University of Central Arkansas

Conway, Arkansas

Basic Financial Statements and Other Reports

June 30, 2013

LEGISLATIVE JOINT AUDITING COMMITTEE

UNIVERSITY OF CENTRAL ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2013

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INFORMATION

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Central Arkansas Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Central Arkansas Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Central Arkansas Foundation, Inc., were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated August 27, 2013. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions on pages 6 through 13 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
May 28, 2014
EDHE16513

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*

INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 28, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of Central Arkansas Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the University of Central Arkansas Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated May 28, 2014.

172 STATE CAPITOL • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE (501) 683-8600 • FAX (501) 683-8605
www.arklegaudit.gov

Purpose of this Report

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

DIVISION OF LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 28, 2014

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

University of Central Arkansas
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2013, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	Summer II Term 2012	Fall Term 2012	Spring Term 2013	Summer I Term 2013
Student Headcount	2,104	11,131	10,171	2,635
Student Semester Credit Hours	8,706	143,476	130,460	11,641

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

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 28, 2014

Overview of the Financial Statements and Financial Analysis

The University of Central Arkansas is pleased to present its financial statements for the fiscal year ending June 30, 2013. There are three financial statements presented: *The Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Position

The *Statement of Net Position* presents the assets, liabilities, and net position of the University as of June 30, 2013. The purpose of this statement is to present to the readers a fiscal snapshot of the year-end balances that were a result of the transactions posted during the fiscal year from July 1, 2012, through June 30, 2013. This statement also serves as a starting point for transactions that will occur for the next fiscal period. The assets and liabilities are broken down into current and noncurrent sections to provide information relative to the time required in converting noncash assets to cash or to cash equivalents or that may require the use of cash. The net position is the difference between assets and liabilities. The *Notes to the Financial Statements* explain the differences between current and noncurrent assets and liabilities.

Readers of the *Statement of Net Position* are able to determine the assets available to continue the operations of the institution and how much the institution owes vendors, lending institutions, and investors in the bonds of the University.

Net Position is divided into three major categories. *Net investment in capital assets,* provides information on the institution's equity in property, plant, and equipment owned by the institution. *Restricted net assets* are divided into two categories: nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. Expendable restricted 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 the use of the assets. *Unrestricted net assets* are available to the institution for any lawful purpose of the institution.

Statement of Net Position (Continued)
June 30, 2013

	Year Ended June 30			
Assets:	2013	2012	Increase/ Decrease	Percent Change
Current assets	$ 34,928,403	$ 30,947,311	$ 3,981,092	13%
Capital assets, net	179,905,613	168,712,286	11,193,327	7%
Other assets	49,758,354	48,656,083	1,102,271	2%
Total Assets	264,592,370	248,315,680	16,276,690	7%
Liabilities:				
Current liabilities	12,897,645	12,659,447	238,198	2%
Non-current liabilities	137,470,538	126,747,742	10,722,796	8%
Total Liabilities	150,368,183	139,407,189	10,960,994	8%
Net Position:				
Invested in capital assets, net	67,283,087	71,639,300	(4,356,213)	-6%
Restricted-nonexpendable	3,963,954	3,947,985	15,969	0%
Restricted-expendable	6,599,775	5,775,817	823,958	14%
Unrestricted	36,377,371	27,545,389	8,831,982	32%
Total Net Position	$ 114,224,187	$ 108,908,491	$ 5,315,696	5%

A review of the *Statement of Net Position* reveals that total assets increased by $16.3 million or 7%. While there are several offsetting variances, the significant changes can be found in an increase in cash and investments of $10.2 million, a decrease in deposits with trustees of $5.1 million, and an increase in capital assets of $11.2 million. These changes are due to a variety of factors. The primary factor is that, although the University maintained consistent revenues and cash flow, debt financing was used for a larger percentage of capital asset purchases in fiscal year 2013 compared to prior years.

Total liabilities for the year increased by $10.9 million or 8%. The most significant change is the increase in bonds payable and notes payable of more than $11.2 million.

The aggregate of these changes results in an increase in Total Net Position of $5.3 million or 5%.

While the 2012-13 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an institution's fiscal stability is how operating revenues compare to operating expenses. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations and federal and some state student grants are considered non-operating revenues under accounting principles generally accepted in the United States of America.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

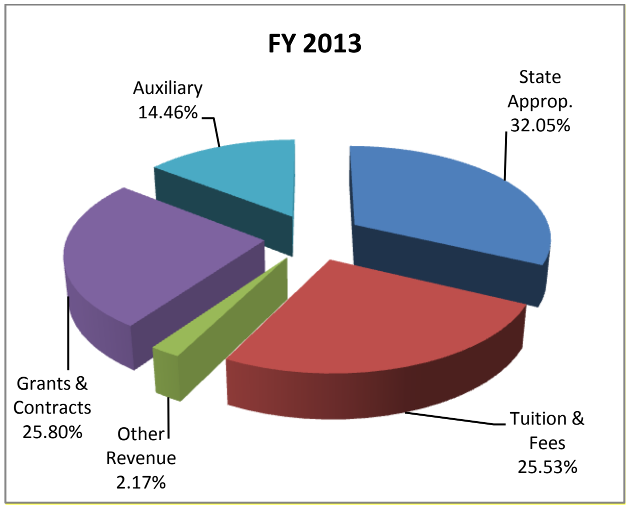
Operating revenues generally are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, the Governmental Accounting and Standards Board (GASB) classifies state appropriations as non-operating revenues because the revenue is provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services.

Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2013

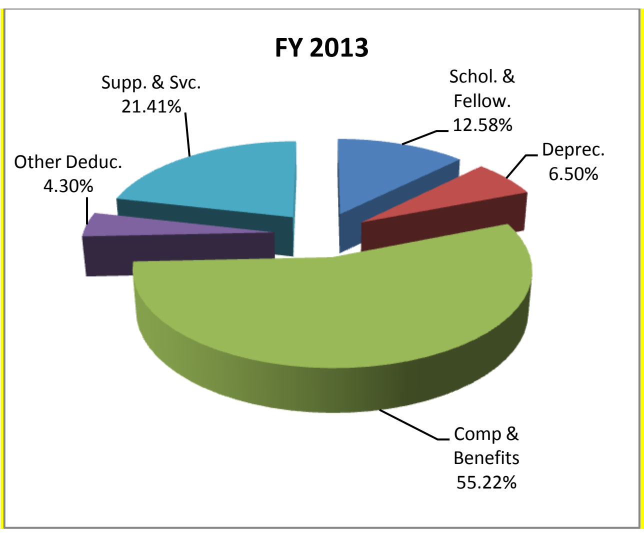
	Year Ended June 30			
	2013	2012	Increase/ Decrease	Percent Change
Operating revenues	$ 79,529,366	$ 80,855,048	$ (1,325,682)	-2%
Operating expenses	(164,639,004)	(163,186,248)	(1,452,756)	1%
Operating loss	(85,109,638)	(82,331,200)	(2,778,438)	3%
Nonoperating revenues less expenses	92,551,927	91,822,802	729,125	1%
Income (loss) before other revenues, expenses, gains or losses	7,442,289	9,491,602	(2,049,313)	-22%
Other revenues, expenses, gains or losses	(2,126,593)	1,153,304	(3,279,897)	-284%
Increase(Decrease) in net position	5,315,696	10,644,906	(5,329,210)	-50%
Net position at beginning of year	108,908,491	98,263,585	10,644,906	11%
Net position at end of year	$ 114,224,187	$ 108,908,491	$ 5,315,696	5%

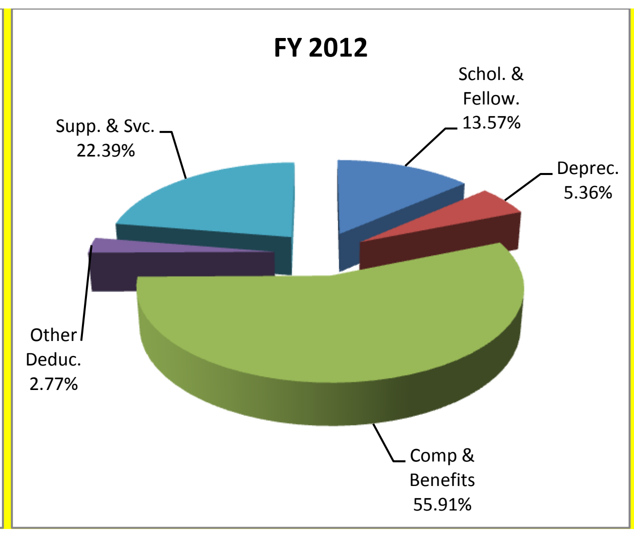
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

UNIVERSITY OF CENTRAL ARKANSAS
REVENUE ANALYSIS



UNIVERSITY OF CENTRAL ARKANSAS
EXPENDITURE ANALYSIS





The *Statement of Revenues, Expenses, and Changes in Net Position* reflects an increase in net position at the end of the year of slightly more than $5.3 million.

Revenue Changes – The financial statement shows a decrease in operating revenues of $1.3 million which is primarily from a decrease in grant funding of $1.8 million, offset by a slight increase in athletics and recreational facilities revenue of about $1.0 million. An increase of more than $1.9 million in federal and state grants and contracts is reflected in Net Non-Operating Revenues, resulting primarily from an increase in Arkansas Challenge funding.

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

Expense Changes – Operating expenditures increased by a modest $1.5 million. This occurred with an increase of $1.1 million in compensation and benefits offset with a decrease in scholarships of $1.1 million. Supplies and services decreased $0.8 million while depreciation and amortization increased $2.2 million. An increase of $1.1 million in interest expense and trustee fees is reflected in Net Non-Operating Revenues, resulting primarily from increased debt.

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 the following five sections:

- The *Operating Cash Flows* section provides details of the operating cash flows and the net cash used by operating activities of the institution.
- The *Non-capital Financing Activities* section reflects cash received and spent for non-operating financing activities.
- The *Capital and Related Financing Activities* section provides specific information on the cash used for the acquisition and construction of capital and related items.
- The *Cash Flows from Investing Activities* section indicates the purchases, proceeds, and interest received from investing activities.
- The last section reconciles the net cash used to the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position*.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	Year Ended June 30			
		Restated	Increase/	Percent
Cash provided(used) by:	2013	2012	Decrease	Change
Operating activities	$ (74,892,062)	$ (71,856,141)	$ (3,035,921)	4%
Non-capital financing activities	96,001,900	94,202,904	1,798,996	2%
Capital and related financing activities	(11,641,363)	(13,555,695)	1,914,332	-14%
Investing activities	353,760	764,235	(410,475)	-54%
Net Change in Cash	9,822,235	9,555,303	266,932	3%
Cash, beginning of year	42,321,434	32,766,131	9,555,303	29%
Cash, end of year	$ 52,143,669	$ 42,321,434	$ 9,822,235	23%

Capital Assets and Debt Administration

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2012-13. The following are some of the significant additions:

Funded By Bonds, Grants and Other Sources:

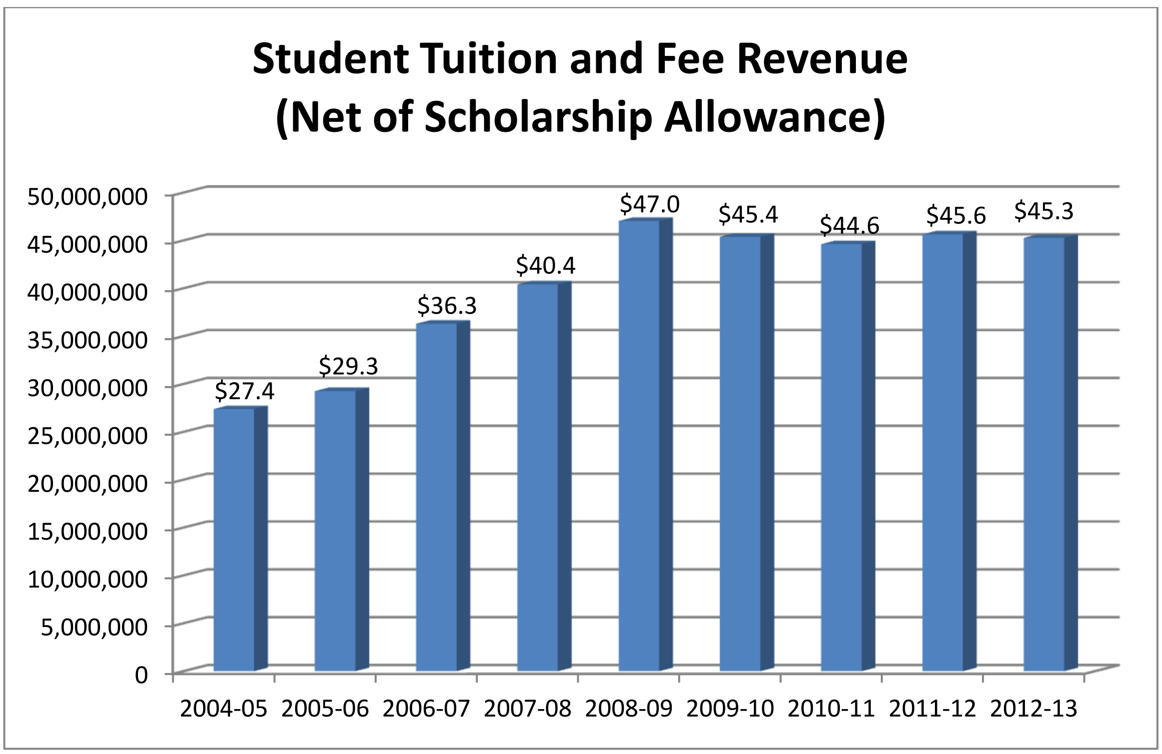
Academic and other E & G projects	$	1,770,308
Housing and other Auxiliaries		4,881,707
Athletics		21,256
Infrastructure/Technology & Property		2,459,597
	$	9,132,868

