

**Arkansas Tech University**

**Russellville, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2011**

LEGISLATIVE JOINT AUDITING COMMITTEE

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ARKANSAS TECH UNIVERSITY  
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House Chair  
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**Rep. Toni Bradford**  
House Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Arkansas Tech University  
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Arkansas Tech University (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's 2010 financial statements and, in our report dated November 8, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements, including the prior year partial comparative information, of the Arkansas Tech University Foundation, Inc., and the Arkansas Tech University Facilities Development Foundation, Inc., which represents 100% of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Arkansas Tech University Foundation, Inc., and the Arkansas Tech University Facilities Development Foundation, Inc., are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Arkansas Tech University as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2010, from which such partial information was derived.

As discussed in Note 23 to the financial statements, certain noncash transactions in the prior year column (2010) of the Statement of Cash Flows pertaining to debt accounts maintained by the trustees were removed or amended.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

Little Rock, Arkansas  
October 27, 2011  
EDHE13011

Sen. Bill Pritchard  
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# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF 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*

Arkansas Tech University  
Legislative Joint Auditing Committee

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, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 27, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors 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*.

#### Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

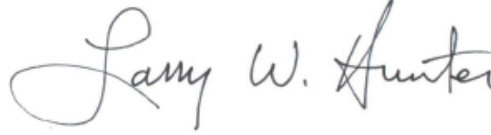
#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 27, 2011.

This report 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.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter". The signature is written in dark ink and is positioned centrally below the title "DIVISION OF LEGISLATIVE AUDIT".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
October 27, 2011

**Sen. Bill Pritchard**  
Senate Chair  
**Rep. Tim Summers**  
House Chair  
**Sen. David Wyatt**  
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House Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Arkansas Tech University  
Legislative Joint Auditing Committee

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

The following control weaknesses were discovered during a review of the Banner system performed September 12, 2011:

#### **Applies to the Banner Payroll and Student Accounts Receivable Modules**

1. Application security access should be restricted to what is required to perform job functions.

Some users were identified that had inappropriate (excessive) accesses to the application.

Failure to properly assign access permission increases the risk of accidental or intentional unauthorized transactions or data manipulation.

A similar finding was reported in the previous audit.

We recommend that Administrator review and revise security accounts to restrict access to only what is necessary for users to perform their job functions.

2. Information System Control Standards dictate that programming personnel should not have the ability to update or move programming changes into the production system.

Programming personnel have the ability to update and move programming changes into the production system.

Unauthorized changes are more likely to occur when programming staff are allowed to update or move programming changes into production.

A similar finding was reported in the previous audit.

A person outside the programming area should be assigned the responsibility of moving changed programs into production only after they have the proper signoffs from programming supervisor/end-users requesting change. Programmers should not have update access to the production system.

3. Backup data should be stored in a secure off-site facility.

Backups are stored in the Corley and Pendergraft buildings located on-site.

Failing to maintain backups at a secure off-site facility could result in loss of data and the inability to continue operations in the event of a disaster.

A similar finding was reported in the previous audit.

We recommend storing backup media at a suitable, secure, off-site facility.

**Applies to the Banner Payroll and Student Accounts Receivable Modules (Continued)**

- 4. A formal (written and approved) disaster recovery plan should be in place that addresses all aspects of the recovery process from both short-term and long-term interruptions of computer processing.

The Disaster Recovery Plan in place is inadequate (both technical and end-user) for restoring from short-term or long-term interruptions of computer processing.

This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial and personnel burden on the resources of the entity.

A similar finding was reported in the previous audit.

We recommend that management develop a formal Disaster Recovery Plan that addresses all aspects of the recovery process from both short-term and long-term interruptions of computer processing.

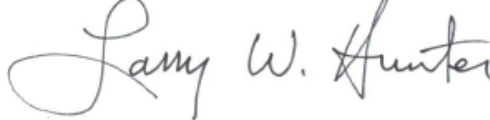
STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2011, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> 2010	<u>Fall Term</u> 2010	<u>Spring Term</u> 2011	<u>Summer I Term</u> 2011
Student Headcount	2,042	10,202	9,530	2,567
Student Semester Credit Hours	8,934	118,830	110,808	12,602

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.

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
October 27, 2011





Management's  
Discussion  
and  
Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



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## Overview of Financial Statements and Financial Analysis

Arkansas Tech University is proud to present its consolidated financial statements for fiscal year 2010-11. Comparative data for fiscal years 2010-11 and 2009-10 is presented in the statements. The following discussion and analysis of Arkansas Tech University's consolidated financial statements provides an overview of the University's financial activities for the fiscal year ended June 30, 2011. Management has prepared the financial statements, the related footnote disclosures, and Management's Discussion and Analysis as required by Governmental Accounting Standards Board (GASB) Statements 34 and 35.

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

We have been challenged during FY 10-11 as state funding has remained flat and our investment income has decreased as interest rates have declined to very low levels. Major emphasis has been placed on the management of our expenses, such as utilities, scholarships, travel, vehicle maintenance and personnel cost to assure that our operations remain within established budgetary limits.

The student population growth continues and we are encouraged by other positive trends during FY 10-11. We were able to do the following:

- Transfer \$789,992 to Infrastructure Reserves.
- Transfer \$348,881 to Funded Depreciation.
- Campus construction and renovations of \$9,859,439.
- Purchase \$1,085,779 in capital equipment.
- Fund \$2,504,700 for critical maintenance repairs.

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

### Condensed Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets 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 Assets presents year-end data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



**Condensed Statement of Net Assets (continued)**

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 Assets 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 Assets provides a picture of the net assets (assets minus liabilities) and of their availability for expenditure by the institution.

Net Assets are divided into three major categories. The first category—invested in capital assets, net of debt—provides information on the institution’s equity in property, plant and equipment. The next asset category—restricted assets—is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes.

Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on them. The final category—unrestricted net assets—is available to the institution for any lawful purpose of the institution.

Condensed Statement of Net Assets

Assets:	June 30, 2011	June 30, 2010
Current assets	\$ 42,359,992	\$ 42,355,654
Noncurrent assets	16,257,143	9,716,308
Capital assets, net	103,169,727	94,954,961
Total Assets	\$ 161,786,862	\$ 147,026,923
Liabilities:		
Current liabilities	\$ 7,858,907	\$ 8,741,636
Noncurrent liabilities	61,844,212	57,642,673
Total Liabilities	\$ 69,703,119	\$ 66,384,309
Net Assets:		
Invested in capital assets, net of debt	\$ 52,660,633	\$ 39,286,895
Restricted - expendable	5,948,226	6,721,076
Restricted - nonexpendable	331,539	355,603
Unrestricted	33,143,345	34,279,040
Total Net Assets	\$ 92,083,743	\$ 80,642,614

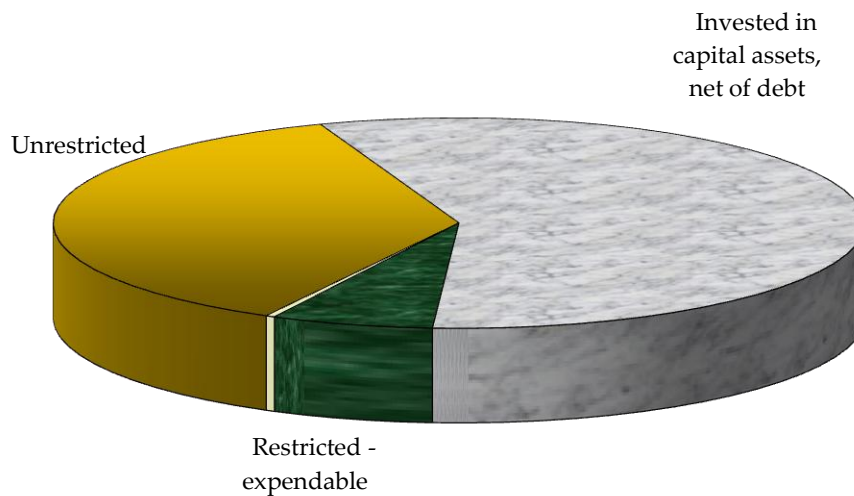
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



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**Condensed Statement of Net Assets (continued)**

**Net Assets**



**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. 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.)

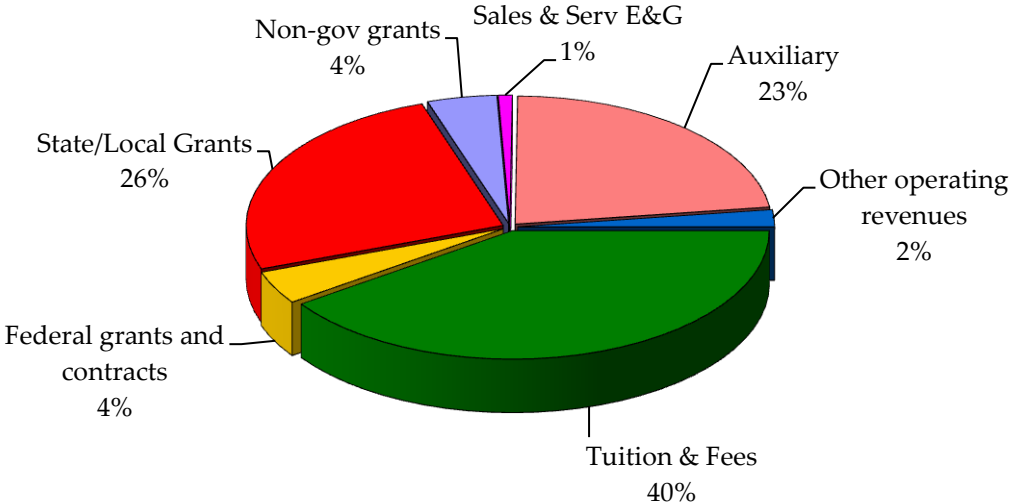
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



