arkansas Tech University	1,968,271		1,968,271	1,620,887		1,620,887
Supporting services						
Management and general	152,191		152,191	78,528		78,528
Fundraising	291,416		291,416	202,188		202,188
Total Expenses	3,409,017		3,409,017	2,823,074		2,823,074
CHANGE IN NET ASSETS	(5,385)	1,940,892	1,935,507	(6,006,540)	10,101,526	4,094,986
NET ASSETS, BEGINNING OF YEAR	4,757,354	42,272,983	47,030,337	10,763,894	32,171,457	42,935,351
NET ASSETS, END OF YEAR	$ 4,751,969	$ 44,213,875	$ 48,965,844	$ 4,757,354	$ 42,272,983	$ 47,030,337

ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Exhibit B-2

	2023	2022
Income:		
Interest	$ 26	$ 105
Total Income	26	105
Expenses:		
Legal and audit	1,000	1,500
Insurance	2,084	1,966
Total expenses	3,084	3,466
Decrease in unrestricted net assets	(3,058)	(3,361)
Unrestricted net assets at beginning of year	53,685	2,257,046
Cash contribution to Arkansas Tech University		(2,200,000)
Unrestricted net assets at end of year	$ 50,627	$ 53,685

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	June 30, 2023	June 30, 2022
Cash Flows from Operating Activities:		
Tuition and fees	$ 28,166,731	$ 31,866,613
Grants and contracts	21,961,388	19,929,957
Payments to suppliers	(33,272,504)	(31,514,374)
Payments for personnel services	(53,190,522)	(51,628,714)
Payments for benefits	(15,206,517)	(15,384,072)
Payments for scholarships and fellowships	(12,575,055)	(26,019,187)
Payments for grants and contracts	16,401	(174,967)
Auxiliary enterprises:		
Residential life	4,809,533	5,131,619
Food service	2,944,605	3,338,173
Bookstore	161,377	286,821
Athletics	4,046,803	4,152,127
Health services	1,444,561	1,505,932
Student union	624,716	946,222
Sales and service of educational departments	668,685	641,603
Other receipts (payments)	883,068	833,395
Net Cash Provided (Used) by Operating Activities	(48,516,730)	(56,088,852)
Cash Flows from Noncapital Financing Activities:		
State appropriations	43,430,450	39,511,575
Direct loan receipts	21,623,249	23,104,644
Direct loan payments	(21,623,249)	(23,104,644)
Non-capital grants and gifts received	22,971,549	45,671,139
Deletions to endowment funds	128,696	96,711
Student organization/agency transactions (net)	14,704	(66,171)
Other revenues (expenses)		4,742
Net Cash Provided (Used) by Noncapital Financial Activities	66,545,399	85,217,996
Cash Flows from Capital and Related Financing Activities:		
Capital grants and gifts received	316,043	218,750
Purchases of capital assets	(5,574,583)	(2,969,567)
Construction in progress expenditures	(12,905,266)	(6,483,818)
Other lease receipts (payments)	4,599	(19,793)
Insurance proceeds received	298,246	794,228
Proceeds from energy project		232,077
Payments to note trustee - note principal	(67,848)	(66,233)
Payments to note trustee - note interest	(20,603)	(22,218)
Payments to lease principal	(8,688)	(8,418)
Payments to bond trustees for bond principal	(3,375,000)	(3,285,000)
Payments to bond trustees for interest and fees	(2,459,540)	(1,902,017)
Net Cash Provided (Used) by Capital and Related Financing Activities	(23,792,640)	(13,512,009)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments		1,090,279
Investment income	4,558,373	876,622
Net Cash Provided (Used) by Investing Activities	4,558,373	1,966,901
Net Increase in Cash	(1,205,598)	17,584,036
Cash - beginning of the year	110,918,676	93,334,640
Cash - end of year	$ 109,713,078	$ 110,918,676

ARKANSAS TECH UNIVERSITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	June 30, 2023	June 30, 2022
Reconciliation of net operating revenues expenses to net cash provided (used) by operating activities:		
Operating income (loss)	$ (55,356,930)	$ (64,796,610)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	9,808,117	9,794,632
Other lease receivable	(19,789)	
Other lease receipts	(4,599)	
Other miscellaneous operating receipts/payments	(51,251)	(7,028)
Changes in assets and liabilities:		
Receivables	(224,742)	698,054
Student loan receivables	(11,056)	(552,241)
Inventories	3,142	28,558
Prepaid expenses	(146,747)	866,356
Payables	540,470	802,491
Other liabilities		550
Unapplied student aid	(17,043)	45,432
Unclaimed property	9,470	894
Unearned revenue	(1,193,682)	9,868
Compensated absences	(217,650)	(248,834)
Other post employment benefits	(303,363)	(83,898)
Pension liability	(1,331,077)	(2,647,076)
Net cash provided (used) by operating activities	$ (48,516,730)	$ (56,088,852)
Noncash transactions:		
Donated capital assets	$ 10,624	$ 14,395
Unrealized gain (loss) on livestock valuation	70,070	76,900
Gain (Loss) on disposal	(40,514)	(95,948)
Increase (Decrease) in market valuation of investments		(282,779)
(Increase) Decrease in note receivables allowance for bad debt	133,741	315,523
Costs of student loan principal and interest canceled	(224,771)	(854,960)
Interest, fees, principal on long-term debt paid directly from deposit with trustee		12,292
Bond proceeds from student union issuance	29,800,000	
Bond premium on issuance	600,524	
Issuance costs on bonds paid from bond proceeds	(139,489)	
Underwriter's discount paid from bond proceeds	(298,000)	
Prepaid insurance paid from bond proceeds	(94,264)	
Impairment gain on Williamson Fire, net of insurance recovery	1,185,305	
Investment income in deposit with trustee accounts	579,482	

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

ARKANSAS TECH UNIVERSITY

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

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

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

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

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

Arkansas Valley Vocational Technical Institute (AVTI) merged with Arkansas Tech University effective July 1, 2003. Act 260 of 2007 changed the name of Arkansas Valley Technical Institute of Arkansas Tech University to Arkansas Tech University – Ozark Campus. The Ozark Campus of ATU is located 50 miles west of Russellville. Enrollment for fall is 1,734 students and the Ozark Campus offers twenty-one associate degree programs, as well as thirty-eight 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, Clarksville, Danville, and Ozark, Arkansas, as well. The enrollment is approximately 623 students from eleven area high schools.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity: (Continued)

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

During the year ended June 30, 2023, the Foundation transferred equipment and funds of $482,593 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity: (Continued)

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 Facilities Development Foundation's financial information in the University's financial statements.