For additional information concerning Capital Assets and Debt Administration, see Notes 6 and 9 in the *Notes to the Financial Statements*.

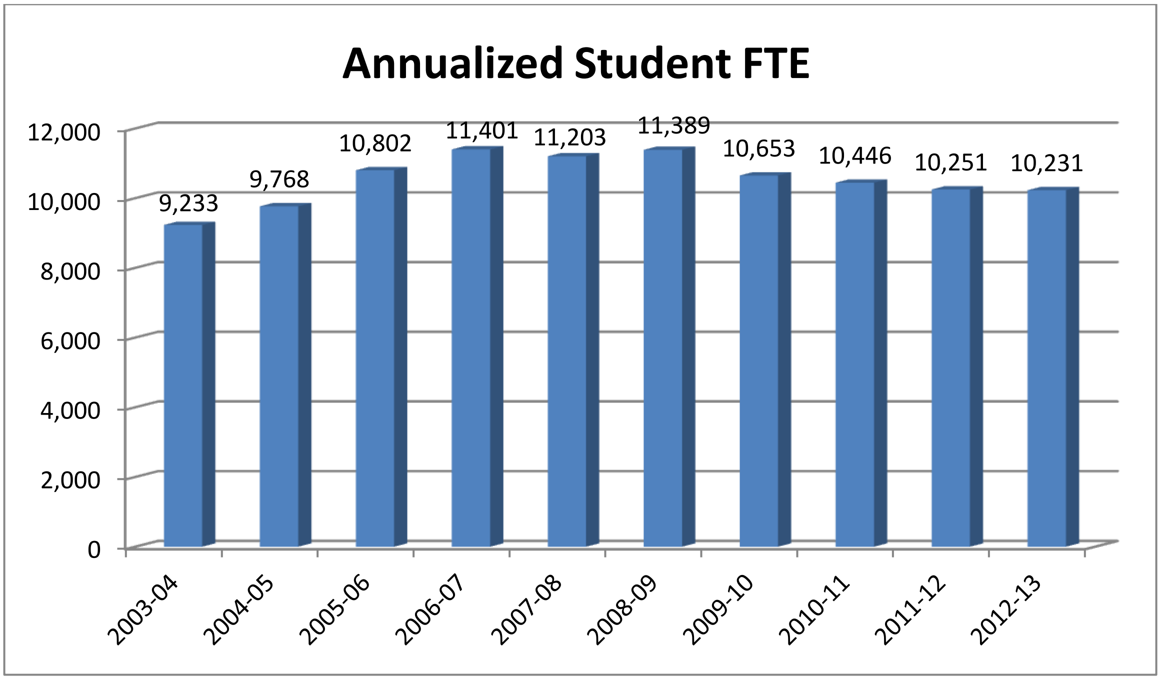
Economic Outlook

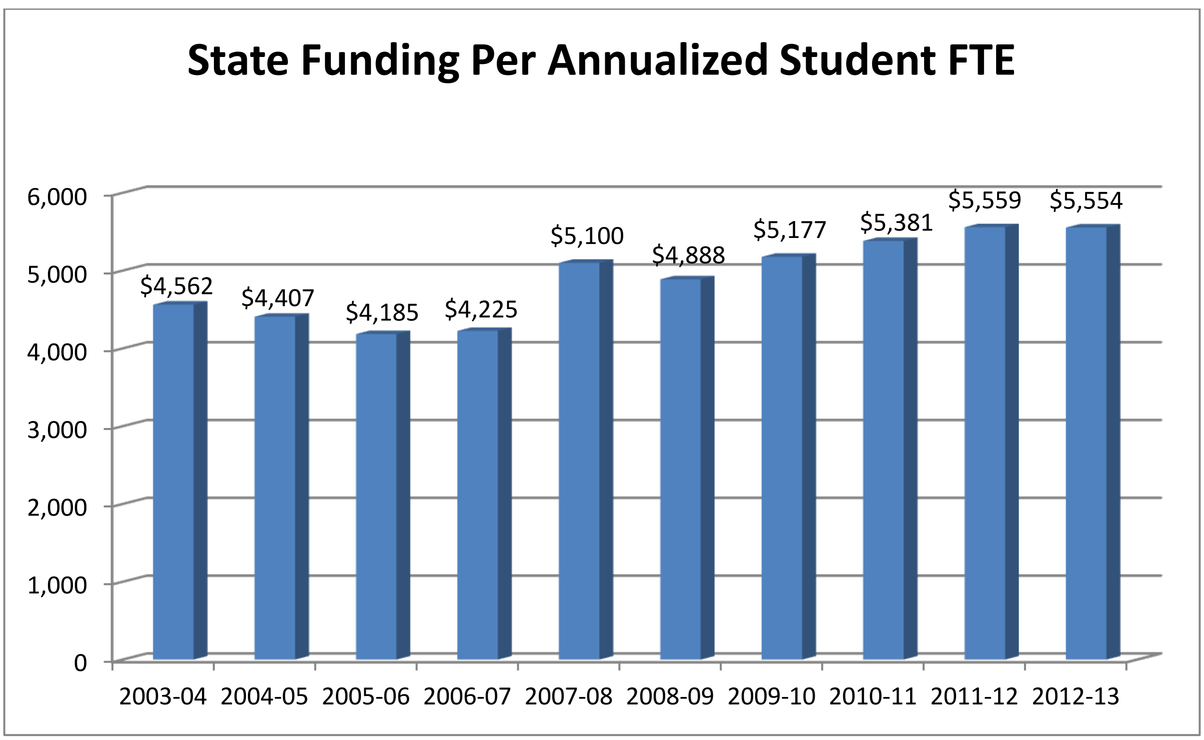
Indicators such as cash reserves, fund balances and ratio analyses all show positive trends and are consistent with the upward movement of net assets.