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

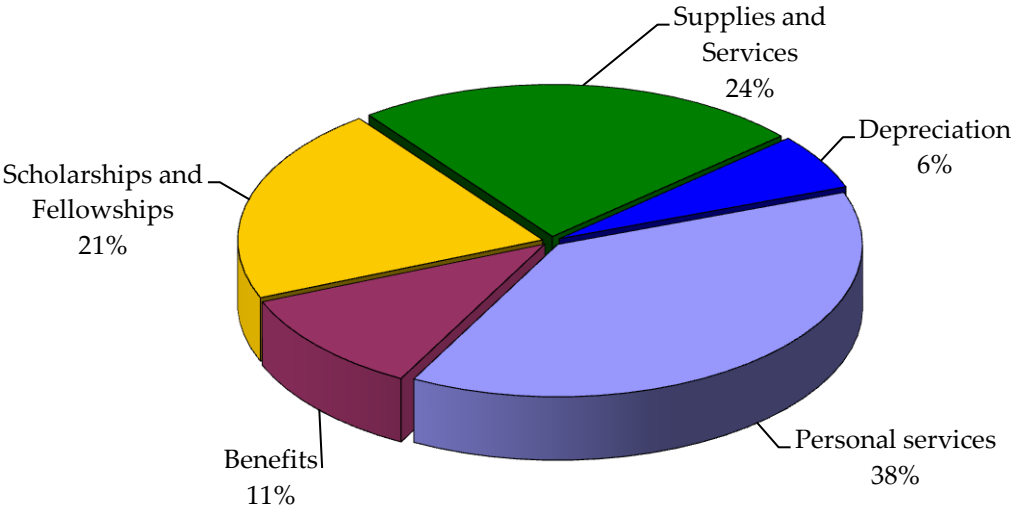
	June 30, 2011	June 30, 2010
Operating revenues	\$ 59,694,389	\$ 48,808,205
Operating expenses	(104,155,653)	(94,596,141)
Operating loss	(44,461,264)	(45,787,936)
Nonoperating revenues and expenses	54,683,562	47,972,037
Income (loss) before other revenues, expenses, gains, or losses	10,222,298	2,184,101
Other revenues, expenses, gains or losses	1,218,831	1,281,116
Increase (Decrease) in Net Assets	11,441,129	3,465,217
Net Assets at beginning of year as originally reported	80,642,614	76,176,684
Adjustment for Intangible Asset		1,400,998
Adjustment for Prior Year Depreciation on Intangible Asset		(400,285)
Net Assets at beginning of year - restated	80,642,614	77,177,397
Net Assets at end of year	\$ 92,083,743	\$ 80,642,614

# Arkansas Tech University Operating Revenues



*Note: Per GASB Statement No. 34, State General Revenues of \$33,986,471 received by Arkansas Tech University are classified as Non-operating Revenue.*

# Arkansas Tech University Operating Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



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**Condensed Statement of Cash Flows**

The final statement presented by Arkansas Tech University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. The first section shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and specifically reflects the cash received and spent for nonoperating, non-investing and non-capital 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 Assets.

Condensed Statement of Cash Flows

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash provided (used) by:		
Operating activities	\$ (38,290,297)	\$ (41,614,618)
Noncapital financing activities	57,123,356	49,813,217
Capital and related financing activities	(14,382,166)	(4,724,063)
Investing activities	<u>3,043,904</u>	<u>4,550,703</u>
Net Change in Cash	\$ 7,494,797	\$ 8,025,239
Cash, beginning of year	<u>20,055,330</u>	<u>12,030,091</u>
Cash, end of year	<u><u>\$ 27,550,127</u></u>	<u><u>\$ 20,055,330</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2011, the University had \$177,733,470 invested in capital assets, less accumulated depreciation of \$74,563,743. Depreciation charges total \$6,186,306 for the current fiscal year. Details of these assets are shown below.

<u>Capital Assets (Net)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land, improvements and infrastructure	\$ 9,741,331	\$ 9,543,580
Buildings	75,835,919	78,149,776
Construction in progress	12,421,266	2,754,640
Furniture, fixtures and equipment	2,436,608	2,255,003
Intangible asset	614,952	800,571
Capital lease	742,421	12,575
Library holdings	1,230,125	1,276,646
Livestock for educational purposes	147,105	162,170
Total	<u>\$ 103,169,727</u>	<u>\$ 94,954,961</u>

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Roush Hall--University Funds	\$ 39,440	\$
Dean Hall--University Funds	33,827	
ATU Energy Center--University Funds	64,534	
Lakepoint--University Funds	48,614	
Rothwell Hall--University Funds		11,099,166
Corley Building Expansion--University Funds		1,664,167
Critz Hall --University Funds		1,600,725
Hughes Hall Maintenance Shop--University Funds		1,000,000
ARE-ON computer networking--University Funds		686,392
Landscaping Project--University Funds		74,551
Ozark Student Services Building--University Funds		2,570,550
Total	<u>\$ 186,415</u>	<u>\$ 18,695,551</u>

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



MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2011



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**Capital Asset and Debt Administration (continued)**

Debt

At June 30, 2011, the University had \$58,769,206 in debt outstanding versus \$56,406,083 the previous year. Principal payments made on debt during the year were \$3,104,765. The table below summarizes these amounts by type of debt instrument.

<u>Outstanding Debt</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Educational and general revenue bonds	\$ 25,570,000	\$ 26,531,250
Auxiliary facility revenue bonds	32,555,000	30,328,750
Capital lease obligations	771,664	13,099
Installment contract	390,966	9,986
Unamortized bond discount/premium	(518,424)	(477,002)
Total	<u>\$ 58,769,206</u>	<u>\$ 56,406,083</u>

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

**Economic Outlook**

The University's overall financial position is strong. Consistent student enrollment growth along with innovative academic programs and proactive budget management policies make us optimistic for the University's operations during FY 11-12. We will manage our resources and make adjustments as necessary to assure the continued financial integrity of the University.

*Mr. David C. Moseley*

Vice President for Administration and Finance

ARKANSAS TECH UNIVERSITY  
COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30, 2011

Exhibit A

	June 30, 2011	June 30, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 20,918,001	\$ 18,635,495
Short-term investments	14,715,733	18,176,087
Accounts receivable (less allowances of \$300,880 and \$298,389, respectively)	5,027,079	4,095,689
Notes receivable (less allowances of \$61,934 and \$52,069, respectively)	94,819	93,936
Inventories	792,371	714,732
Prepaid expenses	811,989	639,715
Total Current Assets	42,359,992	42,355,654
Noncurrent Assets:		
Cash and cash equivalents	6,632,126	1,419,835
Deposits with trustee	4,420,293	3,476,334
Endowment investments	2,470,367	2,210,655
Restricted investments	1,060,494	582,623
Restricted accounts receivable	100	416,220
Notes receivable (less allowances of \$626,226 and \$598,792, respectively)	951,813	1,197,061
Prepaid expenses	299,890	7,063
Deferred charges - bond issuance cost	422,060	406,517
Capital assets (net of accumulated depreciation of \$74,563,743 and \$68,708,432, respectively)	103,169,727	94,954,961
Total Noncurrent Assets	119,426,870	104,671,269
TOTAL ASSETS	161,786,862	147,026,923
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	3,107,613	3,451,219
Bonds, notes, installment contract and leases payable	1,668,635	2,326,328
Compensated absences	1,319,153	1,310,974
Deferred revenue	953,205	1,017,061
Funds held in trust for others	798,261	569,943
Other liabilities	12,040	66,111
Total Current Liabilities	7,858,907	8,741,636
Noncurrent Liabilities:		
Accounts payable and accrued liabilities	592,518	
Bonds, notes, installment contract and leases payable	57,100,571	54,079,755
Compensated absences	501,137	474,448
Net other postemployment benefit liability	2,591,933	1,970,778
Refundable federal advances	1,058,053	1,117,692
Total Noncurrent Liabilities	61,844,212	57,642,673
TOTAL LIABILITIES	69,703,119	66,384,309
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	52,660,633	39,286,895
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	155,929	155,929
Loans	175,610	199,674
Expendable:		
Scholarships and fellowships	434,737	380,393
Loans		
Capital projects		468,494
Debt service	3,311,915	3,895,394
Education and general departments	2,201,574	1,976,795
Other		
Unrestricted	33,143,345	34,279,040
TOTAL NET ASSETS	92,083,743	80,642,614
TOTAL LIABILITIES and NET ASSETS	\$ 161,786,862	\$ 147,026,923

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

ARKANSAS TECH UNIVERSITY  
 ARKANSAS TECH UNIVERSITY FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF NET ASSETS - COMPONENT UNIT  
 JUNE 30, 2011

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 712,883	\$ 875,311
Promises to give	152,146	186,548
Accounts receivable	21,338	
Investments	<u>16,442,770</u>	<u>13,715,242</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,329,137</u></u>	<u><u>\$ 14,777,101</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 77,025	\$ 109,187
University funds under management	2,238,607	1,887,721
Reserve for annuities payable	125,705	132,718
Deferred compensation	<u>200,000</u>	<u>150,000</u>
<b>Total Liabilities</b>	<u><u>2,641,337</u></u>	<u><u>2,279,626</u></u>
Net Assets:		
Unrestricted	2,003,758	817,718
Temporarily restricted	3,826,256	3,295,755
Permanently restricted	<u>8,857,786</u>	<u>8,384,002</u>
<b>Total Net Assets</b>	<u><u>14,687,800</u></u>	<u><u>12,497,475</u></u>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<u><u>\$ 17,329,137</u></u>	<u><u>\$ 14,777,101</u></u>

ARKANSAS TECH UNIVERSITY  
ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.  
COMPARATIVE STATEMENT OF NET ASSETS - COMPONENT UNIT  
JUNE 30, 2011

	June 30, 2011	June 30, 2010
<b>ASSETS</b>		
Current Assets:		
Due from Arkansas Tech University	\$ 338,774	\$ 314,627
Rent receivable (less allowances of \$6,354 and \$10,788, respectively)	47,961	46,549
Prepaid insurance		36,402
Unrestricted cash	573	573.00
Total Current Assets	387,308	398,151
Restricted cash and cash equivalents	3,103,328	3,151,732
Property and equipment at cost:		
Property and equipment	7,719,755	7,719,755
Less accumulated depreciation	2,671,707	2,414,044
Net property and equipment	5,048,048	5,305,711
Other Assets:		
Unamortized debt issuance cost	192,842	147,483
Unamortized debt discount	205,052	128,877
Total Other Assets	397,894	276,360
TOTAL ASSETS	\$ 8,936,578	\$ 9,131,954
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 265,000	\$ 215,000
Accounts payable	60	111,966
Security deposits	69,750	69,275
Accrued interest	35,127	34,493
Total Current Liabilities	369,937	430,734
Long-term debt	6,875,000	7,140,000
Unrestricted net assets	1,691,641	1,561,220
TOTAL LIABILITIES AND NET ASSETS	\$ 8,936,578	\$ 9,131,954