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Investments: (Continued)

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 Receivable: Accounts receivable consist of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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 using the mid-month convention over the estimated useful life of the asset, 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.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued 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 the purpose 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 includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: Nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate, in perpetuity and be invested for the purpose of producing present and future income that may either be expended or added to principal.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Net Position: (Continued)

Unrestricted: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operation of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises that are substantially self-supporting activities providing services for students, faculty, and staff.

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

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, 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, contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement no. 34, such as state appropriations and investment income.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

Lease Receivable: The University's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the University may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Right to use asset: The University has recorded a right to use lease asset as a result of implementing GASB 87. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability. The right to use asset is amortized on a straight-line basis over the life of the related lease.

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)		$ 534,261	$ 534,818
Collateralized:			
	Collateral held by the pledging bank or pledging bank's trust department in the University's name.	109,165,092	110,173,937
Total Deposits		$ 109,699,353	$ 110,708,755

The above deposits do not include cash on hand maintained by the University in the amount $13,725.

NOTE 2: Cash and Cash Equivalents (Continued)

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 $48,891,821 and Arkansas Tech University owns approximately 17 percent of that amount. The funds are invested based on the ATUF Board's approved policy of no more than five percent of the portfolio can be invested in one company. This policy reduces the concentration of credit risk.

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

Type of Investment	Market Value	AAA	AA	A	<B	NR
Corporate Bonds	$ 2,512,834	$ 997,755	$ 97,098	$ 150,288	$843,189	$ 424,504
US Stocks	3,474,322					3,474,322
Non-US Stocks	1,125,118					1,125,118
Other	1,393,289					1,393,289
Total investments	$ 8,505,563	$ 997,755	$ 97,098	$ 150,288	$843,189	$ 6,417,233

NOTE 3: Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

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

Investments Measured at Fair Value

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

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

NOTE 3: Investments (Continued)

Investments Measured at Fair Value (Continued)

Investments by fair value level	6/30/2023	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds and Equity Funds-External Investment Pool	$ 8,505,563	$ 6,751,624	$ 1,018,376	$ 735,563
Total Investments at Fair Value	$ 8,505,563	$ 6,751,624	$ 1,018,376	$ 735,563

Deposits with Trustee

At June 30, 2023, the University had deposits with trustee in the amount of $30,743,594. Of this amount, $30,739,784 was held in an interest-bearing account that was collateralized and $3,810 was invested by the trustee in 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.

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.

NOTE 3: Investments (Continued)

Federated Government Obligations Fund

Security Description		Fair Value
Government Agencies[1]	$	7,316,975
Repurchase Agreements[2]		11,252,155
U.S. Treasury[1]		12,174,464
Total Investments measured at the NAV	$	30,743,594

(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 – direct obligations of the federal government of the United States.

Government Securities – issued or guaranteed by a federal agency or instrumentality acting under federal authority. Some government securities, including those issued by Fannie 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 there is no assurance that it will support these or other agencies in the future.

Callable Securities – certain U.S. Treasury or government securities, in which the Fund invests, that 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 $190,837 as of June 30, 2023. During fiscal year 2023, the endowment funds were invested in an external investment pool under the management of the Arkansas Tech University Foundation, Inc. The same guidelines will continue to apply in that the University may not spend any of the principal. State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established. The original principal of $155,929 was reported as nonexpendable restricted net position. 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, 2023 and June 30, 2022, respectively:

	June 30, 2023	June 30, 2022
Student Tuition and Fees	$ 2,688,008	$ 3,057,737
Auxiliary Enterprise and Other Operating Activities	41,164	62,765
Scholarship	3,050	3,954
Federal, State and Private Grants & Contracts	1,874,714	1,174,354
Accrued Interest	31	35
Credit Memos	925	727
Other	35,193	33,732
	4,643,085	4,333,304
Less Allowance for Doubtful Accounts	(1,420,122)	(1,335,281)
Net Accounts Receivable	$ 3,222,963	$ 2,998,023

NOTE 6: Inventories

Inventories consisted of the following at June 30, 2023, and June 30, 2022, respectively:

	June 30, 2023	June 30, 2022
Museum		$ 12,078
Post Office	$ 15,997	8,590
Supplies	11,895	10,367
	$27,892	$31,035

NOTE 7: Receivables

Notes Receivable:

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the notes receivable at June 30, 2023. 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.

NOTE 7: Receivables (Continued)

Notes Receivable: (Continued)

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, 2023, the notes receivable were $114,133, net of the allowance for uncollectible loans of $13,677.

Lease Receivable:

The University entered into a lease with the United States Postal Service. Under the lease, the vendor pays the University $383 per month for a remaining 108 months as of June 30, 2023 in exchange for leasing building space on Arkansas Tech University's campus. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0.995%. As a result of the lease, the University has recorded a lease receivable of $39,582 at June 30, 2023. The lease receivable is discussed in more detail in Note 1.

Lease Receivable Description	Date of Inception	Final Maturity	Interest Rate	Fiscal Year Revenue	Net of Int. Rev/Accrued Int.	Receivable Reduction	Receivable Balance
Building lease to US Post Office	7/1/2021	6/30/2032	0.995%	4,600	416	4,184	39,582

Year Ending June 30	Fiscal Year Revenue	Net of Int. Rev/Accrued Int.	Receivable Reduction	Receivable Balance
2024	4,600	376	4,224	35,358
2025	4,600	332	4,268	31,090
2026	4,600	290	4,310	26,780
2027	4,600	247	4,353	22,427
2028	4,600	204	4,396	18,031
2029-2032	18,400	369	18,031	-