The following charts provide key trends experienced by the University:



Economic Outlook (Continued)





***2012-13 information – Preliminary Data**

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the current financial position or results of operations during the fiscal year beyond those that have already been discussed, or that may be discussed in this portion of the report.

A tuition and fee increase provided additional revenue for the operations of the University. The overall funding provided by the State is remaining relatively stable.

Economic Outlook (Continued)

The University has reduced scholarship spending in accordance with Act 323 of 2009. The law required a 'cap' on institutional scholarship spending at 20% of tuition and fee income by FY 2014. The University has exceeded that requirement.

The University continues to closely monitor spending in all areas while placing an emphasis on building unrestricted cash reserves and operating fund balances. Several indicators point to continued optimism in revenue generation. These include stable state funding, steady increases in freshmen enrollment and an increased demand for housing and food service.

In September 2012, Moody's Investors Service affirmed the University's bond rating A2 with a stable outlook. The September 6, 2012 report noted that this rating "reflects the University's healthy size, relatively strong state support, return to healthy operations and progress in building liquid reserves."

Although the economy is an unknown at this time and could affect state funding, the State of Arkansas is very conservative in its budgeting process and revenue forecast. The administration is closely monitoring state revenues to be ready to take steps to react to any revision state officials might make in the official revenue forecast. A revision in the state's official revenue forecast could result in state agencies, including institutions of higher education, being authorized to spend at a reduced level for the remainder of FY 2014. This is the same challenge faced by all public institutions and agencies, as well as all private colleges and universities in the nation.

In December 2011, the UCA Board of Trustees named Tom Courtway as the tenth president of the University, thus removing the interim status. Under his leadership, the Higher Learning Commission monitoring report focused on the status of long-range planning, processes and procedures were completed, submitted and accepted by the Commission. In addition the University established a strategic budget process with meaningful links to the strategic plan, enhanced the environment of transparency and true shared governance and continued to build cash reserves and fund balances. The University is encouraged by steady increases in freshman enrollment, increasing ACT scores while the State is seeing a decline, increased demands for housing and food service and systematic improvements to the facilities.

Diane D. Newton

Diane D. Newton
Vice President for Finance and Administration

Exhibit A

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	**2012-2013**	**2011-2012**
Current Assets		
Cash and cash equivalents	$ 29,956,520	$ 25,639,333
Accounts receivable-state	257,420	222,703
Accounts receivable-other, net of allowances of $3,458,581 and $3,981,249, respectively	3,200,007	3,262,824
Student loans receivable	254,219	589,982
Prepaid expenses	859,222	830,291
Inventories	346,717	358,706
Bond issuance cost	54,298	43,472
Total Current Assets	34,928,403	30,947,311
Noncurrent Assets		
Cash and cash equivalents	22,187,149	16,682,101
Deposits with trustees	14,581,191	19,625,411
Investments	5,004,766	4,631,280
Endowment investments in real estate, net of accum depr of $440,000 and $440,000, respectively	300,000	300,000
Student loans receivable	6,455,351	6,373,807
Capital assets, net of accum depr & amort of $127,251,702 and $126,581,554, respectively	179,905,613	168,712,286
Bond issuance cost	1,229,897	1,043,484
Total Noncurrent Assets	229,663,967	217,368,369
TOTAL ASSETS	264,592,370	248,315,680
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,345,867	4,025,369
Accounts payable-payroll	1,487,194	1,605,229
Accrued interest payable	1,310,829	1,082,073
Bonds and capital leases payable, current portion-net (Note 9)	4,290,867	3,428,188
Compensated absences	253,874	249,856
Deferred revenue	2,748,245	1,570,744
Annuity payable	62,500	62,500
Deposits and funds held in trust for others	398,269	635,488
Total Current Liabilities	12,897,645	12,659,447
Noncurrent Liabilities:		
Bonds and capital leases payable, long term portion-net (Note 9)	125,346,636	114,976,693
Compensated absences	3,054,693	3,010,408
Annuity payable	368,074	402,704
OPEB liability	947,071	748,430
Deposits and funds held in trust for others	655,784	482,295
Refundable federal advances	7,098,280	7,127,212
Total Noncurrent Liabilities	137,470,538	126,747,742
TOTAL LIABILITIES	150,368,183	139,407,189
NET POSITION		
Net investment in capital assets	67,283,087	71,639,300
Restricted for:		
Non-Expendable		
Loans	1,257,090	1,263,512
Other	2,706,864	2,684,473
Expendable	6,599,775	5,775,817
Unrestricted	36,377,371	27,545,389
Total Net Position	**$ 114,224,187**	**$ 108,908,491**

See accompanying summary of significant accounting policies and notes to financial statements.

Exhibit A-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current Assets:		
Cash and cash equivalents	$ 450,008	$ 708,170
Unconditional promises to give - promises to give net	738,109	644,480
Royalty receivable		2,346
Total Current Assets	1,188,117	1,354,996
Property, Plant, and Equipment:		
Land		881,000
Building - Buffalo Alumni Hall	1,025,290	1,025,289
Apartment complex		11,579,667
Skybox suites		1,596,424
	1,025,290	15,082,380
Less: accumulated depreciation	(393,150)	(3,312,797)
Total Property, Plant, and Equipment	632,140	11,769,583
Other Assets:		
Cash - bond funds	3	793,163
Unconditional promises to give, net	344,483	457,472
Investments	12,829,428	9,707,940
Cash surrender value of life insurance	1,883,012	1,820,984
Unamortized bond debt expense		228,681
Prepaid insurance		212,838
Other assets	104,921	104,921
Total Other Assets	15,161,847	13,325,999
Endowment Investments:		
Cash and cash equivalents	1,681,330	808,462
Investments	16,311,601	16,556,339
Total Endowment Investments	17,992,931	17,364,801
Total Assets	$ 34,975,035	$ 43,815,379