ARKANSAS TECH UNIVERSITY  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B

	Year Ended June 30 2011	Year Ended June 30 2010
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$20,654,868 and \$15,685,868, respectively)	\$ 24,071,341	\$ 23,273,227
Federal grants and contracts	2,486,445	2,859,854
State and local grants and contracts	15,157,914	4,612,639
Non-governmental grants and contracts	2,621,831	2,182,759
Sales and services of educational departments	527,000	419,279
Auxiliary enterprises:		
Athletics (net of scholarship allowances of \$631,035 and \$203,040, respectively)	3,313,187	3,519,065
Residence life (net of scholarship allowances of \$3,064,159 and \$2,540,843, respectively)	3,570,994	3,769,865
Bookstore	3,644,285	3,824,317
Food service (net of scholarship allowances of \$2,244,258 and \$1,871,168, respectively)	2,773,119	2,929,912
Other auxiliary enterprises	254,744	205,854
Other operating revenues	1,273,529	1,211,434
<b>TOTAL OPERATING REVENUES</b>	<b>59,694,389</b>	<b>48,808,205</b>
<b>OPERATING EXPENSES</b>		
Personal services	39,946,702	38,080,657
Benefits	11,459,599	10,785,404
Scholarships and fellowships	21,789,798	15,777,428
Supplies and services	24,773,248	24,144,824
Depreciation	6,186,306	5,807,828
<b>TOTAL OPERATING EXPENSES</b>	<b>104,155,653</b>	<b>94,596,141</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(44,461,264)</b>	<b>(45,787,936)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	33,986,471	33,236,264
Governmental grants	22,951,269	16,584,689
Investment income (net of investment expense of \$3,583 and \$5,459, respectively)	672,125	748,546
Interest on capital asset - related debt	(2,713,956)	(2,627,668)
Paying agents fees capital asset related debt	(42,899)	(38,284)
Gain or (loss) on disposal of capital assets	(20,751)	(7,256)
Unrealized gain (loss) on livestock valuation	(5,289)	41,512
Disposal of livestock for educational purposes	(91,495)	(47,623)
Bond proceeds from act 1282 of 2005		22,339
Other revenues (expenses)	(51,913)	59,518
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>54,683,562</b>	<b>47,972,037</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<b>10,222,298</b>	<b>2,184,101</b>
Capital appropriations	50,000	650,000
Capital grants and gifts	1,117,242	616,588
Bond discount and issue costs	(65,124)	(51,544)
Additions to endowments	50,612	5,769
Adjustments to prior year revenues and expenses	65,440	73,402
Other	661	(13,099)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>11,441,129</b>	<b>3,465,217</b>
<b>NET ASSETS - BEGINNING OF YEAR AS ORIGINALLY REPORTED</b>	<b>80,642,614</b>	<b>76,176,684</b>
Adjustment for Intangible Asset		1,400,998
Adjustment for Prior Year Depreciation on Intangible Asset		(400,285)
<b>NET ASSETS - BEGINNING OF YEAR, RESTATED</b>	<b>80,642,614</b>	<b>77,177,397</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 92,083,743</b>	<b>\$ 80,642,614</b>

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

ARKANSAS TECH UNIVERSITY  
 ARKANSAS TECH UNIVERSITY FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF ACTIVITIES - COMPONENT UNIT  
 FOR THE YEAR ENDED JUNE 30, 2011

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support revenues and reclassifications:								
Contributions	\$ 245,119	\$ 1,600,245	\$ 347,948	\$ 2,193,312	\$ 178,100	\$ 1,153,287	\$ 573,129	\$ 1,904,516
Investment income	1,304,082	219,072	125,836	1,648,990	563,016	347,574	62,036	972,626
Net assets released from restrictions:								
Satisfaction of program or time restrictions	1,288,816	(1,288,816)			1,749,946	(1,749,946)		
Total public support, revenues and reclassifications	<u>2,838,017</u>	<u>530,501</u>	<u>473,784</u>	<u>3,842,302</u>	<u>2,491,062</u>	<u>(249,085)</u>	<u>635,165</u>	<u>2,877,142</u>
Expenses								
Scholarships	410,751			410,751	440,407			440,407
Capital outlay	353,238			353,238	654,665			654,665
Supplies	141,792			141,792	193,457			193,457
Professional fees and services	134,053			134,053	119,441			119,441
Travel and travel items	144,160			144,160	123,578			123,578
Printing	40,902			40,902	28,730			28,730
Salaries and benefits	128,317			128,317	165,406			165,406
Investment fees	37,392			37,392	27,905			27,905
Annuity benefits	22,387			22,387	22,124			22,124
Other	238,985			238,985	239,736			239,736
Total expenses	<u>1,651,977</u>			<u>1,651,977</u>	<u>2,015,449</u>			<u>2,015,449</u>
Changes in net assets	1,186,040	530,501	473,784	2,190,325	475,613	(249,085)	635,165	861,693
Net assets at beginning of year	<u>817,718</u>	<u>3,295,755</u>	<u>8,384,002</u>	<u>12,497,475</u>	<u>342,105</u>	<u>3,544,840</u>	<u>7,748,837</u>	<u>11,635,782</u>
Net assets at end of year	<u>\$ 2,003,758</u>	<u>\$ 3,826,256</u>	<u>\$ 8,857,786</u>	<u>\$ 14,687,800</u>	<u>\$ 817,718</u>	<u>\$ 3,295,755</u>	<u>\$ 8,384,002</u>	<u>\$ 12,497,475</u>

ARKANSAS TECH UNIVERSITY  
 ARKANSAS TECH UNIVERSITY FACILITIES DEVELOPMENT FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNIT  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Income:		
Rental	\$ 1,485,926	\$ 1,442,534
Investment	3,479	3,761
Other	8,845	9,668
Total Income	<u>1,498,250</u>	<u>1,455,963</u>
Expenses:		
Maintenance and repairs	417,871	238,783
Utilities	171,360	185,298
Insurance	54,672	42,466
Depreciation and amortization	273,530	271,816
Interest expense	387,638	418,221
Bad debts	7,639	(3,149)
Administrative cost - Arkansas Tech University	41,896	41,005
Trustee fees	2,785	10,908
Audit fees	5,200	5,200
Other	5,238	1,353
Total expenses	<u>1,367,829</u>	<u>1,211,901</u>
Increase in unrestricted net assets	130,421	244,062
Unrestricted net assets at beginning of year	<u>1,561,220</u>	<u>1,317,158</u>
Unrestricted net assets at end of year	<u>\$ 1,691,641</u>	<u>\$ 1,561,220</u>

ARKANSAS TECH UNIVERSITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C

	June 30, 2011	June 30, 2010
<b>Cash Flows From Operating Activities:</b>		
Tuition and fees	\$ 23,711,448	\$ 22,382,409
Grants and contracts	20,202,333	9,804,170
Payments to suppliers	(24,924,505)	(26,910,538)
Payments for personal services	(39,911,833)	(37,946,958)
Payments for benefits	(10,838,444)	(10,291,211)
Payments for scholarships and fellowships	(21,789,798)	(15,777,428)
Cost of loan principal and interest cancelled	(56,133)	(43,406)
Collection/cancel of principal and interest - student loans		(40,653)
Interest collected on student loans	20,565	18,550
<b>Auxiliary Enterprises:</b>		
Residential life	3,570,994	3,769,865
Food service	2,773,119	2,929,912
Bookstore	3,644,285	3,954,349
Athletics	3,313,187	3,655,875
Health services	254,744	205,854
Sales and service of educational department	527,000	683,125
Other receipts (payments)	1,212,741	1,991,467
Net Cash Provided (Used) by Operating Activities	<u>(38,290,297)</u>	<u>(41,614,618)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
State appropriations	33,986,471	33,236,264
Non-capital grants and gifts received	23,286,455	16,584,688
Principal paid on non-capital debt	(81,421)	(1,481)
Interest paid on non-capital debt	(16,013)	(1,441)
Additions to endowment funds	50,612	5,769
Direct lending receipts	32,820,132	
Direct lending payments	(33,155,318)	
Student organization/agency transactions (net)	228,318	519
Prior period adjustments	4,120	(11,101)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>57,123,356</u>	<u>49,813,217</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital appropriations	50,000	650,000
Capital grants and gifts received	1,076,623	447,636
Proceeds from sale of capital assets	7,373	
Purchases of capital assets	(3,133,247)	(6,409,142)
Construction in progress expenditures	(9,817,919)	(2,585,582)
Distributions from trustee of current year bond proceeds and interest earnings	1,240,209	7,590,078
Distributions from trustee of prior year bond proceeds and interest earnings	943,637	2,971,334
Payments to trustees for bond principal	(1,886,550)	(2,080,000)
Payments to trustees for interest and fees	(2,672,428)	(2,469,734)
Principal paid on capital leases	(158,344)	(2,806,033)
Interest paid on capital leases	(31,520)	(54,959)
Bond proceeds from Act 1282 of 2005		22,339
Net Cash Provided (Used) by Financing Activities	<u>(14,382,166)</u>	<u>(4,724,063)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sales and maturities of investments	19,479,277	24,775,529
Purchase of investments	(16,928,807)	(20,845,629)
Investment income	493,434	620,803
Net Cash Provided (Used) by Investing Activities	<u>3,043,904</u>	<u>4,550,703</u>



ARKANSAS TECH UNIVERSITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C

	June 30, 2011	June 30, 2010
Net increase in cash	\$ 7,494,797	\$ 8,025,239
Cash - beginning of the year	20,055,330	12,030,091
Cash - end of year	\$ 27,550,127	\$ 20,055,330
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (44,461,264)	\$ (45,787,936)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	6,186,306	5,807,828
Bad debt expense	(37,299)	(40,653)
Cost of principal and interest cancelled related to student loans	(56,133)	(43,406)
Receivables	(315,046)	(907,944)
Credit memos	44,140	(128,301)
Inventories	(77,638)	(4,209)
Prepaid expenses	(465,102)	72,430
Payables	356,568	(1,539,463)
Unapplied student aid	(44,847)	32,328
Unclaimed property	(9,225)	11,553
Deferred revenue	(63,856)	148,919
Compensated absences	34,868	133,698
Other postemployment benefits	621,155	631,003
Other adjustments	(2,924)	(465)
Net cash provided (used) by operating activities	\$ (38,290,297)	\$ (41,614,618)
Noncash transactions:		
Donated capital assets	\$ 40,619	\$ 70,064
Increase in market valuation of capital assets	23,740	41,512
Increase in market valuation of investments	170,527	121,289
Proceeds from bond issue deposited with trustee	4,000,931	9,076,721
Bond discount and issuance costs paid from bond proceeds	129,069	123,279
Long-term debt principal paid directly from deposit with trustee account	978,450	
Interest and fees on long-term debt paid directly from deposit with trustee account	7,759	56,222
Accrued interest on bond issue deposited with trustee	2,623	6,453

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



# Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**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 is approximately 1,802 students and the Ozark Campus offers four associate programs, as well as 17 technical and vocational programs.

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.



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**NOTE 1: Summary of Significant Accounting Policies (continued)**

The Arkansas Tech University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of Arkansas Tech University (the University). The Foundation acts primarily as a fund-raising and asset management organization to develop and supplement the resources that are available to the University in support of its mission and programs. The 33 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests, is restricted to the activities of the University by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement Number 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 Number 39.