ARKANSAS TECH UNIVERSITY

NOTE 8: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets not depreciated				
Land	$ 2,529,357			$ 2,529,357
Landscaping	235,557			235,557
Livestock for educational purposes	251,530	$ 178,270	$ (106,885)	322,915
Construction in progress	17,000,578	13,982,331	(10,435,842)	20,547,067
Total capital assets not being depreciated	$ 20,017,022	$ 14,160,601	$ (10,542,727)	$ 23,634,896
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	9,406,584	$ 203,294		9,609,878
Land improvements	14,761,236	526,587	$ (17,280)	15,270,543
Buildings	230,215,589	12,729,675	(4,958,426)	237,986,838
Furniture, fixtures and equipment	16,689,927	1,350,965	(1,162,010)	16,878,882
Library holdings	8,933,960	78,069	(55,647)	8,956,382
Total other capital assets	283,041,234	14,888,590	(6,193,363)	291,736,461
Less accumulated depreciation:				
Intangible Asset - Software License	(1,419,153)			(1,419,153)
Capital Leases*	(1,614,785)			(1,614,785)
Non-major infrastructure networks	(7,189,024)	(343,652)		(7,532,676)
Land improvements	(11,545,206)	(674,639)	17,280	(12,202,565)
Buildings	(119,840,669)	(7,672,375)	2,258,066	(125,254,978)
Furniture, fixtures, and equipment	(13,150,773)	(980,871)	1,121,496	(13,010,148)
Library materials	(8,362,844)	(136,580)	55,647	(8,443,777)
Total accumulated depreciation	(163,122,454)	(9,808,117)	3,452,489	(169,478,082)
Other capital assets, net	$ 119,918,780	$ 5,080,473	$ (2,740,874)	$ 122,258,379
Capital Asset Summary:				
Capital assets not being depreciated	$ 20,017,022	$ 14,160,601	$ (10,542,727)	$ 23,634,896
Other capital assets, at cost	283,041,234	14,888,590	(6,193,363)	291,736,461
Total cost of capital assets	303,058,256	29,049,191	(16,736,090)	315,371,357
Less accumulated depreciation	(163,122,454)	(9,808,117)	3,452,489	(169,478,082)
Capital assets, net	$ 139,935,802	$ 19,241,074	$ (13,283,601)	$ 145,893,275

*Fully depreciated equipment purchased under a capital lease.

NOTE 9: Unearned Revenue

Unearned revenue consists of the following at June 30, 2023 and June 30, 2022, respectively:

	June 30, 2023	June 30, 2022
Prepaid tuition and fees	$741,741	$917,658
Grants and contracts	1,465,724	1,514,773
Scholarships	373,002	243,257
Other	85,085	1,183,546
	$2,665,552	$3,859,234

NOTE 10: Long Term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

Long Term Liabilities	June 30, 2022	Additions	Deletions	June 30, 2023	Current Portion	Noncurrent Portion
General obligation bonds	$ 62,165,000	$ 29,800,000	$ 3,375,000	$ 88,590,000	$ 3,930,000	$ 84,660,000
Less bond discount	17,115		828	16,287	828	15,459
Plus bond premium	1,852,064	600,525	117,539	2,335,050	117,539	2,217,511
Total bonds payable	63,999,949	30,400,525	3,491,711	90,908,763	4,046,711	86,862,052
Notes payable from direct placements	844,387		67,849	776,538	69,504	707,034
Lease liabilities	19,093		8,433	10,660	8,517	2,143
Compensated absences	2,167,083	782,093	999,743	1,949,433	506,852	1,442,581
Total	$ 67,030,512	$ 31,182,618	$ 4,567,736	$ 93,645,394	$ 4,631,584	$ 89,013,810

Additional information regarding the note payable is included in Note 12.
Additional information regarding revenue bonds payable is included in Note 11.

NOTE 11: Bonds Payable

Debt service principal payments on the bonds amounted to $3,375,000 for the fiscal year ended June 30, 2023. The retirement of some bond issues is secured by a specific pledge of certain gross revenue, 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, 2023	Maturities to June 30, 2023
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%-4.0% 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	$ 16,885,000	$ 5,060,000
Student Fee Revenue Refunding Bond Series 2017 **2010 Ozark Student Union** **2012A Old Art & 2012B 2003 Art Building** **2012C 2004 Hull Building** **2012B 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	4,970,000	2,580,000
Revenue Refunding Bond Series 2017 **2007 Sports Complex/Baswell Hall** **2012 Baseball Field** 3.0%-3.375% 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	2,725,000	745,000

(Continued on next page)

NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities to June 30, 2023
Capital Improvement Refunding Revenue Bond Taxable Series 2020A **Chambers Cafeteria Renovation** 0.675%-3.322% December 17, 2020 Final Maturity Date: January 1, 2043 Food Service revenues will be maintained at a level to at least 120% of combined maximum annual debt service.	$ 6,565,000	$ 5,835,000	$ 730,000
Student Fee Refunding Revenue Bonds Series 2021A **Ozark Allied Health Building** 2.0% - 3.0% February 25, 2021 Final Maturity Date: May 1, 2044 Student Fees will be maintained at a level to at least 120% of combined maximum annual debt service.	5,060,000	4,585,000	475,000

(Continued on next page)

NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities to June 30, 2023
Student Fee Refunding Revenue Bond Taxable Series 2021B **2008 Student Services/Academic Classroom** **2008 Physical Plant** **2009 Rothwell, McEver & Corley** 0.513%-2.707% February 25, 2021 Final Maturity Date: May 1, 2039 Student Fees will be maintained at a level to at least 120% of combined maximum annual debt service.	$ 11,380,000	$ 9,755,000	$ 1,625,000
Housing System Refunding Revenue Bonds, Series 2021A **2006 Baswell Hall, 2009 Hughes/Critz** 2.0%-3.0% February 25, 2021 Final Maturity Date: May 1, 2039 Housing Fees will be maintained at a level to at least 120% of combined maximum annual debt service.	8,050,000	6,805,000	1,245,000

(Continued on next page)

NOTE 11: Bonds Payable (Continued)

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities to June 30, 2023
Student Fee Refunding Revenue Bonds Series 2020A **Brown Building** **Phase I Energy Project** 1.25%-3.0% December 17, 2020 Final Maturity Date: December 1, 2043 Student Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	$ 8,065,000	$ 7,230,000	$ 835,000
Student Fee Revenue Bond Series 2022A **Student Union and Recreation Center** 4.5%-5.0% December 20, 2022 Final Maturity Date: December 1, 2052 Student Fees will be maintained at a level equal to at least 120% of combined maximum annual debt service.	29,800,000	29,800,000	
Bond Discount	(18,771)	(16,287)	(2,484)
Bond Premium	2,647,633	2,335,050	312,583
Total	$ 104,513,862	$ 90,908,763	$ 13,605,099

NOTE 11: Bonds Payable (Continued)

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

On December 20, 2022, the University was authorized to issue $29,800,000 in student fee revenue bonds. The issue, referred to as Student Fee Revenue Bonds, Series 2022A is for the purpose of a Student Union and Recreation Center. The term of the loan is thirty years with interest rates of 4.5 to 5.0 percent. Interest only shall be due for approximately 12 months, making the first principal due December 1, 2023. The bond issue costs of $437,489 were expensed in fiscal year 2023. The bond premium was $600,524 amortized over the life of the bond. In addition, the University purchased a bond insurance policy in the amount of $94,264 to be amortized over the life of the bonds. The sale proceeds of $29,868,771 were deposited into the construction fund in fiscal year 2023.