Exhibit A-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities:		
Accounts payable	$ 38,002	$ 95,662
Accrued interest payable		219,815
Current maturities of long-term debt	54,416	342,286
Current maturities of obligations under annuity agreements	6,374	6,374
Total Current Liabilities	98,792	664,137
Long-Term Liabilities:		
Long-Term Debt	367,457	14,233,655
Less: current maturities above	(54,416)	(342,286)
Obligations under annuity agreements	76,462	82,836
Less: current maturities above	(6,374)	(6,374)
Amount held for UCA - Crow/White	5,001,986	4,631,280
Total Long-Term Liabilities	5,385,115	18,599,111
Total Liabilities	5,483,907	19,263,248
Net Assets:		
Unrestricted		
Board designated	235,716	235,716
Unrestricted	371,990	203,459
Temporarily restricted	10,552,315	6,748,155
Permanently restricted	18,331,107	17,364,801
Total Net Assets	29,491,128	24,552,131
Total Liabilities and Net Assets	$ 34,975,035	$ 43,815,379

Exhibit B

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	2012-2013	2011-2012
Operating Revenues:		
Student tuition & fees (net of scholarship allowances $26,321,321 and $24,577,028)	$ 45,275,026	$ 45,642,412
Federal grants and contracts	2,878,500	3,683,838
State and local grants and contracts	1,088,950	1,239,012
Non-governmental grants and contracts	2,133,790	2,985,182
Sales & services of educational departments	1,413,262	1,531,273
Auxiliary Enterprises		
Athletics (net of scholarship allowances $1,806,149 and $1,734,210)	5,498,544	4,963,468
Housing (net of scholarship allowances of $4,419,195 and $4,022,579)	10,097,078	10,047,903
Food Service (net of scholarship allowances of $2,844,150 and $2,575,499)	5,419,486	5,278,846
Student Center (net of scholarship allowances of $451,532 and $431,155)	889,131	914,629
Recreational Facilities (net of scholarship allowances of $963,682 and $752,325)	1,718,646	1,463,285
Other Auxiliary Enterprises (net of scholarship allowances of $787,462 and $774,955)	2,019,575	2,095,844
Other Operating Revenues	1,097,378	1,009,356
Total Operating Revenues	79,529,366	80,855,048
Operating Expenses:		
Compensation and benefits	94,987,082	93,834,351
Supplies and services	36,828,829	37,578,860
Scholarships and fellowships	21,633,575	22,775,357
Depreciation and Amortization	11,189,518	8,997,680
Total Operating Expenses	164,639,004	163,186,248
Operating Income (Loss)	(85,109,638)	(82,331,200)
Non-operating Revenues (Expenses):		
State appropriations	56,831,814	57,148,643
Federal grants and contracts	17,264,521	16,682,134
State and local grants and contracts	20,319,115	19,038,561
Non-governmental grants and contracts	2,070,147	2,028,191
Gifts	253,197	199,884
Investment income (net of investment expense $50,191 and $45,980)	839,990	605,361
Interest expense and trustee fees	(4,844,122)	(3,720,685)
Disposal of capital assets (net of accumulated depreciation $10,519,371 and $8,880,530)	(125,513)	(86,628)
Payments to foundation for scholarships	(97,768)	(99,332)
Other income	40,546	26,673
Net Non-operating Revenues (Expenses)	92,551,927	91,822,802
Income Before Other Revenues, Expenses, Gains or Losses	7,442,289	9,491,602
Other Revenues, Expenses, Gains or Losses		
Capital gifts	197,970	1,904,169
Payments to foundation for uncollected donations	(1,598,072)	
Payments of mandatory fees to agency funds	(698,621)	(702,334)
Other deductions, net	(27,870)	(48,531)
Total Other Revenues, Expenses, Gains or Losses	(2,126,593)	1,153,304
Increase in Net Position	5,315,696	10,644,906
Net Position - Beginning of Year	108,908,491	98,263,585
Net Position - End of Year	**$ 114,224,187**	**$ 108,908,491**

See accompanying summary of significant accounting policies and notes to the financial statements.

Exhibit B-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:								
Contributions	$ 92,368	$ 1,706,953	$ 951,966	$ 2,751,287	$ 453,891	$ 637,250	$ 563,484	$ 1,654,625
Lease income		567,976		567,976		844,399		844,399
Special events		1,061,750		1,061,750		1,070,329		1,070,329
Interest and dividends	23,260	587,802		611,062	57,875	590,470	713	649,058
Membership dues and sponsorships		442,292	14,340	456,632		381,662	12,500	394,162
Grants		131,915		131,915		253,913		253,913
Royalty income		44,326		44,326		32,500		32,500
Realized gain (loss) on sale of assets		1,524,999		1,524,999	46,696			46,696
Realized gain (loss) on sale of investments	1,525	38,393		39,918		253,827		253,827
Unrealized gain (loss) on investments	127,665	2,518,093		2,645,758	(99,499)	(249,265)		(348,764)
Net assets released from restrictions:								
Satisfaction of program restrictions	4,820,339	(4,820,339)			7,099,478	(7,099,478)		
Total Revenues, Gains, and Other Support	5,065,157	3,804,160	966,306	9,835,623	7,558,441	(3,284,393)	576,697	4,850,745
Expenses:								
Programs								
Scholarships	590,381			590,381	613,487			613,487
Grants and University programs - UCA	3,153,901			3,153,901	4,143,785			4,143,785
Grants and University programs - Other					1,312,940			1,312,940
Total Programs	3,744,282			3,744,282	6,070,212			6,070,212
Administration	136,061			136,061	123,132			123,132
Investment fees	244,496			244,496	219,596			219,596
Fundraising	159,958			159,958	171,913			171,913
Interest	586,197			586,197	643,433			643,433
Amortization					9,943			9,943
Depreciation	25,632			25,632	446,711			446,711
Total Expenses	4,896,626			4,896,626	7,684,940			7,684,940
Change in Net Assets	168,531	3,804,160	966,306	4,938,997	(126,499)	(3,284,393)	576,697	(2,834,195)
Net Assets at Beginning of Year	439,175	6,748,155	17,364,801	24,552,131	565,674	10,032,548	16,788,104	27,386,326
Net Assets at End of Year	$ 607,706	$ 10,552,315	$ 18,331,107	$ 29,491,128	$ 439,175	$ 6,748,155	$ 17,364,801	$ 24,552,131