During the year ended June 30, 2011, the Foundation transferred equipment and funds of \$245,824 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 Number 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 Number 39.

Complete financial statements for the Foundation may be obtained from the Facilities Development Foundation at 105 West O Street, Bryan Hall, Room 208, Russellville, AR 72801.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 1: Summary of Significant Accounting Policies (continued)**

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

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

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 Assets. 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 assets, or changes in net assets.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 1: Summary of Significant Accounting Policies (continued)**

Accounts Receivables: Accounts receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivables also include amounts due from the Federal Government, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivables are recorded net of estimated uncollectible amounts.

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

Capital Assets: Capital assets are recorded at cost on the date of acquisition or, in the case of gifts, fair market value on the date of donation. Livestock for educational purposes is recorded at estimated fair market value. The University's capitalization policy includes all items with a unit cost of \$2,500 or more and an estimated useful life of greater than one year, including renovations to buildings, infrastructure and land improvements that significantly increase the value and efficiency or extend the life of the structure. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years for buildings, 15 years for infrastructure and land improvements, 10 years for library books and 4 to 7 years for equipment and intangible assets.

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.

Deferred Revenues: Deferred 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. Deferred 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.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 1: Summary of Significant Accounting Policies (continued)**

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

Net Assets: The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* 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, net of related debt.

*Restricted net assets – expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

*Unrestricted net assets:* Unrestricted net assets 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.



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**NOTE 1: Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**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)	\$ 762,296	\$ 762,296
Collateralized:		
Collateral held by the pledging bank or pledging bank’s trust department in the University’s name.	43,435,604	41,484,598
 Total Deposits	 \$ 44,197,900	 \$ 42,246,894

The above deposits do not include cash held on deposit in the State Treasury and cash on hand maintained by the University in the amounts of \$13 and \$24,375, respectively. The above total deposits include non-negotiable certificates of deposits of \$16,099,161 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include certificates of deposit reported as deposits with trustee in the amount of \$573,000.

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 assets, or changes in net assets.

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:

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 3: Investments (continued)**

External Investment Pool: The University has investments with the Arkansas Tech University Foundation, Inc. (ATUF) that are pooled with other ATUF funds. The pool was originally established in 1999 and the funds were invested in the Common Fund. In 2003, the funds were moved under the management of Monroe Vos Consulting Group. The total amount of the pool is \$14,699,357 and Arkansas Tech University owns approximately 13 percent of that amount. The funds are invested based on the ATUF Board's approved policy of no more than five percent of the portfolio can be invested in one company. This policy reduces the concentration of credit risk.

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

Type of Investment	Market Value	AAA	AA	A	≤BBB	NR
Corporate Bonds*	\$ 776,941	\$582,240	\$24,629	\$87,406	\$68,681	\$ 13,985
US Stocks	778,445					778,445
Non-US Stocks	458,262					458,262
Other	133,785					133,785
<b>Total investments</b>	<b>\$ 2,147,433</b>	<b>\$582,240</b>	<b>\$24,629</b>	<b>\$87,406</b>	<b>\$68,681</b>	<b>\$1,384,477</b>

*\*Note: Average Effective Maturity and Average Effective Duration were 4.71 and 4.60, respectively.*

Interest Rate Risk

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

Credit Risk

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

Deposits with Trustee: At June 30, 2011, the University's deposits with trustee in the amount of \$4,420,293 were invested in certificates of deposit, Federated Treasury Obligations and a money market treasury. The money market fund was rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service and consisted of short term repurchase agreements and agencies in U.S. Treasuries. The effective average maturity was 36 days.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**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 \$157,824 as of June 30, 2011, for a net appreciation of \$1,895. The University may not spend any of the principal. State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established. The original principal of \$155,929 was reported as nonexpendable restricted net assets and the \$1,895 net appreciation was reported as expendable restricted net assets. The University does not utilize a spending rate for the net appreciation.

**NOTE 5: Disaggregation of Accounts and Other Receivables**

Accounts receivable consisted of the following at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011	June 30, 2010
Student tuition and fees	\$ 1,203,945	\$ 1,080,473
Auxiliary enterprises and other operating activities	1,835,524	1,659,392
Scholarship	2,850	1,020
Federal, state and private grants and contracts	1,851,276	1,593,694
Accrued interest	6,154	10,186
Credit memos	172,846	216,987
Other	255,464	248,546
	\$ 5,328,059	\$ 4,810,298
Less allowance for doubtful accounts	(300,880)	(298,389)
Net accounts receivable	\$ 5,027,179	\$ 4,511,909

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 6: Inventories**

Inventories consisted of the following at June 30, 2011, and June 30, 2010, respectively:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Museum	\$ 8,294	\$ 6,044
Bookstore	739,627	659,662
Post Office	14,632	16,787
Lake Point Conference Center	24,795	28,188
Hospitality	5,023	4,051
	<u>\$ 792,371</u>	<u>\$ 714,732</u>

**NOTE 7: Notes Receivable**

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the notes receivable at June 30, 2011. The Program provides for cancellation of a loan at rates 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions.

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, 2011, the notes receivable was \$1,046,632, net of the allowance for uncollectible loans of \$688,160.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 8: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
<b>Capital assets not depreciated</b>				
Land	\$ 2,486,939	\$ 80,212	\$ (73,842)	\$ 2,493,309
Landscaping	235,557			235,557
Livestock for educational purposes	162,170	84,219	(99,284)	147,105
Construction in progress	2,754,640	9,859,439	(192,813)	12,421,266
<b>Total capital assets not being depreciated</b>	<b>\$ 5,639,306</b>	<b>\$ 10,023,870</b>	<b>\$ (365,939)</b>	<b>\$ 15,297,237</b>
<b>Other capital assets</b>				
Intangible asset - software license*	\$ 1,400,998	\$ 18,155		\$ 1,419,153
Capital leases	18,402	916,908		935,310
Non-major infrastructure networks	4,960,984	105,493		5,066,477
Land improvements	6,731,462	667,935		7,399,397
Buildings	125,496,111	1,669,008		127,165,119
Furniture, fixtures and equipment	11,229,635	1,130,102	\$ (287,995)	12,071,742
Library holdings	8,186,495	245,811	(53,271)	8,379,035
<b>Total other capital assets</b>	<b>\$ 158,024,087</b>	<b>\$ 4,753,412</b>	<b>\$ (341,266)</b>	<b>\$ 162,436,233</b>
<b>Less accumulated depreciation:</b>				
Intangible asset - software license	\$ (600,427)	\$ (203,774)		\$ (804,201)
Capital leases	(5,827)	(187,062)		(192,889)
Non-major infrastructure networks	(1,920,552)	(184,169)		(2,104,721)
Land improvements	(2,950,810)	(397,878)		(3,348,688)
Buildings	(47,346,335)	(3,982,865)		(51,329,200)
Furniture, fixtures, and equipment	(8,974,632)	(938,226)	\$ 277,724	(9,635,134)
Library holdings	(6,909,849)	(292,332)	53,271	(7,148,910)
<b>Total accumulated depreciation</b>	<b>\$ (68,708,432)</b>	<b>\$ (6,186,306)</b>	<b>\$ 330,995</b>	<b>\$ (74,563,743)</b>
<b>Other capital assets, net</b>	<b>\$ 89,315,655</b>	<b>\$ (1,432,894)</b>	<b>\$ (10,271)</b>	<b>\$ 87,872,490</b>
<b>Capital Asset Summary:</b>				
Capital assets not being depreciated	\$ 5,639,306	\$ 10,023,870	\$ (365,939)	\$ 15,297,237
Other capital assets, at cost	158,024,087	4,753,412	(341,266)	162,436,233
<b>Total cost of capital assets</b>	<b>163,663,393</b>	<b>14,777,282</b>	<b>(707,205)</b>	<b>177,733,470</b>
Less accumulated depreciation	(68,708,432)	(6,186,306)	330,995	(74,563,743)
<b>Capital assets, net</b>	<b>\$ 94,954,961</b>	<b>\$ 8,590,976</b>	<b>\$ (376,210)</b>	<b>\$ 103,169,727</b>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 9: Deferred Revenue**

Deferred revenue consists of the following at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011	June 30, 2010
Prepaid tuition and fees	\$ 18,243	\$ 18,450
Grants and contracts	715,421	741,392
Scholarships	120,489	148,620
Other	99,052	108,599
 Total	 \$ 953,205	 \$ 1,017,061

**NOTE 10: Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2011 was as follows:

Long-Term Liabilities	June 30, 2010	Additions	Deletions	June 30, 2011	Current Portion	Noncurrent Portion
Revenue bonds	\$ 56,382,998	\$ 4,171,178	\$2,947,600	\$ 57,606,576	\$ 1,398,395	\$ 56,208,181
Capital leases	13,099	916,909	158,344	771,664	179,165	592,499
Installment Contract	9,986	462,401	81,421	390,966	91,075	299,891
Compensated absences	1,785,422	713,956	679,088	1,820,290	1,319,153	501,137
 Total	 \$ 58,191,505	 \$ 6,264,444	 \$3,866,453	 \$ 60,589,496	 \$ 2,987,788	 \$ 57,601,708

*Additional information regarding revenue bonds payable is included in Note 11.*

*Additional information regarding capital leases and installment contracts is included in Note 12.*

*Additions column include current year bond discount/premium amortization of \$41,178.*

*Deletions column include current year bond discount of \$82,600.*

**NOTE 11: Bonds Payable**

Debt Service payments on the existing bonds amounted to \$2,865,000 for the fiscal year ended June 30, 2011. The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

<b>Pledged Revenues</b>	<b>Amount Authorized and Issued</b>	<b>Debt Outstanding June 30, 2011</b>	<b>Maturities to June 30, 2011</b>
<b>Refunding Bonds Series 2004</b>			
<b>Hull Building</b>			
2.10% - 5.00%			
Issuance Date: December 15, 2004			
Final Maturity Date: June 1, 2029			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum annual debt service.			
	\$ 5,785,000	\$ 4,680,000	\$ 1,105,000
<b>Refunding Bonds Series 2004</b>			
<b>Paine Hall</b>			
2.10% - 5.00%			
Issuance Date: December 15, 2004			
Final Maturity Date: March 1, 2030			
Housing revenues will be maintained at a level equal to at least 100% of the combined maximum annual debt service.			
	3,960,000	3,230,000	730,000
<b>Revenue Bonds Series 2001</b>			
<b>Nutt Hall</b>			
3.6% - 5.25 %			
Issuance Date: June 1, 2001			
Final Maturity Date: December 1, 2031			
Housing revenues will be maintained at level equal to at least 100% of the combined annual debt service.			
	10,000,000	8,270,000	1,730,000
<b>Revenue Bonds Series 2003</b>			
<b>Art Building</b>			
1.1% - 5%			
Issuance Date: October 1, 2003			
Final Maturity Date: December 1, 2033			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 125% of the combined maximum annual debt service.			
	4,000,000	\$ 3,445,000	\$ 555,000