As of June 30, 2023, debt service reserves aggregating $317,158 were maintained. In addition, there was a $30,426,436 construction fund. The University's reserve balances exceeded the reserve requirements as June 30, 2023.

The changes in bonds payable were as follows:

June 30, 2022	Issued	Retired	June 30, 2023
$ 62,165,000	29,800,000	3,375,000	$ 88,590,000

NOTE 11: Bonds Payable (Continued)

Debt service requirements on long-term debt as June 30th, are as follows:

Year Ending June 30,	Bonds Principal	Bonds Interest	Total
2024	$ 3,930,000	$ 3,108,670	$ 7,038,670
2025	4,020,000	2,987,118	7,007,118
2026	4,155,000	2,860,242	7,015,242
2027	4,290,000	2,728,257	7,018,257
2028	4,400,000	2,591,087	6,991,087
2029-2033	21,685,000	10,764,295	32,449,295
2034-2038	17,965,000	7,482,737	25,447,737
2039-2043	12,740,000	4,644,884	17,384,884
2044-2048	7,120,000	2,643,825	9,763,825
2049-2053	8,285,000	965,813	9,250,813
Total	$88,590,000	$40,776,928	$129,366,928

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, 2023, were $3,930,000 and $84,660,000, respectively.

In the event of a default for the general obligation bonds, the Trustee may, and upon written request of the holders of not less than 20% in principal amount of Bonds then outstanding shall, declare the principal of all the Bonds then outstanding to be due and immediately payable. The Trustee may, and upon the written request of the holders of not less than 20% of the Bonds then outstanding shall, proceed to protect and enforce its rights and the rights of the holders of the Bonds under the applicable law of the State of Arkansas and under the Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the indenture or in-aid or execution of any power granted in the indenture or for the enforcement of any other proper legal or equitable remedy, including mandamus, as the Trustee shall determine most effectual to enforce and protect such rights.

NOTE 12: Note Payable

On December 16, 2018, the University entered into an agreement with the Arkansas Division of Higher Education for a $1,100,000 College Savings Bond Loan. The purpose of the loan is for Phase I Energy Project, which includes campus HVAC controls and lighting. The debt service on the loan is supported by revenue from tuition and fees. The term of the loan is fifteen (15) years at an estimated annual interest rate not to exceed 2.5 percent. Principal payments of $67,849 and interest of $20,603 were paid as of June 30, 2023. The principal outstanding at June 30, 2023 was $776,538. The total principal and interest remaining to be paid on the note was $884,514, as of June 30, 2023. The unpaid principal may be prepaid in whole or in part at any time without penalty.

Fiscal Year	Principal	Interest	Total Payments
2024	$ 69,504	$ 18,948	$ 88,452
2025	71,200	17,252	88,452
2026	72,937	15,514	88,451
2027	74,717	13,735	88,452
2028	76,539	11,912	88,451
2029-2033	411,641	30,615	442,256
Totals	$ 776,538	$ 107,976	$ 884,514

NOTE 13: Long-Term Lease Obligation

The University has recorded one right to use leased asset. The asset is a right to use asset for leased equipment. The right to use leased asset is amortized on a straight-line basis over the term of the related lease.

Right to use asset activity for Arkansas Tech University for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use asset				
Leased equipment	$ 27,511			$ 27,511
Total right to use asset	27,511			27,511
Less accumulated amortization for:				
Leased equipment	8,688	$ 8,687		17,375
Total accumulated amortization	8,688	8,687		17,375
Right to use asset, net	$ 18,823	$ (8,687)		$ 10,136

Arkansas Tech University has entered into an agreement to lease equipment. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of July 1, 2021.

The agreement was executed on July 1, 2021 to lease post office equipment and requires 12 quarterly payments of $2,148. There is no variable payment component of the lease. The lease liability is measured at a 0.995 percent discount rate. As a result of the lease, the University has recorded a right to use asset with an ending liability of $10,660 at June 30, 2023. The right to use asset is discussed in more detail in Note 1.

Lease Description	Classification	Date of Inception	Final Maturity	Interest Rate	Principal Payments	Net Int/Exp Accrued Int	Liability Reduction	Ending Liability
MailFinance, Inc	Equipment	7/1/2021	7/1/2024	0.995%	8,433	159	8,592	10,660

The future minimum lease obligations and the present value of these minimum lease payments were as following:

Year Ending June 30	Principal Payments	Net Int/Exp Accrued Int	Total	Ending Liability
2024	8,518	74	8,592	2,142
2025	2,142		2,142	

NOTE 14: Commitments

The Institution was contractually obligated for the following at June 30, 2023:

Project Name	Construction in Progress	Remaining on Contract	Completion Date
New Academic Facility	109,248		Suspended
New Public Safety Building	33,637		Suspended
New Campus Entrance	144,160		12/31/2024
ATU Student Rec & Student Union	2,908,017		8/31/2025
404 N El Paso Renovation	326,431	18,533	8/31/2023
Hull Student Union	4,548,155		8/31/2023
McEver Hall Renovation	2,287,912	78,882	11/30/2023
Jones Hall Renovation	5,995,461	3,132,000	12/31/2023
Doc Bryan Roof Project	40,231		10/31/2023
RSVL IT	1,531,342		12/31/2023
OZK Instructional Control System	1,096,102	265,863	8/31/2023
Doc Bryan Testing Center	16,975	2,749	8/31/2023
Wilson Roof Project	2,504		12/31/2023
Tucker Col. Roof Project	113,661		3/1/2024
Pickelball Court	43,536	13,589	8/31/2023
Doc Bryan Bookstore Remodel	19,943	46,533	8/31/2023
Ozark HVAC	782,661		8/31/2023
HVAC Infrastructure Project	61,500		8/31/2023
RSVL HyFlex	124,070		8/31/2023
Telco Huts	4,000		12/31/2023
Techionery Project	3,800		12/31/2024
Caraway Roof	353,721	761,709	12/31/2023
Total CIP	**$ 20,547,067**	**$ 4,319,858**	

NOTE 15: 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 une 30, 2023, 2022, and 2021 were $3,372,764, $3,327,305, and $4,246,252, respectively. Participants' contributions were $2,932,007, $2,475,225, and $2,576,632, for the years ended June 30, 2023, 2022, and 2021, respectively.