Exhibit C

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	2012-2013	2011-2012
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	$ 45,190,796	$ 45,429,901
Grants and contracts	6,144,973	7,539,598
Collection of loans & interest to students	377,673	708,783
Auxiliary Enterprise revenues:		
Athletics	6,487,022	4,856,960
Housing	9,953,682	10,155,977
Food Service	5,558,131	5,298,060
Student Center	900,639	916,192
Recreational Facilities	1,720,875	1,463,893
Other Auxiliary Enterprises	2,396,359	2,101,146
Other receipts	2,341,136	2,502,051
Payments to employees/benefits	(94,858,172)	(93,706,279)
Payments to suppliers	(39,471,601)	(36,347,066)
Payments for scholarships and fellowships	(21,633,575)	(22,775,357)
Net cash provided (used) by operating activities	(74,892,062)	(71,856,141)
Cash Flows from Non-capital Financing Activities		
State appropriations	56,903,964	57,141,782
Private gifts	250,417	199,884
Federal grants and contracts	17,200,944	16,682,312
State, local, & private grants and contracts	22,406,762	21,094,489
Direct lending receipts	47,002,106	49,044,420
Direct lending payments	(47,002,106)	(49,044,420)
Other agency funds - net	934	(150,729)
Annuity payments	(62,500)	(62,500)
Payment of mandatory fees to agency funds	(698,621)	(702,334)
Net cash provided (used) by non-capital financing activities	96,001,900	94,202,904
Cash Flows from Capital and Related Financing Activities		
Distributions from trustee of bond proceeds and interest earnings	5,602,147	14,755,002
Capital grants and gifts	40,000	162,500
Proceeds from sale of capital assets	39,692	26,671
Purchases of capital assets	(8,803,441)	(20,602,676)
Payments to debt holders for principal other than for bonds	(174,322)	(154,577)
Payments to trustee for bond principal	(3,290,000)	(3,170,000)
Payments to trustee for interest and fees	(5,031,404)	(4,544,054)
Payments to debt holders for interest and fees other than for bonds	(24,035)	(28,561)
Net cash provided (used) by capital & related financing activities	(11,641,363)	(13,555,695)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	148,109	718,786
Purchase of investments	(616,583)	(581,470)
Interest on investments (net of fees)	822,234	626,919
Net cash provided (used) by investing activities	353,760	764,235
Net increase (decrease) in cash	9,822,235	9,555,303
Cash - Beginning of Year	42,321,434	32,766,131
Cash - End of Year	**$ 52,143,669**	**$ 42,321,434**

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2013

	2012-2013	2011-2012
Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (85,109,638)	$ (82,331,200)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	11,189,518	8,997,680
Change in assets and liabilities:		
Receivables, net	276,501	335,495
Inventories	11,989	17,003
Deposits with others	10,051	10,717
Prepaid expenses and other assets	(28,931)	15,411
Accounts payable	(1,800,997)	1,254,367
Deferred revenue	312,501	(253,717)
Compensated absences	48,303	(80,390)
Other postemployment benefits liability	198,641	178,493
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (74,892,062)**	**$ (71,856,141)**

	2012-2013	2011-2012
Noncash Transactions		
Capital gifts	$ (1,440,102)	$ 1,741,669
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund	11,864,442	15,392,622
Bond issuance costs and discounts paid directly from bond proceeds	248,980	288,438
Amortization of bond premium	24,161	18,511
Amortization of bond discount	8,652	7,138
Amortization of deferred refunding gain/loss	37,938	37,938
Amortization of bond issuance costs	51,742	34,472
Interest earned on reserve accounts held by trustee	1,580	930
Value of trade-in of equipment	853	
Payments by Foundation for scholarships	97,768	99,332
Deferred revenue from skybox purchase	850,000	

See accompanying summary of significant accounting policies and notes to financial statements.

NOTE 1: Reporting Entity:

The University of Central Arkansas was established as the Arkansas State Normal School by the General Assembly of Arkansas on May 14, 1907. On September 21, 1908, the Arkansas State Normal School was formally opened for instruction.

The name of the institution was changed from Arkansas State Normal School to Arkansas State Teachers College by the General Assembly of Arkansas in 1925; and by Legislative enactment, the Board of Trustees was given authority to grant appropriate degrees. To reflect the present multi-purpose nature of the Agency, the name was changed to State College of Arkansas by Act 5 of the 1967 Legislature. The Legislature changed the name of the institution to the University of Central Arkansas by Act 3 of 1975.

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.

The University of Central Arkansas is governed by a Board of Trustees appointed by the Governor of the state of Arkansas. The state of Arkansas allocates and allots funds to each state agency separately and requires that the funds be maintained accordingly. The state of Arkansas maintains the state allocated funds in the state treasury accounts with a specific fund designated for use by the University.

The University is an institution of higher education of the state of Arkansas.

Accounts of the University of Central Arkansas Foundation, Inc. are presented in a discrete separate presentation following the University's financial statements as required by GASB 39, *Determining Whether Certain Organizations are Component Units* and GASB 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements no. 14 and no. 34* based on the following criteria:

Legally separate- The Foundation is legally separate from the state and/or the University based on the Articles of Incorporation, organization by-laws, and mission statement.

NOTE 1: Reporting Entity (Continued):

Non-appointment of voting majority- The state and the University do not appoint any members to the board of the University of Central Arkansas Foundation, Inc.

Fiscal Dependence- The Foundation has total autonomy with respect to the assets held, the ability to issue bonded debt, and the ability to determine its budget without the approval of the state and/or the University. The Foundation is not financially accountable to the University.

Complete financial statements for the University of Central Arkansas Foundation, Inc., may be obtained from the UCA Foundation at 201 Donaghey, Buffalo Alumni Hall, Conway, AR 72035.

NOTE 2: Summary of Significant Accounting Policies:

Financial Statement Presentation: In June 1999, GASB issued Statement no. 34*, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed by GASB Statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* in November 1999. As an institution of higher education of the state of Arkansas, the University is also required to adopt GASB no. 34 and 35. This was amended by GASB Statement no. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* These statements require a comprehensive, entity-wide perspective of the University's assets, liabilities, deferred outflows/inflows, net position, revenues, expenses, changes in net position, and cash flows, and replace the fund-group perspective previously required.

In March 2003, GASB issued Statement no. 40, *Deposit and Investment Risk Disclosures.* This statement was an amendment of GASB Statement no. 3 to limit required custodial credit risk disclosures. It also required certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates, as well as deposit and investment policies related to the risks identified in the statement.

NOTE 2: Summary of Significant Accounting Policies (Continued):

In April 2004, GASB issued Statement no. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, which became effective with the fiscal year ended June 30, 2007. The Statement establishes uniform financial reporting standards for *Other Postemployment Benefits (OPEB)*. Management has determined that the requirements of this Statement are not applicable.