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

<u>Pledged Revenues</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2011</u>	<u>Maturities to June 30, 2011</u>
<b>Revenue Bonds Series 2005</b>			
<b>Art Building</b>			
2.50% - 4.75%			
Issuance Date: March 1, 2005			
Final Maturity Date: March 1, 2035			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum annual debt service.			
	\$ 1,000,000	\$ 880,000	\$ 120,000
<b>Revenue Bonds Series 2006</b>			
<b>Baswell Hall</b>			
3.55% - 5.00%			
Issuance Date: May 1, 2006			
Final Maturity Date: May 1, 2036			
Housing revenues will be maintained at a level to produce annual pledged revenues equal to at least 100% of the combined maximum annual debt service.			
	10,000,000	9,220,000	780,000
<b>Revenue Bonds Series 2007</b>			
<b>Women's Sports Complex</b>			
3.85% - 4.60%			
Issuance Date: March 1, 2007			
Final Maturity Date: March 1, 2037			
Athletic revenues will be maintained at a level to produce annual pledged revenues equal to at least 100% of the combined maximum annual debt service.			
	2,720,000	\$ 2,520,000	\$ 200,000
<b>Revenue Bonds Series 2007</b>			
<b>Baswell Hall</b>			
3.85% - 4.60%			
Issuance Date: March 1, 2007			
Final Maturity Date: March 1, 2037			
Housing revenues will be maintained at a level to produce annual pledged revenues equal to at least 100% of the combined maximum annual debt service.			
	1,180,000	1,100,000	80,000

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
<b>Revenue Bonds Series 2008</b>			
<b>Eastgate and Campus Courts</b>			
3.00% - 4.80%			
Issuance Date: February 1, 2008			
Final Maturity Date: February 1, 2038			
Housing revenues will be maintained at level equal to at least 120% of the combined annual debt service.			
	\$ 1,505,000	\$ 1,420,000	\$ 85,000
<b>Revenue Bonds Series 2008</b>			
<b>Physical Plant Facility</b>			
2.75% - 4.70%			
Issuance Date: April 1, 2008			
Final Maturity Date: April 1, 2038			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum debt service.			
	3,300,000	3,115,000	185,000
<b>Revenue Bonds Series 2008</b>			
<b>Academic Advising Classroom (Rothwell Hall)</b>			
3.00% - 5.75%			
Issuance Date: December 1, 2008			
Final Maturity Date: December 1, 2038			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum debt service.			
	3,090,000	\$ 2,985,000	105,000
<b>Revenue Bonds Series 2008</b>			
<b>Ozark Student Services Building</b>			
3.00% - 5.75%			
Issuance Date: December 1, 2008			
Final Maturity Date: December 1, 2038			
Student fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum debt service.			
	2,105,000	2,035,000	70,000

*(continued on next page)*

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
<b>Revenue Bonds Series 2009</b>			
<b>Critz Hall and Hughes Hall</b>			
2.50% - 5.375%			
Issuance Date: April 1, 2009			
Final Maturity Date: April 1, 2039			
Housing revenues will be maintained at level equal to at least 120% of the combined annual debt service.			
	\$ 2,150,000	\$ 2,070,000	\$ 80,000
<b>Revenue Bond Series 2009</b>			
<b>Rothwell Hall, Corley, McEver &amp; Lake Point</b>			
2.35% - 5.3%			
Issuance Date: September 1, 2009			
Final Maturity Date: September 1, 2040			
Student Fees will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum debt service.			
	9,200,000	9,025,000	175,000
<b>Revenue Bond Series 2010</b>			
1.50%-4.50%			
Ozark Student Union - Auxiliary			
Issuance Date: September 1, 2010			
Final Maturity Date: September 1, 2040			
Auxiliary revenues will be maintained at a level to produce annual pledged revenues equal to at least 120% of the combined maximum debt service.			
	1,155,000	1,155,000	-
<b>Revenue Bond Series 2010</b>			
2.75%-4.50%			
Ozark Student Union - Student Fee			
Issuance Date: September 1, 2010			
Final Maturity Date: September 1, 2040			
Net tuition & fee revenue will be maintained at a level to produce annual pledged revenues equal to at least 125% of combined maximum debt service.			
	575,000	575,000	-

*(continued on next page)*

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

Pledged Revenues	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
<b>Revenue Bonds Series 2011</b>			
<b>Tucker Hall</b>			
1.4% - 5.2%			
Issuance Date: May 1, 2011			
Final Maturity Date: May 1, 2041			
Housing revenues will be maintained at level equal to at least 120% of the combined annual debt service.			
	\$ 2,400,000	\$ 2,400,000	
<b>Unamortized bond discount/premium</b>	<u>(627,039)</u>	<u>(518,424)</u>	<u>\$ (108,615)</u>
Totals	<u>\$ 63,497,961</u>	<u>\$ 57,606,576</u>	<u>\$ 5,891,385</u>

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

As of June 30, 2011, debt service reserves aggregating \$1,532,880 were maintained. The University's reserve balances exceeded the reserve requirements at June 30, 2011.

The changes in bonds payable are as follows:

Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
<u>\$ 56,382,998</u>	<u>\$ 4,171,178</u>	<u>\$ 2,947,600</u>	<u>\$ 57,606,576</u>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 11: Bonds Payable (continued)**

The principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,398,395	\$ 2,718,264	\$ 4,116,659
2013	1,443,395	2,669,154	4,112,549
2014	1,498,395	2,616,306	4,114,701
2015	1,553,395	2,560,568	4,113,963
2016	1,623,395	2,500,400	4,123,795
2017-2021	9,131,973	11,425,344	20,557,317
2022-2026	11,341,973	9,161,848	20,503,821
2027-2031	13,294,554	6,111,362	19,405,916
2032-2036	11,074,523	2,952,047	14,026,570
2037-2041	5,246,578	593,119	5,839,697
Total	<u>\$ 57,606,576</u>	<u>\$ 43,308,412</u>	<u>\$ 100,914,988</u>

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, 2011, were \$1,398,395 and \$56,208,181, respectively.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 12: Capital Leases and Installment Contracts Payable**

**Capital Lease Payable:**

The University entered into an agreement with Crockett Business Machines in November, 2008, to lease an Electronic Mailing System. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2011 was \$9,510.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$3,786	\$419	\$4,205
2013	3,995	210	4,205
2014	1,729	23	1,752
Totals	<u>\$ 9,510</u>	<u>\$ 652</u>	<u>\$ 10,162</u>

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

Class of Property	Asset Balance June 30, 2011
Equipment – Electronic Mailing System	\$ 18,401
Total Minimum Lease Payments	\$10,162
Less: Amount Representing Interest	652
Total Present Value of Net Minimum Lease Payments	<u>\$ 9,510</u>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 12: Capital Leases and Installment Contracts Payable (continued)**

**Capital Lease Payable:**

The University entered into an agreement with IBM Credit LLC, in August, 2010, to lease redundant servers. The lease term is five years with payments made from Current Funds Unrestricted and the present value of net minimum lease payments at June 30, 2011 was \$762,154.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$175,379	\$27,157	\$202,536
2013	182,488	20,048	202,536
2014	189,884	12,652	202,536
2015	197,581	4,955	202,536
2016	16,822	56	16,878
Totals	<u>\$ 762,154</u>	<u>\$ 64,868</u>	<u>\$ 827,022</u>

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

Class of Property	Asset Balance June 30, 2010
Equipment – Redundant Server	\$ 916,909
<hr/>	
Total Minimum Lease Payments	\$827,022
Less: Amount Representing Interest	64,868
<hr/>	
Total Present Value of Net Minimum Lease Payments	<u>\$ 762,154</u>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 12: Capital Lease and Installment Contracts Payable (continued)**

**Installment Contract Payable:**

The University entered into an agreement with Crockett Business Machines in November, 2008 for meter rental and maintenance on the Electronic Mailing System. The installment contract term is five years with payments made from unrestricted current funds.

Total installment contract principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$2,631	\$291	\$2,922
2013	2,776	146	2,922
2014	1,203	14	1,217
Totals	<u>\$ 6,610</u>	<u>\$ 451</u>	<u>\$ 7,061</u>

The University also entered into an agreement with IBM Credit, LLC, in August, 2010, for maintenance on the IBM redundant server. The installment contract term is five years with payments made from unrestricted current funds.

Total installment contract principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$88,444	\$13,696	\$102,140
2013	92,029	10,111	102,140
2014	95,759	6,381	102,140
2015	99,641	2,499	102,140
2016	8,483	28	8,511
Totals	<u>\$ 384,356</u>	<u>\$ 32,715</u>	<u>\$ 417,071</u>

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 13: Commitments**

The Institution was contractually obligated for the following at June 30, 2011:

<u>Project Name</u>	<u>Construction in Progress</u>	<u>Balance Remaining on Contract</u>	<u>Completion Date</u>
Art Building Renovation	\$60,560		TBD
ATU Hindsman Bell Tower	185,097	\$119,669	9/30/2011
Baswell Student Union	2,949,784	826,271	8/15/2011
Brown Hall Reroof	110,236	106,417	7/29/2011
Buerkle Field	37,427	7,500	9/30/2011
Chambers Reroof	353,328	305,858	8/15/2011
Chartwells Sports Complex 2011	14,042	16,250	7/1/2011
Doc Bryan R&R	481		7/15/2011
Intramural Sports Fields		2,348	9/30/2011
McEver Hall Expansion	5,756,018	436,288	8/31/2011
New M Street Dorm	408,038	216,019	7/31/2013
Administration Building	5,048		7/15/2011
Student Support Services Program	171,725	5,298	9/10/2011
Tucker Coliseum 2011	148,327	84,457	8/31/2011
Tucker Hall	1,073,001	688,534	8/14/2011
Turner Hall	81,896	166,713	8/5/2011
Ozark Student Union	1,060,590	48,096	9/30/2011
Ozark Fire Alarm Upgrade	4,668		7/31/2011
Ozark Morton Hall Remodel	1,000	21,000	8/15/2011
Young Building Expansion		14,296	9/30/2011
Total	<u>\$ 12,421,266</u>	<u>\$ 3,065,014</u>	





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**NOTE 14: Employee Retirement Benefits**

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

Plan Description: Arkansas Tech University participates in TIAA/CREF, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended and is administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company that offers a variable annuity. Arkansas Code Annotated § 24-7-804 authorizes participation in the plan. The University's contributions to TIAA/CREF for the years ended June 30, 2011, 2010 and 2009 were \$2,551,585, \$2,536,460, and \$2,432,869, respectively. Participants' contributions were \$1,994,768 for the year ended June 30, 2011.