Funding Policy: TIAA/CREF has contributory plans. Prior to July 1, 2021, contributory members contribute a minimum of six percent of earnings to the plan. The University matches ten percent for contributory members. Beginning July 1, 2021, new contributory members contribute a minimum of four percent of earnings to the plan. The University matches eight 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 501-682-1517.

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7.00 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 15.00 percent of covered salaries, the maximum allowed by State law. The University contributions to ATRS for the years ended June 30, 2023, 2022, and 2021, were $438,447, $433,032, and $451,880, respectively, equal to the required contributions for each year. See Note 22 for further detail on the ATRS pension plan.

NOTE 15: Employee Retirement Benefits (Continued)

Arkansas Public Employees Retirement System

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

Funding Policy: APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5.25 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 15.32 percent of covered salaries. The University's contributions to APERS for the years ended June 30, 2023, 2022, and 2021, were $1,485,906, $1,660,276, and $1,828,598, 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, 2023, 2022, and 2021, were $36,447, $33,028, and $34,318, respectively. The participants' contributions for VALIC for the years ended June 30, 2023, 2022, and 2021, were $18,916, $16,514, and $17,159, respectively.

NOTE 15: Employee Retirement Benefits (Continued)

Arkansas Tech University's contributions to Delta Life for Arkansas Tech University - Ozark Campus staff that were employed prior to July 1, 2003 for the year ended June 30, 2021 was $612. The participants' contributions for Delta Life for the year ended June 30, 2021 was $306.

NOTE 16: 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 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 four employees that participate in the Arkansas State Employee Health Insurance Plan (administered by the Arkansas Department of Finance and Administration Employee Benefits Division), a single-employer defined benefit healthcare plan. As a partial participant in the plan, the University's partial decrease in the OPEB liability of $149,360 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

ARKANSAS TECH UNIVERSITY

NOTE 16: Postemployment Benefits Other Than Pension (OPEB) (Continued)

Arkansas Tech University Medical Plans Effective January 1, 2022			
Plan:	**PPO $950**	**PPO $3,000**	**HSA $4,000**
In-Network (INN) Benefits			
Deductible (Ded) (Individual/Family)	$950/$1,900	$3,000/$6,000	$4,000/$8,000
Coinsurance	20%	30%	0% after Deductible
Out-of-Pocket Max (Individual/Family)	$3,450/$6,900	$6,000/$12,000	$4,000/$8,000
Preventive Care	No Charge	No Charge	No Charge
Office Visit (OV) - Primary Care (PCP)	$35 Copay	$40 Copay	DC*
OV - Specialist Care Provider (SCP)/Urgent Care/Chiro/PT	$35 Copay	$80 Copay	DC*
Hospital Emergency Room (ER)	DC*	DC*	DC*
Outpatient Surgery	DC*	DC*	DC*
Hospital Inpatient	DC*	DC*	DC*
Out-of-Network (OON) Benefits			
Deductible (Individual/Family)	$950/$1,900	$9,000/$18,000	$8,000/$16,000
Coinsurance	40%	50%	20%
Out-of-Pocket Max (Individual/Family)	N/A	$18,000/$36,000	N/A
Office Visits (PCP) & (SCP)	DC*	DC*	DC*
Prescription Drugs			
Retail (30 Days) - Generic/Formulary / Non-Form./Specialty Copay	$15/$45/$65/$65	$20/$50/$70/$250	DC*
Mail Order (90 Days) - Generic/Form / Non-Form./Specialty Copay	$15/$45/$65/$65	$40/$100/$140 /$500	DC*
Selected INN Detail Benefits			
Skilled Nursing Facility	DC*	DC*	DC*
Advanced Imagines (CT, MRI, PET)	DC*	DC*	DC*
Manipulations (Physical, Speech, and Occupational Therapy)	DC*	DC*	DC*
Home Health	DC*	DC*	DC*
Ambulance	DC*	DC*	DC*

* DC=Deductible and Coinsurance apply.

NOTE 16: 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 $75,000 or two times the employee's annual salary. Coverage reduces by 33 1/3% at age 65 and 50% at age 70. Upon retirement, benefits reduce to a maximum of $20,000.

Employees Covered by Benefit Terms:
At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	40
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	782
	822

Total OPEB Liability

Arkansas Tech University's total OPEB liability of $6,648,048 was measured as of June 30, 2022, and was determined by a June 30, 2022 valuation date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB statement no. 75.

Actuarial assumptions and other inputs:

The total OPEB liability in the June 30, 2022 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 16: Postemployment Healthcare and Life Insurance Benefits (Continued)

Actuarial assumptions and other inputs (Continued).

Discount rate	3.54 percent for the valuation measured as of June 30, 2022 2.16 percent for the valuation measured as of June 30, 2021
Health cost trend rates	The initial health cost trend was 7.5% in 2022 and declines gradually to an ultimate rate of 4.44% starting in 2042.
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 June 30, 2022 measurement date was used.

The discount rate as of June 30, 2022 is 3.54%, which is the 20-year bond buyer index rate as of June 30, 2022. The discount rate as of June 30, 2021 is 2.16%, which is the 20-year bond buyer index rate as of June 24, 2021.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a 2011 actuarial experience study.

NOTE 16: Postemployment Healthcare and Life Insurance Benefits (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/22	$ 7,756,400
Changes for the year	
Service Cost	539,356
Interest	172,991
Difference between expected and actual experience	(389,653)
Changes of assumptions	(854,141)
Benefit payments	(576,905)
Net changes	(1,108,352)
Balance at 6/30/23	$ 6,648,048

During the measurement year, the TOL decreased by $1,108,352. The service cost and interest cost increased the TOL by $712,347 while benefit payments decreased the TOL by $576,905.

There were liability gains of $389,653 during the year due to population changes. There was a decrease in enrollment across all plans.

There were no benefit changes.

There were assumption changes due to the change in the 20-year Bond Buyer Index rate and the changes in claim curves and trends. The discount rate changes from 2.16% as of June 30, 2021, to 3.54% as of June 30, 2022. This assumption change resulted in a net decrease in the liability of $854,141.