The University adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-2008. This statement requires governmental entities to recognize and match other postretirement benefit ("OPEB") costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. Please refer to note 20 for a detailed explanation of the impact on the University's financial statements.

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 resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

In March 2009 GASB issued Statement no. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement lists the pronouncements that governments look to for guidance, in order of priority. The order is, first, GASB Statements and Interpretations; second, GASB Technical Bulletins and AICPA Accounting Guides and Statements of Position, if applicable; third, AICPA Practice Bulletins, if applicable; and fourth, GASB Implementation Guides. Also released in March 2009 was GASB Statement no. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* While this Statement does not establish any new accounting standards, it does incorporate the existing guidance into the GASB standards. These statements were effective upon issuance and the University will ensure accuracy of reporting in accordance with the guidelines discussed in these Statements.

NOTE 2: Summary of Significant Accounting Policies (Continued):

Cash Equivalents: For purposes of the *Statement of Cash Flows*, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. These include demand deposits and cash on deposit with the State Treasury.

Investments: The University states 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 as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

GASB Statement no. 52, *Land and Other Real Estate Held as Investments by Endowments*, aims to improve the quality of financial reporting by requiring state and local government endowments to report their land and other real estate investments at fair value, with changes in fair value reported in investment income; previously, the assets were stated at their historical cost. The University has previously adopted this policy and land and real estate investments are reported at their fair value.

GASB Statement no. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued in June 2008. The requirements of this statement are effective for financial statements for periods after June 15, 2009. This statement requires that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are to be reported at fair value instead of the typical historical prices. This statement was further amended by GASB Statement no. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. As of June 30, 2013, the University had no funds invested in derivative instruments.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and of auxiliary enterprise services provided to the students, faculty, and staff. Accounts receivable also include amounts due from federal, state and local governments, and/or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable were reduced by an allowance of $3,458,581.

NOTE 2: Summary of Significant Accounting Policies (Continued):

Inventories: Inventories are valued at cost, as determined on a first-in, first-out basis.

Noncurrent Investments: Investments of the endowment and annuity funds are classified as noncurrent assets in the Statement of Net Position.

It is the University's policy to report all endowment funds, administered by other parties for investment purposes, as investments in the financial statements.

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

Capitalized Interest: The University capitalizes interest involving qualifying assets, if material. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred and capitalized for the year ending June 30, 2013 was $5,010,037 and $523,586, respectively.

GASB Statement no. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued by GASB in June 2007. The statement requires that all intangible assets not specifically excluded by its provisions be classified as capital assets. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009, but when applied, the requirements are applied retroactively.

NOTE 2: Summary of Significant Accounting Policies (Continued):

The University has adopted the following capitalization policy for future intangible assets:

Intangible Asset	Capitalization Threshold	Amortization (years)
Internally developed Software	$ 1,000,000	10
Purchased Software	500,000	5
Easements, land use, trademarks, copyrights & patents	250,000	15-20*

*Patents are amortized over 20 years.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

Asset Classification	Estimated Life (Years)
Furniture	10
Computer, Printers, etc.	5
Electrical-Mechanical	10
Maintenance	10
Fine Arts Equipment	10
Athletic and Recreational	5
Scientific	10
Transportation	10
Media Equipment	5
Library Holdings	15
Library CD Rom Holdings	15
Field Service	10
Audio Visual Holdings	10
Buildings, E&G, Instruc, Aux	30
Houses	20
Residence Halls	15
Infrastructure	20

NOTE 2: Summary of Significant Accounting Policies (Continued):

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and for certain auxiliary activities prior to the end of the fiscal year but related to a subsequent accounting period.

Compensated Absences: Employee vacation, sick leave, and compensatory time are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation, comp, and/or sick leave payable in the *Statement of Net Assets*, and as a component of the compensation and benefit expense in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Determination of the current liability portion for vacation pay is based on the average of the last two fiscal years' actual experience for those employees who have terminated their services.

During the regular session of 2005, the Legislature of the State of Arkansas passed Act 1288 which became effective for the fiscal year 2005-2006. This allowed for compensation to be paid at the time of retirement or death for accrued sick leave, based upon the guidelines listed below. Prior to fiscal year 2011, this applied only to classified positions. Effective June 1, 2011, this now applies to both classified and non-classified employees. The amount paid is not to exceed $7,500.

Number of days (hours) accumulated (rounded to nearest day)	**% of Days**		**% of Daily Salary**
50 days (400 hours) through 59 days (472 hours)	50%	X	50%
60 days (480 hours) through 69 days (552 hours)	60%	X	60%
70 days (560 hours) through 79 days (632 hours)	70%	X	70%
80 days (640 hours) or more	80%	X	80%

In 2007, GASB issued Statement no. 50, *Pension Disclosures- an Amendment of GASB Statements no. 25 and 27*. This statement requires defined benefit pension plans and sole and agent employers to present additional note disclosures on the funded status of the plan, the aggregate actuarial cost method, and a reference to link the funded status disclosure to the notes to the financial statement. A disclosure should be made of the legal or contractual maximum contribution rates and if an actuarial assumption is different for successive years then the initial and the ultimate rates should be disclosed. The University does not maintain a defined benefit pension plan since those are state of Arkansas plans.

NOTE 2: Summary of Significant Accounting Policies (Continued):

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

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

Net Investment in Capital Assets- These represent the University's total investment in capital assets, net of outstanding debt related to those capital assets.

Restricted-non-expendable- These include endowment and similar type funds in which donors or other outside sources have stipulated certain amounts to be retained in perpetuity.

Restricted-expendable- These include resources the University is legally and contractually obligated to use in accordance with restrictions imposed by third parties.

Unrestricted- These assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These sources may be used at the discretion of the Board of Trustees to meet current expenses for a variety of purposes. When an expense is incurred that can be paid using either restricted or unrestricted sources, the University's policy is first to apply the expense toward the unrestricted resources, and then toward the restricted resources.

Income Taxes: The University is tax exempt from state income taxes under Arkansas law. It is also tax exempt under Internal Revenue Service Code (Section 115(1)), except for unrelated business income tax. No provision for this tax is made in the financial statements due to materiality.

Classification of Revenues: The University has classified its revenues as either operating or non-operating 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, and (3) other receipts, which include sales and services of educational activities.

NOTE 2: Summary of Significant Accounting Policies (Continued):

Classification of Revenues (Continued)

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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, investment income, and grants received for student financial assistance.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship discounts are the difference between the stated charge for goods and services provided by the University and the amount that is paid by the students and/or third parties making payment on behalf of the students.