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

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

**Arkansas Teacher Retirement System**

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

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute six percent of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14 percent of covered salaries, the maximum allowed by State law. The University contributions to ATRS for the years ended June 30, 2011, 2010, and 2009 were \$624,226, \$560,838, and \$455,973, respectively, equal to the required contributions for each year.



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**NOTE 14: Employee Retirement Benefits (Continued)**

**Arkansas Public Employees Retirement System**

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

Funding Policy: APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute five percent of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for higher education entities is 12.46 percent of covered salaries. The University's contributions to APERS for the years ended June 30, 2011, 2010, and 2009 were \$583,873, \$496,492, and \$460,026, respectively, equal to the required contributions for each year.

**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, 2011, 2010, and 2009 were \$77,432, \$78,030, and \$71,953, respectively. The participants' contributions for VALIC for the year ended June 30, 2011, 2010, and 2009 were \$49,100, \$51,272, and \$58,127, respectively.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 14: 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, 2011, 2010, and 2009 were \$6,558, \$6,550, and \$5,530, respectively. The participants' contributions for Delta Life for the year ended June 30, 2011, 2010, and 2009 were \$3,274, \$3,275, and \$3,210, respectively.

**NOTE 15: Postemployment Healthcare and Life Insurance Benefits**

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

**Medical Plan Description**

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

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

Additionally, the University has eleven 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 OPEB liability of \$41,109 represents a pro-rata share of the statewide liability which was actuarially determined in accordance with GASB Statement No. 45. Required information and actuarial data of the statewide liability are disclosed in the Arkansas Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

**Base Plan Summary – Medical/Rx/Dental**

- 1. Deductible**                    \$750 individual coverage  
\$1500 maximum per family per covered year
- 2. Co-Insurance**                80/20% in-network  
60/40% out-of-network
- 3. Stop-loss**                    \$10,000 individual, \$20,000 family in-network  
No out-of-network stop-loss
- 4. Maximum  
Out-of-Pocket  
Expense**                        \$2,750 (\$750 deductible + 20% of first \$10,000 in charges) per individual.
- 5. Lifetime Maximum**        \$2,000,000
- 6. Office Visit  
Co-Pay**                         \$30 for each office visit  
In-network General Practitioner, Pediatrician or Family Practitioner  
(Specialists are subject to deductible)
- 7. Drug Co-payment**        \$10/\$40/\$60 - \$10 for generic drugs, \$40 for brand name, and \$60 for non-  
preferred brand name.
- 8. Mail Order**                    \$10/\$40/\$60 for maintenance drugs  
A 90 day supply is available for one co-pay through mail order only.
- 9. Dental Care**                    Diagnostic & Preventative: No deductible and 100% coverage  
For routine exams, X-rays and fluoride treatment  
Basic Services: 80% coverage, after \$50 deductible, for basic restorative,  
endodontics, simple extractions and oral surgery.  
Major Services: 50% coverage after deductible for crowns, fixed prosthetics  
and removable prosthetics  
Orthodontic Services: 50% coverage after deductible for diagnostic, active,  
retention treatment.  
Maximums:     \$1,000 per calendar year per member  
                     \$1,000 orthodontic lifetime max per member

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

**Life Insurance Plan Description**

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

**Funding Policy**

Expenses for postemployment health care benefits are currently recognized on a pay-as-you-go basis. Although funds have been set aside for the purpose of funding the before-mentioned expenses, these financial statements still assume pay-as-you-go funding, due to the GASB 45 requirement that assets can only be considered funded if they are (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. The University paid the employer portion of premiums for the medical and life insurance plans in the amount of \$4,232,513 for the year ended June 30, 2011. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled \$278,375 for the year ended June 30, 2011.

As part of adopting GASB 45, the University accrued \$621,155 in additional retiree healthcare expense during the fiscal year 2010-11. The calculation of this amount is shown below.

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

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

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

	Year ended June 30, 2010	Year ended June 30, 2011
<b>Unfunded actuarial accrued liability at July 1</b>	\$ 9,092,569	\$ 9,092,569
<b>Normal Costs</b>		
Current Year Normal Cost as of July 1	\$ 557,568	\$ 557,568
Assumed Interest to the End of the Year	<u>22,303</u>	<u>22,303</u>
<b>Current Year Normal Cost as of June 30</b>	<b>\$ 579,871</b>	<b>\$ 579,871</b>
<b>Determination of Current Year Amortization Payment</b>		
Amortization Amount as of July 1 <sup>1</sup>	\$ 505,601	\$ 505,601
Assumed Interest to the End of the Year	<u>20,224</u>	<u>20,224</u>
<b>Amortization Amount as of June 30</b>	<b>\$ 525,825</b>	<b>\$ 525,825</b>
<b>Determination of Annual Required Contribution</b>		
Normal Cost at year end	\$ 579,871	\$ 579,871
Amortization of UAL	<u>525,825</u>	<u>525,825</u>
<b>Annual Required Contribution (ARC)</b>	<b>\$ 1,105,696</b>	<b>\$ 1,105,696</b>
<b>Determination of Net OPEB Obligation</b>		
Annual Required Contribution	\$ 1,105,696	\$ 1,105,696
Interest on prior year Net OPEB Obligation	53,591	78,831
Adjustment to ARC	<u>(74,499)</u>	<u>(109,587)</u>
Annual OPEB Cost	1,084,788	1,074,940
Contributions made <sup>2</sup>	<u>453,785</u>	<u>453,785</u>
<b>Increase in Net OPEB Obligation</b>	<b>\$ 631,003</b>	<b>\$ 621,155</b>
<b>Net OPEB Obligation – beginning of year</b>	<b>\$ 1,339,775</b>	<b>\$ 1,970,778</b>
<b>Net OPEB Obligation – end of year</b>	<b>\$ 1,970,778</b>	<b>\$ 2,591,933</b>

<sup>1</sup> The Amortization of UAL was calculated with a level dollar amortization factor of 17.9837 and the maximum permissible amortization period of 30 years.

<sup>2</sup> Actual contributions for postemployment premiums in fiscal year 10-11 were \$295,356 plus retiree premium subsidy of \$158,429.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

**Schedule of Employer Contributions**

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Contributions Made <sup>4</sup>	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	5.00%	\$1,084,050	\$444,956	41.1%	\$1,339,775
June 30, 2010	4.00%	\$1,084,788	\$453,785	41.8%	\$1,970,778
June 30, 2011	4.00%	\$1,074,940	\$453,785	42.2%	\$2,591,933

<sup>4</sup>Since there is no funding, these are actual payments of \$295,356 plus expected retiree subsidy payments of \$158,429.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Liabilities (AL) <sup>1</sup>	Unfunded Actuarial Liabilities (UAL) <sup>2</sup>	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
July 1, 2007	\$0	\$9,053,874	\$9,053,874	0.0%	\$30,325,904	29.9%
July 1, 2009	\$0	\$9,092,569	\$9,092,569	0.0%	\$38,867,855	23.4%

<sup>1</sup> Actuarial liability determined under the entry age normal cost method for July 1, 2007 and the projected unit credit cost method for July 1, 2009.

<sup>2</sup> Actuarial accrued liability less actuarial value of assets.

**General Overview of the Valuation Methodology**

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



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**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

**Actuarial Cost Method and Assumptions**

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

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.
2. **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.
4. **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

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

**Measurement Date:** Benefit liabilities are valued as of July 1, 2009.

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

**Mortality Rates:** Sex Distinct RP 2000 Combined Healthy Mortality Table projected to 2009 using Scale AA. (Pre-retirement and Post-retirement)



NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

Withdrawal Rates: Sample rates of employee withdrawal are illustrated below.

Sample Ages	Years of Service	Death		Disability		Other	
		Male Rates	Female Rates	Male Rates	Female Rates	Male Rates	Female Rates
	0					32.00%	25.00%
	1					15.00%	12.00%
	2					11.00%	9.00%
	3					7.50%	9.00%
	4					5.00%	7.00%
20	5 & Up	0.02%	0.01%	0.10%	0.09%	4.60%	4.60%
25		0.02%	0.01%	0.10%	0.09%	4.60%	4.84%
30		0.03%	0.02%	0.08%	0.07%	3.94%	4.40%
35		0.04%	0.02%	0.08%	0.07%	3.20%	3.10%
40		0.06%	0.03%	0.14%	0.13%	2.70%	2.20%
45		0.11%	0.05%	0.24%	0.22%	2.08%	2.00%
50		0.20%	0.08%	0.53%	0.47%	1.62%	1.70%
55		0.31%	0.13%	0.88%	0.79%	1.50%	1.50%
60		0.46%	0.21%	1.00%	0.90%	1.50%	1.50%
65		0.78%	0.35%	1.00%	0.90%	1.50%	1.50%

Retirement Rates: Sample rates of retirement are illustrated below.

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

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

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

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

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

The trend assumptions for medical and pharmacy costs and retiree premiums are summarized below:

Medical	
Year	Trend
2009	7.80%
2010	7.30%
2011	6.60%
2012-2015	6.10%
2016-2019	6.00%
2020-2025	5.90%
2026-2031	5.80%
2032-2033	5.70%
2034	5.60%
2035-2036	5.50%
2037-2038	5.40%
2039-2041	5.30%
2042-2046	5.20%
2047-2053	5.10%
2054-2062	5.00%
2063-2075	4.90%
2076	4.80%
2077-2078	4.60%
2079-2084	4.50%
2085+	4.40%

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

<b>Dental</b>	
<b>Year</b>	<b>Trend</b>
2009	5.67%
2010	5.53%
2011	5.40%
2012	5.26%
2013	5.13%
2014	4.99%
2015	4.86%
2016	4.72%
2017	4.59%
2018	4.45%
2019	4.32%
2020	4.18%
2021	4.05%
2022+	4.00%

**Claim Costs at Sample Ages:**

***Retirees***

<b>Age</b>	<b>Medical + Rx</b>		<b>Dental</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
60	\$8,730	\$8,573	\$202	\$212
64	\$10,750	\$10,218	\$207	\$214
65	\$2,650	\$2,619	\$208	\$213
70	\$3,385	\$3,144	\$210	\$208
75	\$4,149	\$3,724	\$210	\$208
80	\$4,788	\$4,241	\$210	\$208
85	\$5,277	\$4,678	\$210	\$208

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 15: Postemployment Healthcare and Life Insurance Benefits (continued)**

***Spouses***

Age	Medical + Rx		Dental	
	Male	Female	Male	Female
60	\$7,762	\$7,063	\$202	\$212
64	\$9,513	\$8,443	\$207	\$214
65	\$2,650	\$2,619	\$208	\$213
70	\$3,385	\$3,144	\$210	\$208
75	\$4,149	\$3,724	\$210	\$208
80	\$4,788	\$4,241	\$210	\$208
85	\$5,277	\$4,678	\$210	\$208

**Administrative Costs:** Included in claims.

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

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

Age	Medical + Rx		Dental	
	Retirees	Spouses	Retirees	Spouses
Pre – 65	\$3,771.60	\$3,546.00	\$265.20	\$270.00
Post – 65	\$2,978.40	\$2,977.20	\$265.20	\$270.00

**Children:** Children are not included in our valuation results.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**Note 16: Risk Management**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**Note 16: Risk Management (continued)**

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. Coverage is provided for actual losses incurred as a result of fraudulent or dishonest acts by State employees or officials. There is a limit of \$250,000 and a \$1,000 deductible for each loss. The Department of Finance and Administration withholds the amounts for the premiums from the University's State Treasury funds.