NOTE 16: Postemployment Healthcare and Life Insurance Benefits (Continued)

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

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The following table shows the sensitivity of the TOL to the discount rate. A one percent decrease in the discount rate increases the TOL by approximately 9%. A one percent increase in the discount rate decreases the TOL by approximately 8%.

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	$7,245,899	$6,648,048	$6,140,248

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce lower TOL and higher healthcare trends produce higher TOL. The following table shows the sensitivity of the TOL to healthcare trends. A one percent decrease in healthcare trends decreases the TOL by approximately 7%. A one percent increase in the healthcare trend rate increases the TOL by approximately 8%.

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	$6,198,214	$6,648,048	$7,170,118

NOTE 16: 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, 2023, the University recognized contributions subsequent to the measurement date of $535,730. In addition, the University recognized an OPEB expense of $48,581. The following table summarizes the current balances of deferred outflows and deferred inflows of resources related to the Plan along with the net recognition over the next five years and the total recognition thereafter if any.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$1,356,578
Changes in assumptions	$ 941,405	2,987,179
Contributions subsequent to the measurement date	535,730	
Totals	$1,477,135	$4,343,757

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, these subsequent contributions will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts reported above as deferred inflows will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2024	$ (479,981)
2025	(479,981)
2026	(479,981)
2027	(479,981)
2028	(479,981)
Thereafter	(1,002,447)

NOTE 17: 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	The Standard
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 17: 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 18: 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	$ 24,699,734	$ 6,252,172	$ 792,448	$ 8,297,974		$ 40,042,328
Research	3,366,493	794,055	9,627	181,344		4,351,519
Public service	594,008	190,314		19,255		803,577
Academic support	4,587,700	1,166,343		3,548,650		9,302,693
Student service	4,743,905	1,370,436		1,544,699		7,659,040
Institutional support	7,249,877	1,505,733		4,626,435		13,382,045
Operation of plant	3,093,743	1,076,827		5,700,551		9,871,121
Scholarships			9,753,582			9,753,582
Depreciation					$ 9,808,117	9,808,117
Auxiliary enterprises	4,855,062	998,547	2,019,398	9,750,461		17,623,468
Total expense	$ 53,190,522	$ 13,354,427	$ 12,575,055	$ 33,669,369	$ 9,808,117	$ 122,597,490

NOTE 19: Disaggregation of Payables

The accounts payable and other liabilities of $5,001,005 consisted of $2,777,299 due to vendors, salaries, and other payroll related items; $438,694 of construction contract retainages held; $1,422,880 due for construction contractor payments; and $362,132 due for bond and lease interest.

NOTE 20: Pledged Revenues

At June 30, 2023, the University's pledged revenues were as follows:

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEDGED	GROSS REVENUE COLLECTED
Auxiliary Revenue Bond 2020A	12/17/2020	1/1/2043	Renovate Chambers Cafeteria	Russellville Food Service Revenue	$ 6,174,425
Student Fee Revenue Bonds-2020	12/17/2020	12/1/2043	Construct Brown Building; Energy Project	Student Tuition & Fees	56,926,088
Student Fee Revenue Bonds-2021B	2/25/2021	5/1/2039	Ozark Student Services Building; Academic Classroom; Physical Plant; Rothwell McEver & Corley Buildings	Student Tuition & Fees	56,926,088
Student Fee Revenue Bonds-2021A	2/25/2021	5/1/2044	Construct Ozark Allied Health Building and refoof Ozark Technology and Academic Support Building	Student Tuition & Fees	56,926,088
Housing Refunding Bonds 2021A	2/25/2021	5/1/2039	Baswell Hall, Critz Hall and Hughes Building	Housing Fees	9,248,409

(continued on next page)

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	$9,248,409
Student Fee Refunding Bonds-2017	12/21/2017	6/1/2042	2010 Oz Student Union 2012A Old Art Building 2012B 2003 Art Bldg 2012C 2004 Hull Bldg 2012D 2005 Art Bldg	Student Tuition & Fees	56,926,088
Athletic Refunding Bonds 2017	12/21/2017	6/1/2042	2007 Sports Complex 2012 Baseball Field	Athletic Revenues	5,556,095
Student Fee Construction Bond 2022	12/20/2022	12/1/2052	2022 Student Rec/Union	Student Union Fee	1,201,287

(continued on next page)

NOTE 20: Pledged Revenues (Continued)

BONDS	ISSUE	FY 2023 PRINCIPAL PAID	FY 2023 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2023	INTEREST OUTSTANDING 6/30/2023
Auxiliary Revenue Bond 2020A	$ 6,565,000	$ 230,000	$ 155,631	$ 5,835,000	$ 1,960,689
Student Fee Revenue Bonds 2020A	8,065,000	420,000	158,975	7,230,000	1,520,694
Housing Refunding Bonds 2021A	8,050,000	420,000	198,150	6,805,000	1,302,450
Student Fee Revenue Bonds-2020A	5,060,000	160,000	122,913	4,585,000	1,305,412
Student Fee Revenue Bonds-2021B	11,380,000	560,000	200,265	9,755,000	1,988,614
Housing Refunding Bonds 2017	21,945,000	980,000	669,838	16,885,000	5,163,744
Student Fee Refunding Bonds 2017	7,550,000	470,000	202,681	4,970,000	1,057,488
Athletic Fee Refunding Bonds 2017	3,470,000	135,000	89,550	2,725,000	801,400
Student Fee Construction Bond 2022	29,800,000		633,054	29,800,000	25,676,437

The approximate percentages of revenues pledged for the year ended June 30, 2023 were as follows:

Student tuition and fees – 4.03%

Food service fees – 6.25%

Housing fees – 24.52%

Athletic revenue – 4.04%

Student Union - 52.70%

NOTE 21: Contingent Liabilities

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. It was assigned claim number 180951. The complaint did not specify the amount of damages being sought. A portion of the University's motion to dismiss the claim was granted. On the remaining portion, the parties are currently engaged in discovery. No hearing date has been set as of July 27, 2023. The University has, and will continue to, aggressively defend the matter.

On January 9, 2023, the Arkansas Tech University Board of Trustees approved a Voluntary Employee Retirement Incentive ("VERI") program for qualifying, full-time faculty and staff at ATU. The VERI is not a retirement plan but (i) an incentive to those eligible employees to voluntarily retire or separate from ATU in accordance with the terms of the VERI, and (ii) adequate consideration to support the waiver and release set out herein. Eligible employees who chose to enter into VERI agreed to retire their position as an ATU employee effective June 30, 2023. Generally, the VERI terms include:

NOTE 21: Contingent Liabilities (Continued)

(1) A total payout equal to 25% of employee's annual base salary as of June 30, 2023 (exclusive of other compensation and other enhancement) plus an additional 1% of the employee's annual base salary as of June 30, 2023, for each year of continuous full-time employment at the University. The total payout contribution is and will be capped at 50% of the employee's annual base salary as of June 30, 2023. The payout will be made, at the employee's election, as a payment of compensation to the employee, subject to any applicable income tax and withholdings, or as employee elective deferral contributions into the employee's TIAA-CREF retirement plan up to the maximum permissible amount, as determined by the terms of the program, the plan, and by federal laws, with any excess being paid to the employee, subject to any applicable income tax and withholdings. If the employee does not have an existing TIAA-CREF retirement account that the payout contribution can be deposited into and the employee elects to make employee elective deferral contributions into such, the employee shall establish a TIAA-CREF account prior to the retirement date as a condition precedent to receiving such a distribution. Employee shall be responsible for contacting TIAA-CREF and making any necessary arrangements to receive an employee contribution under this VERI.

(2) If the total payout amount to all eligible employees under this program exceeds the statutory limits for funding the program during this fiscal year, then the payout to the employee will be reduced based on state law. Any reduced payout will be paid in the following fiscal year(s).

(3) Existing ATU retiree benefits, including the health insurance benefit that ATU provides retiring employees who are sixty (60) or older and who have completed ten (10) or more years of service, until he or she reaches Medicare eligibility or is covered by other health insurance.

(4) Payment for any unused annual or sick leave as allowed by policy or law.

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/publications

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

APERS

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

NOTE 22: Pensions (Continued)

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal 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 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity. Survivor benefits are payable to qualified survivors upon the death of an active, vested member

Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with 10 years of actual service. A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

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

APERS

Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2023, the employer contribution rate, as a percentage of active member payrolls, was 15.32%. Contributions to APERS from the University were $1,485,906 for the year ended June 30, 2023.

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.

NOTE 22: Pensions (Continued)

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 required that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5.25% 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, 2023, the employer contribution rate was 15.00% of covered employee payroll. Contributions to ATRS from the University were $438,447 for the year ended June 30, 2023.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of the plan. Contributory members of ATRS contribute 7.00% 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, 2023, the University reported liabilities of $18,590,066 ($14,022,360 APERS and $4,567,706 ATRS) for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2022, 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, 2022, the University's proportion was 0.0865% for ATRS and 0.5200% for APERS.

For the year ended June 30, 2023, the University recognized a decrease in pension expense of $566,079 for ATRS and a decrease of $764,997 for APERS. The total pension expense for year ended June 30, 2023 for ATRS and APERS was $126,670, and $725,977, respectively. For the year ended June 30, 2023, 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 - $88,041 deferred outflows, APERS - $336,583 deferred outflows; ATRS - $9,832 deferred inflows, and APERS – $169,298 deferred inflows)	$424,624	$179,130
Changes of assumptions or other inputs (ATRS – $473,945 deferred outflow)	473,945	
Net differences between projected and actual earnings on pension plan investments (APERS-$2,958,038 deferred outflows; ATRS $668,543 deferred outflows)	3,626,581	
Changes in University's proportion and differences between the University's contributions and proportionate share of the University's contributions (APERS - $36,637 deferred outflows; ATRS - $26,895 deferred outflows; APERS - $2,114,992 deferred inflows; ATRS $900,691 deferred inflows)	63,532	3,015,683
The University's contributions subsequent to the measurement date (ATRS - $438,447 and APERS - $1,485,906)	1,924,353	
Total	$6,513,035	$3,194,813

NOTE 22: Pensions (Continued)

$1,924,353 (APERS - $1,485,906; ATRS - $438,447) 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, 2024. 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:	
2024	($187,971) (ATRS – $64,719 and APERS – ($252,690))
2025	($429,415) (ATRS – $7,077 and APERS – ($436,492))
2026	($531,398) (ATRS – ($204,642) and APERS – ($326,756))
2027	$2,542,653 (ATRS – $479,747 and APERS – $2,062,906)
Total	$1,393,869 (ATRS – $346,901 and APERS – $1,046,968)

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, 2022	June 30, 2022
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	7.25%	7.15%
Mortality rates	Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females.	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, if applicable.
Actuarial experience study dates	July 1, 2015 through June 30, 2020	July 1, 2012 through June 30, 2017

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 2020-2029 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, 2023, these best estimates are summarized in the following table.

ATRS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	53.00%	5.3%
Fixed income	15.00%	1.3%
Alternatives	5.00%	4.8%
Real assets	15.00%	4.0%
Private equity	12.00%	7.6%
Cash equivalents	0.00%	0.5%

APERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%

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 7.25%. 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 14.75% 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 7.25%	$7,261,178	$4,567,706	$2,333,103
APERS – Current discount rate 7.15%	$22,292,992	$14,022,360	$7,194,213

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

NOTE 23: Impaired Capital Assets

On April 3, 2019, the Williamson building at Arkansas Tech University was significantly damaged by a fire. The Williamson Building was constructed in 1940 at a cost of $142,447. The University completed two additions to the Williamson Building, one in 2003 for $564,305 and one in 2016 for $57,334, which brought the total historical cost of the building to $764,086. The accumulated depreciation on the building was $736,048, which made the carrying value $28,038 as of June 30, 2023. In 2019, the University engaged in a renovation project that resulted in construction in progress expenditures of $2,187,810, prior to the April 3rd fire. This brought the total cost of the building to $2,951,896. The total restoration cost on the Williamson Building was $4,440,366. With a 0.7951 deflation factor, compounded, this made the deflated restoration cost $3,530,535. The restoration cost ratio of 119.60228 percent resulted in an impairment loss of $2,650,204. The University reached a settlement with the insurance company and received total proceeds of $3,835,509. As a result, the University reported an impairment gain of $1,185,305 on the Williamson Building, net of insurance recovery, for the fiscal year ending June 30, 2023.

NOTE 24: COVID-19

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordering the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In fiscal year 2023, 2022, 2021, and 2020, the University received $1,416,088, $9,841,199, $8,142,989, and $2,322,906 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. In fiscal year 2023 and 2022, the University received $5,890,395 and $17,826,469 in federal aid from the American Rescue Plan. The extent of the impact of COVID-19 on the financial statements for future reporting periods remains uncertain, however, the University is expecting to receive additional federal aid for coronavirus relief.