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

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.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**Note 17: Natural Classifications with Functional Classifications**

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

Functional Classification	Personal Services	Benefits	Scholarships & Fellowships	Supplies & Services	Depreciation & Amortization	Total
Instruction	\$ 22,611,282	\$ 5,738,843	\$ 162,609	\$ 4,787,426		\$ 33,300,160
Research	651,155	126,066	13,185	186,372		976,778
Public service	23,443	5		1,429		24,877
Academic support	3,390,281	959,338		1,430,203		5,779,822
Student services	2,806,020	906,189		1,110,195		4,822,405
Institutional support	5,823,549	2,191,258		3,341,634		11,356,441
Operation of plant	2,012,550	841,913		4,043,337		6,897,800
Scholarships			20,442,076			20,442,076
Depreciation					\$ 6,186,306	6,186,306
Auxiliary enterprises	\$ 2,628,422	\$ 695,987	1,171,928	\$ 9,872,652		14,368,988
<b>Total expenses</b>	<b>\$ 39,946,702</b>	<b>\$11,459,599</b>	<b>\$ 21,789,798</b>	<b>\$ 24,773,248</b>	<b>\$ 6,186,306</b>	<b>\$ 104,155,653</b>

**NOTE 18: Disaggregation of Payables**

The accounts payable and accrued liabilities of \$3,700,131 consisted of \$2,003,686 due to vendors, salaries and other payroll related items, \$592,518 of construction contract retainages held, \$558,139 due for construction contractor payments, and \$545,788 due for bond interest.

**NOTE 19: Construction Bonds**

The University issued \$1,155,000 in construction bonds with interest rates from 1.50% to 4.50% on September 1, 2010, for the purpose of funding the Arkansas Tech University – Ozark Campus Student Union, auxiliary portion and \$575,000 in construction bonds with interest rates from 2.75% to 4.50% on that date for the student fee portion of the Ozark Student Union.

The University also issued \$2,400,000 in construction bonds with interest rates from 1.40% to 5.20% on May 1, 2011, for the purpose of funding the renovation of Tucker Hall.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 20: Pledged Revenues**

At June 30, 2011, the University's pledged revenues were as follows:

BONDS	ISSUE DATE	MATURITY DATE	PURPOSE	PLEGDED	GROSS REVENUE COLLECTED
Cafeteria Bonds - 1996	4/1/1996	10/1/2016*	Cafeteria Addition	Food Service Fees	\$5,017,377
Housing Bonds-2001	6/1/2001	12/1/2031	Construct Nutt Hall	Housing Fees	6,635,153
Student Fee Revenue Bonds-2003	10/1/2003	12/1/2033	Construct Art Building	Student Tuition & Fees	44,726,209
Student Fee Refunding Bonds-2004	12/15/2004	6/1/2029	Construct Hull Building	Student Tuition & Fees	44,726,209
Student Fee Refunding Bonds-2004	12/15/2004	6/1/2029	Hull Building	Athletic Revenues	3,944,222
Housing Refunding Bonds-2004	12/15/2004	3/1/2030	Paine Hall	Housing Fees	6,635,153
Student Fee Revenue Bonds-2005	3/1/2005	3/1/2035	Construct Art Building	Student Tuition & Fees	44,726,209
Student Fee Revenue Bonds – 2005	12/1/2005	12/1/2010	Upgrade computer system and software	Student Tuition & Fees	44,726,209
Housing Revenue Bonds-2006	5/1/2006	5/1/2036	Construct Baswell Hall	Housing Fees	6,635,153
Athletic Revenue Bonds-2007	3/1/2007	3/1/2037	Construct athletic facilities & Baswell Hall	Athletic Revenues	3,944,222
Housing Revenue Bonds-2007	3/1/2007	3/1/2037	Construct Baswell Hall	Housing Fees	6,635,153
Housing Revenue Bonds-2008	2/1/2008	2/1/2038	Renovate Campus Courts and Eastgate Apartments	Housing Fees	6,635,153
Student Fee Revenue Bonds-2008	4/1/2008	4/1/2038	Construct new Physical Plant Facility	Student Tuition & Fees	44,726,209
Student Fee Revenue Bonds-2008	12/1/2008	12/1/2038	Construct Advising Center Building	Student Tuition & Fees	44,726,209
Student Fee Revenue Bonds-2008	12/1/2008	12/1/2038	Construct Ozark Student Services Building	Student Tuition & Fees	44,726,209
Housing Revenue Bonds-2009	4/1/2009	4/1/2039	Renovate Hughes and Critz Hall	Housing Fees	6,635,153
Student Fee Revenue Bonds-2009	9/1/2009	9/1/2040	Construct Rothwell Hall, expand Corley & McEver and Lake Point Note	Student Tuition & Fees	44,726,209
Student Fee Revenue Bonds-2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Student Tuition & Fees	44,726,209
Housing Revenue Bonds-2010	9/1/2010	9/1/2040	Construct Ozark Student Union	Housing Fees	6,635,153
Housing Revenue Bonds-2011	5/1/2011	5/1/2041	Tucker Hall	Housing Fees	6,635,153

*(continued on next page)*

\*Retired prior to maturity date



NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



**NOTE 20: Pledged Revenues (continued)**

BONDS	ISSUE	FY 2011 PRINCIPAL PAID	FY 2011 INTEREST PAID	PRINCIPAL OUTSTANDING 6/30/2011	INTEREST OUTSTANDING 6/30/2011
Cafeteria Bonds - 1996	\$1,300,000	\$77,026	\$16,669		
Housing Bonds-2001	10,000,000	225,000	427,000	\$8,270,000	\$5,283,196
Student Fee Revenue Bonds-2003	4,000,000	90,000	160,420	3,445,000	2,236,304
Student Fee Refunding Bonds-2004	4,338,750	131,250	163,759	3,510,000	1,775,036
Student Fee Refunding Bonds-2004	1,446,250	43,750	54,586	1,170,000	591,679
Housing Refunding Bonds-2004	3,960,000	110,000	151,245	3,230,000	1,736,715
Student Fee Revenue Bonds-2005	1,000,000	20,000	40,284	880,000	591,871
Student Fee Revenue Bonds-2005	4,525,000	509,524	17,129		
Housing Revenue Bonds-2006	10,000,000	205,000	433,238	9,220,000	6,753,170
Athletic Revenue Bonds-2007	2,720,000	55,000	113,410	2,520,000	1,795,925
Housing Revenue Bonds-2007	1,180,000	20,000	49,955	1,100,000	794,283
Housing Revenue Bonds-2008	1,505,000	30,000	64,674	1,420,000	1,098,083
Student Fee Revenue Bonds-2008	3,300,000	65,000	137,938	3,115,000	2,346,230
Student Fee Revenue Bonds-2008	3,090,000	55,000	154,615	2,985,000	2,784,876
Student Fee Revenue Bonds-2008	2,105,000	35,000	105,205	2,035,000	1,889,454
Housing Revenue Bonds-2009	2,150,000	40,000	99,595	2,070,000	1,822,466
Student Fee Revenue Bonds-2009	9,200,000	175,000	414,306	9,025,000	7,842,316
Student Fee Revenue Bonds-2010	575,000		11,330	575,000	433,085
Housing Revenue Bonds-2010	1,155,000		21,934	1,155,000	854,581
Housing Revenue Bonds-2011	2,400,000			2,400,000	2,160,718

*(continued on next page)*

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011



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**NOTE 20: Pledged Revenues (continued)**

*The approximate percentages of revenues pledged for the year ended June 30, 2011 were as follows:*

*Student tuition and fees – 5.11%*

*Food service fees – 1.87%*

*Housing fees – 28.30%*

*Athletic revenues – 6.76%*

**NOTE 21: Contingent Liability**

As of June 30, 2011, there was a breach of contract suit filed with the Arkansas State Claims Commission seeking approximately \$84,000. The likelihood of an unfavorable outcome is remote.

**NOTE 22: Subsequent Events**

On June 16, 2011, the Board of Trustees authorized the issuance of revenue bonds in the amount of \$12,505,000 to construct a new residence hall on the Russellville campus that will house approximately 290 students. The bonds had not been issued as of the end of fieldwork. Completion of the residence hall is set for Fall of 2013.

**NOTE 23: Prior Year Restatement**

For consistency purposes, the noncash transactions section of the prior year column (2010) of the Statement of Cash Flows was restated to remove or amend certain items pertaining to debt accounts maintained by the trustees.

**NOTE 24: Early Retirement of Debt**

During the year ended June 30, 2011, the University retired the 1996 bond issue prior to the scheduled maturity date. The principal amount outstanding was \$600,000 at June 30, 2010 and the bonds were scheduled to mature on October 1, 2016.

ARKANSAS TECH  
A CENTURY FORWARD



## Required Supplementary Information



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## **Postemployment Healthcare and Life Insurance Benefits**

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

### **Medical Plan Description**

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

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

Additionally, the University has eleven 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 OPEB liability of \$41,109 represents a pro-rata share of the statewide liability which was actuarially determined in accordance with GASB Statement No. 45. Required information and actuarial data of the statewide liability are disclosed in the Arkansas Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

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## Postemployment Healthcare and Life Insurance Benefits (continued)

### Base Plan Summary – Medical/Rx/Dental

- 1. Deductible**                    \$750 individual coverage  
   \$1500 maximum per family per covered year
  
- 2. Co-Insurance**                80/20% in-network  
   60/40% out-of-network
  
- 3. Stop-loss**                    \$10,000 individual, \$20,000 family in-network  
   No out-of-network stop-loss
  
- 4. Maximum  
Out-of-Pocket  
Expense**                        \$2,750 (\$750 deductible + 20% of first \$10,000 in charges) per individual.
  