ARKANSAS TECH UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Other Postemployment Benefits (OPEB)

The schedule of Required Supplementary Information generally starts 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.

Schedule of Changes in Total OPEB Liability and Related Ratios

	6/30/2023 *	6/30/2022 *	6/30/2021 *	6/30/2020 *	6/30/2019*	6/30/2018*
Total OPEB Liability						
Service cost	$ 539,356	$ 641,416	$ 565,846	$ 557,275	$ 690,617	$ 654,843
Interest	172,991	207,194	311,890	331,669	332,836	330,873
Changes of benefit items				(217,357)	(445,594)	
Difference between expected and actual experience	(389,653)	(199,952)	(757,374)	(144,335)	(176,952)	(274,183)
Change of assumptions	(854,141)	(1,306,091)	937,496	475,267	(380,600)	(1,990,011)
Benefits payments	(576,905)	(636,588)	(699,472)	(640,867)	(691,248)	(787,562)
Net change in total OPEB liability	$(1,108,352)	$(1,294,021)	$ 358,386	$ 361,652	$ (670,941)	$ (2,066,040)
Total OPEB Liability - beginning	$ 7,756,400	$ 9,050,421	$ 8,692,035	$ 8,330,383	$ 9,001,324	$ 11,067,364
Total OPEB Liability - ending	$ 6,648,048	$ 7,756,400	$ 9,050,421	$ 8,692,035	$ 8,330,383	$ 9,001,324
Covered employee payroll	43,721,868	45,685,289	44,465,898	45,449,605	46,942,626	43,683,964
Total OPEB liability as a percentage of covered employee payroll	15.21%	16.98%	20.35%	19.12%	17.75%	20.61%

*** amounts presented for each fiscal year were determined as of June 30 of the previous year**
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

<u>Notes to Schedule:</u>
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement no. 75.

During the measurement year, the TOL decreased by $1,108,352. The service cost and interest cost increased the TOL by $712,347 while benefit payments decreased the TOL by $576,905.

Other Postemployment Benefits (OPEB)

There were liability gains of $389,653 due to benefit changes during the year. There was a decrease in enrollment across all plans.

There were assumption changes due to the change in the 20-year Bond Buyer Index rate and the changes in claim curves and trends. The discount rate changed from 2.16% to 3.54% as of June 30, 2022. These assumption changes decreased the liability by $854,141.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact Mrs. Laury Fiorello, 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the NPL	0.0865%	0.0961%	0.1102%	0.1210%	0.1180%	0.1300%	0.1362%	0.1386%	0.1394%
University's proportionate share of NPL	4,567,706	$2,659,526	$6,237,701	$5,048,545	$4,292,979	$5,466,689	$6,009,569	$4,513,157	$3,660,521
University's covered payroll**	2,942,333	$3,127,082	$3,460,363	$3,724,788	$3,574,150	$3,854,064	$3,853,121	$3,836,236	$4,099,736
University's proportionate share of NPL as a % of covered payroll	155.24%	85.05%	180.26%	135.54%	120.11%	141.84%	155.97%	117.65%	89.29%
Plan fiduciary net position as % of total pension liability	78.85%	88.58%	74.91%	80.96%	82.78%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the NPL	0.5200%	0.5977%	0.6667%	0.6689%	0.6193%	0.6003%	0.5586%	0.5447%	0.4638%
University's proportionate share of NPL	14,022,360	$ 4,595,350	$19,091,813	$16,137,521	$13,661,256	$15,513,102	$13,357,051	$10,031,477	$6,580,919
University's covered payroll **	10,862,376	$11,904,407	$13,005,518	$12,800,302	$11,813,655	$10,826,228	$10,038,448	$ 9,243,408	$8,302,554
University's proportionate share of NPL as a % of covered payroll	129.09%	38.60%	146.80%	126.07%	115.64%	143.29%	133.06%	108.53%	79.26%
Plan fiduciary net position as % of total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

**The 2023 amounts presented were determined as of June 30, 2022 and the 2022 amounts were determined as of June 30, 2021, 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.

ARKANSAS TECH UNIVERSITY

Schedule of University Contributions
Arkansas Teacher Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 438,447	$ 433,032	$ 451,880	$ 486,724	$ 521,469	$ 500,381	$ 539,569	$ 539,437	$ 537,073
Contributions in relation to contractually required contribution	(438,447)	(433,032)	(451,880)	(486,724)	(521,469)	(500,381)	(539,569)	(539,437)	(537,073)
Contribuiton deficiency (excess)	-	-	-	-	-	-	-	-	-
University's covered payroll*	$ 2,926,363	$ 2,942,333	$ 3,127,082	$ 3,460,363	$ 3,724,778	$ 3,574,150	$ 3,854,064	$ 3,853,121	$3,836,236
Contributions as a % of covered-employee payroll	15.00%	14.75%	14.50%	14.25%	14.00%	14.00%	14.00%	14.00%	14.00%

Schedule of University Contributions
Arkansas Public Employees Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,485,906	$ 1,660,276	$ 1,828,598	$ 1,992,404	$ 1,961,212	$ 1,712,980	$ 1,569,803	$ 1,455,575	$1,364,327
Contributions in relation to contractually required contribution	(1,485,906)	(1,660,276)	(1,828,598)	(1,992,404)	(1,961,212)	(1,712,980)	(1,569,803)	(1,455,575)	(1,364,327)
Contribuiton deficiency (excess)	-	-	-	-	-	-	-	-	-
University's covered payroll*	$ 9,705,545	$10,862,376	$ 11,904,407	$13,005,518	$12,800,302	$11,813,655	$10,826,228	$10,038,448	$9,243,408
Contributions as a % of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	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, 2023
(Unaudited)

	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets and Deferred Outflows	$ 308,634,047	$ 269,323,839	$ 261,139,722	$ 261,497,473	$ 241,336,492
Total Liabilities and Deferred Inflows	134,794,095	107,563,040	117,287,863	120,005,300	121,175,576
Total Net Position	173,839,952	161,760,799	143,851,859	141,492,173	120,160,916
Total Operating Revenues	67,240,560	68,436,933	74,831,110	80,035,237	79,978,926
Total Operating Expenses	122,597,490	133,233,543	140,134,021	135,683,024	139,439,720
Total Net Non-Operating Revenues	65,368,291	78,589,487	62,748,112	57,749,148	55,169,223
Total Other Revenues, Expenses, Gains or Losses	2,067,792	4,116,063	4,914,485	19,229,896	1,205,936