- 5. Lifetime Maximum**        \$2,000,000
  
- 6. Office Visit  
Co-Pay**                         \$30 for each office visit  
   In-network General Practitioner, Pediatrician or Family Practitioner  
   (Specialists are subject to deductible)
  
- 7. Drug Co-payment**        \$10/\$40/\$60 - \$10 for generic drugs, \$40 for brand name, and \$60 for non-  
   preferred brand name.
  
- 8. Mail Order**                    \$10/\$40/\$60 for maintenance drugs  
   A 90 day supply is available for one co-pay through mail order only.
  
- 9. Dental Care**                Diagnostic & Preventative: No deductible and 100% coverage  
   For routine exams, X-rays and fluoride treatment  
   Basic Services: 80% coverage, after \$50 deductible, for basic restorative,  
   endodontics, simple extractions and oral surgery.  
   Major Services: 50% coverage after deductible for crowns, fixed prosthetics  
   and removable prosthetics  
   Orthodontic Services: 50% coverage after deductible for diagnostic, active,  
   retention treatment.  
   Maximums:     \$1,000 per calendar year per member  
                           \$1,000 orthodontic lifetime max per member



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## **Postemployment Healthcare and Life Insurance Benefits (continued)**

### **Life Insurance Plan Description**

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

### **Funding Policy**

Expenses for postemployment health care benefits are currently recognized on a pay-as-you-go basis. Although funds have been set aside for the purpose of funding the before-mentioned expenses, these financial statements still assume pay-as-you-go funding, due to the GASB 45 requirement that assets can only be considered funded if they are (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. The University paid the employer portion of premiums for the medical and life insurance plans in the amount of \$4,232,513 for the year ended June 30, 2011. Of this amount, the retiree premiums for the benefits described above were paid monthly by the University and totaled \$278,375 for the year ended June 30, 2011.

As part of adopting GASB 45, the University accrued \$621,155 in additional retiree healthcare expense during the fiscal year 2010-11. The calculation of this amount is shown below.

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

**Postemployment Healthcare and Life Insurance Benefits (continued)**

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

	Year ended June 30, 2010	Year ended June 30, 2011
<b>Unfunded actuarial accrued liability at July 1</b>	\$ 9,092,569	\$ 9,092,569
<b>Normal Costs</b>		
Current Year Normal Cost as of July 1	\$ 557,568	\$ 557,568
Assumed Interest to the End of the Year	<u>22,303</u>	<u>22,303</u>
<b>Current Year Normal Cost as of June 30</b>	\$ <b>579,871</b>	\$ <b>579,871</b>
<b>Determination of Current Year Amortization Payment</b>		
Amortization Amount as of July 1 <sup>1</sup>	\$ 505,601	\$ 505,601
Assumed Interest to the End of the Year	<u>20,224</u>	<u>20,224</u>
<b>Amortization Amount as of June 30</b>	\$ <b>525,825</b>	\$ <b>525,825</b>
<b>Determination of Annual Required Contribution</b>		
Normal Cost at year end	\$ 579,871	\$ 579,871
Amortization of UAL	<u>525,825</u>	<u>525,825</u>
<b>Annual Required Contribution (ARC)</b>	\$ <b>1,105,696</b>	\$ <b>1,105,696</b>
<b>Determination of Net OPEB Obligation</b>		
Annual Required Contribution	\$ 1,105,696	\$ 1,105,696
Interest on prior year Net OPEB Obligation	53,591	78,831
Adjustment to ARC	<u>(74,499)</u>	<u>(109,587)</u>
Annual OPEB Cost	1,084,788	1,074,940
Contributions made <sup>2</sup>	<u>453,785</u>	<u>453,785</u>
<b>Increase in Net OPEB Obligation</b>	\$ <b>631,003</b>	\$ <b>621,155</b>
<b>Net OPEB Obligation – beginning of year</b>	\$ <b>1,339,775</b>	\$ <b>1,970,778</b>
<b>Net OPEB Obligation – end of year</b>	\$ <b>1,970,778</b>	\$ <b>2,591,933</b>

<sup>1</sup> The Amortization of UAL was calculated with a level dollar amortization factor of 17.9837 and the maximum permissible amortization period of 30 years.

<sup>2</sup> Actual contributions for postemployment premiums in fiscal year 10-11 were \$295,356 plus retiree premium subsidy of \$158,429.



**Postemployment Healthcare and Life Insurance Benefits (continued)**

**Schedule of Employer Contributions**

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Contributions Made <sup>4</sup>	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	5.00%	\$1,084,050	\$444,956	41.1%	\$1,339,775
June 30, 2010	4.00%	\$1,084,788	\$453,785	41.8%	\$1,970,778
June 30, 2011	4.00%	\$1,074,940	\$453,785	42.2%	\$2,591,933

<sup>4</sup>Since there is no funding, these are actual payments of \$295,356 plus expected retiree subsidy payments of \$158,429.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Liabilities (AL) <sup>1</sup>	Unfunded Actuarial Liabilities (UAL) <sup>2</sup>	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
July 1, 2007	\$0	\$9,053,874	\$9,053,874	0.0%	\$30,325,904	29.9%
July 1, 2009	\$0	\$9,092,569	\$9,092,569	0.0%	\$38,867,855	23.4%

<sup>1</sup> Actuarial liability determined under the entry age normal cost method for July 1, 2007 and the projected unit credit cost method for July 1, 2009.

<sup>2</sup> Actuarial accrued liability less actuarial value of assets.

**General Overview of the Valuation Methodology**

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



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## Postemployment Healthcare and Life Insurance Benefits (continued)

### Actuarial Cost Method and Assumptions

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

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

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.
2. **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.
4. **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

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

**Measurement Date:** Benefit liabilities are valued as of July 1, 2009.

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

**Mortality Rates:** Sex Distinct RP 2000 Combined Healthy Mortality Table projected to 2009 using Scale AA. (Pre-retirement and Post-retirement)

**Postemployment Healthcare and Life Insurance Benefits (continued)**

Withdrawal Rates: Sample rates of employee withdrawal are illustrated below.

Sample Ages	Years of Service	Death		Disability		Other	
		Male Rates	Female Rates	Male Rates	Female Rates	Male Rates	Female Rates
	0					32.00%	25.00%
	1					15.00%	12.00%
	2					11.00%	9.00%
	3					7.50%	9.00%
	4					5.00%	7.00%
20	5 & Up	0.02%	0.01%	0.10%	0.09%	4.60%	4.60%
25		0.02%	0.01%	0.10%	0.09%	4.60%	4.84%
30		0.03%	0.02%	0.08%	0.07%	3.94%	4.40%
35		0.04%	0.02%	0.08%	0.07%	3.20%	3.10%
40		0.06%	0.03%	0.14%	0.13%	2.70%	2.20%
45		0.11%	0.05%	0.24%	0.22%	2.08%	2.00%
50		0.20%	0.08%	0.53%	0.47%	1.62%	1.70%
55		0.31%	0.13%	0.88%	0.79%	1.50%	1.50%
60		0.46%	0.21%	1.00%	0.90%	1.50%	1.50%
65		0.78%	0.35%	1.00%	0.90%	1.50%	1.50%

Retirement Rates: Sample rates of retirement are illustrated below.

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



**Postemployment Healthcare and Life Insurance Benefits (continued)**

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

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

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

**The trend assumptions for medical and pharmacy costs and retiree premiums are summarized below:**

<b>Medical</b>	
<b>Year</b>	<b>Trend</b>
2009	7.80%
2010	7.30%
2011	6.60%
2012-2015	6.10%
2016-2019	6.00%
2020-2025	5.90%
2026-2031	5.80%
2032-2033	5.70%
2034	5.60%
2035-2036	5.50%
2037-2038	5.40%
2039-2041	5.30%
2042-2046	5.20%
2047-2053	5.10%
2054-2062	5.00%
2063-2075	4.90%
2076	4.80%
2077-2078	4.60%
2079-2084	4.50%
2085+	4.40%

**Postemployment Healthcare and Life Insurance Benefits (continued)**

Dental	
Year	Trend
2009	5.67%
2010	5.53%
2011	5.40%
2012	5.26%
2013	5.13%
2014	4.99%
2015	4.86%
2016	4.72%
2017	4.59%
2018	4.45%
2019	4.32%
2020	4.18%
2021	4.05%
2022+	4.00%

**Claim Costs at Sample Ages:**

***Retirees***

Age	Medical + Rx		Dental	
	Male	Female	Male	Female
60	\$8,730	\$8,573	\$202	\$212
64	\$10,750	\$10,218	\$207	\$214
65	\$2,650	\$2,619	\$208	\$213
70	\$3,385	\$3,144	\$210	\$208
75	\$4,149	\$3,724	\$210	\$208
80	\$4,788	\$4,241	\$210	\$208
85	\$5,277	\$4,678	\$210	\$208



**Postemployment Healthcare and Life Insurance Benefits (continued)**

***Spouses***

Age	Medical + Rx		Dental	
	Male	Female	Male	Female
60	\$7,762	\$7,063	\$202	\$212
64	\$9,513	\$8,443	\$207	\$214
65	\$2,650	\$2,619	\$208	\$213
70	\$3,385	\$3,144	\$210	\$208
75	\$4,149	\$3,724	\$210	\$208
80	\$4,788	\$4,241	\$210	\$208
85	\$5,277	\$4,678	\$210	\$208

**Administrative Costs:** Included in claims.

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

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

Age	Medical + Rx		Dental	
	Retirees	Spouses	Retirees	Spouses
Pre – 65	\$3,771.60	\$3,546.00	\$265.20	\$270.00
Post – 65	\$2,978.40	\$2,977.20	\$265.20	\$270.00

**Children:** Children are not included in our valuation results.

ARKANSAS TECH UNIVERSITY  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS  
FOR THE YEAR ENDED JUNE 30, 2011  
(Unaudited)

Schedule 1

	Year Ended June 30, 2011				
	2011	2010	2009	2008	2007
Total Assets	\$ 161,786,862	\$ 147,026,923	\$ 138,896,268	\$ 120,684,968	\$ 111,192,350
Total Liabilities	69,703,119	66,384,309	62,719,584	53,382,080	49,488,360
Total Net Assets	92,083,743	80,642,614	76,176,684	67,302,888	61,703,990
Total Operating Revenues	59,694,389	48,808,205	46,043,754	44,860,564	40,615,735
Total Operating Expenses	104,155,653	94,596,141	85,575,563	84,911,469	77,420,708
Total Net Non-Operating Revenues	54,683,562	47,972,037	47,650,130	42,575,330	39,026,922
Total Other Revenues, Expenses, Gains or Losses	1,218,831	1,281,116	1,233,419	3,074,473	1,462,321