Refundable Federal Advances: For reporting purposes, the University has shown the federal portion of the Perkins Loan Program fund balance as a noncurrent liability on the Statement of Net Position. The amount refundable to the Federal government upon cessation of the program was $7,098,280 as of June 30, 2013.

Pollution Remediation: In 2006, GASB issued Statement no. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement establishes standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. There were no outstanding pollution remediation issues at June 30, 2013 and therefore, there was no impact on the financial statements.

NOTE 3: Cash, Cash Equivalents, and Investments:

The University uses commercial banks for its daily cash deposits, and these are carried at cost.

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized or collateralized with securities held by the pledging institution, not in the University's name. All University deposits in commercial banks were either insured or collateralized by securities held by third parties in the University's name at June 30, 2013.

NOTE 3: Cash, Cash Equivalents, and Investments (Continued):

At June 30, 2013, the University's deposits with trustees totaled $14,581,191 and were invested as follows:

- Federated Government Obligations Fund 395, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service and consisted of U.S. Treasuries, government agency securities and repurchase agreements. The weighted average maturity was 53 days.

- Federated Treasury Obligations Fund 068, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 52 days.

Investments are recorded at fair value.

The commercial bank deposits noted below do not include cash on hand in the amount of $23,505.

Statement of Cash/Invested Assets

TOTAL PLAN JUNE 30, 2013

Cash Equivalent/Investment Type	Fair Value
Commercial Bank Deposits	**$ 52,120,164**
Insured (FDIC)	526,727
Uninsured, Collateralized	51,593,437
Deposits with Trustees*	**14,581,191**
Bank of the Ozarks	
Federated Government Obligations Fund 395	10,367
Federated Treasury Obligation IS Fund 68	14,570,824
UCA Foundation, Inc.	**5,001,986**
Delta Trust	457,414
Delta Trust-Equities	4,317,022
Delta Trust-Fixed Income	227,550
Good Luck Coop Gin	
Preferred Stock Certificate	**2,780**

Note: Holdings in Delta Trust's Equity Funds are not regulated by GASB Statement no. 40.

NOTE 3: Cash, Cash Equivalents, and Investments (Continued):

*The University's Deposits with Trustees were invested as detailed below:

DEPOSITS WITH TRUSTEES	JUNE 30, 2013		
Fund Name	**Fair Value**	**Moody's**	**S & P**
Federated Government Obligations #395	$ 10,367	Aaa-mf	AAAm
Federated Treasury Obligations Fund #068	14,570,824	Aaa-mf	AAAm
Note: The Effective Average Maturity was 53 and 52 Days, respectively			

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Central Arkansas's investments summarized by credit risk, as defined by GASB Statement no. 40, are displayed below:

Credit Risk – S & P Quality Ratings

TOTAL PLAN					JUNE 30, 2013
Investment Type	**Fair Value**	**No Rating**	**Aaf**	**AA**	**BBB+f**
Delta Trust-Fixed Income	$ 227,550		$ 227,550		

Credit Risk Concentration

TOTAL PLAN		JUNE 30, 2013
Issuer Name	**Fair Value**	**% of Assets**
NONE		

Effective June 30, 2005, the University was required under GASB Statement no. 40 to provide investment risk disclosures for all invested funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investments of the University of Central Arkansas summarized by interest risk are displayed below:

Interest Rate Risk
Effective Duration (yrs)

TOTAL PLAN				JUNE 30, 2013
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**
Delta Trust-Fixed Income	$ 227,550			$ 227,550

NOTE 4: Disaggregation of Receivable and Payable Balances:

Accounts receivable consisted of the following at June 30, 2013:

Student tuition and fees	$	1,745,263
Auxiliary enterprises		356,835
Loans		6,709,570
State of Arkansas		257,420
Federal and private grants and contracts		805,051
Other		292,858
Totals	$	10,166,997

Accounts payable consisted of the following at June 30, 2013:

Vendor accounts	$	2,345,867
Payroll		1,487,194
Accrued interest		1,310,829
Totals	$	5,143,890

NOTE 5: Inventories:

Inventories consisted of the following at June 30, 2013:

Maintenance	$	269,568
Postage		46,036
Housing		9,800
Central Duplicating		4,254
Technology Learning Ctr		10,869
Math/Science Ed Books		6,190
Totals	$	346,717

NOTE 6: Capital Assets:

Capital assets are stated as follows at cost or, if contributed, at fair market value on the date of gift:

INVESTMENT IN CAPITAL ASSETS

	July 1, 2012 Balance	Additions	Deductions	June 30, 2013 Balance
Capital Assets not Being Depreciated				
Land	$ 10,761,578	$ 1,402,335		$ 12,163,913
Timber	89,894			89,894
Construction in Progress	20,209,184	6,088,725	$ 23,200,669	3,097,240
Archives	704,732			704,732
Total Capital Assets not Being Depreciated	31,765,388	7,491,060	23,200,669	16,055,779
Other Capital Assets				
Infrastructure	26,316,966	977,136		27,294,102
Buildings	193,808,019	35,338,374	158,934	228,987,459
Furniture and Equipment	20,295,721	725,305	1,914,380	19,106,646
Intangibles-computer software	5,290,741			5,290,741
Library Holdings	18,557,005	1,177,153	8,571,570	11,162,588
Total Other Capital Assets	264,268,452	38,217,968	10,644,884	291,841,536
Less Accumulated Depr & Amort for:				
Intangibles-computer software	1,472,477	264,537		1,737,014
Infrastructure	12,297,041	1,193,377		13,490,418
Buildings	89,245,574	7,084,241	92,084	96,237,731
Furniture and equipment	11,713,013	1,726,609	1,855,716	11,583,906
Library holdings	12,293,449	920,754	8,571,570	4,642,633
Total Accumulated Depreciation	127,021,554	11,189,518	10,519,370	127,691,702
Total Other Capital Assets, net	137,246,898	27,028,450	125,514	164,149,834
Capital Assets Summary:				
Capital Assets not being depreciated	31,765,388	7,491,060	23,200,669	16,055,779
Other capital assets, at cost	264,268,452	38,217,968	10,644,884	291,841,536
Less: Accumulated Depreciation	127,021,554	11,189,518	10,519,370	127,691,702
Total Other Capital Assets, net	137,246,898	27,028,450	125,514	164,149,834
Capital Assets, net	$ 169,012,286	$ 34,519,510	$ 23,326,183	$ 180,205,613

NOTE 7: Student Loans Receivable:

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2013. Under this program, the federal government provides a federal capital contribution to the University which the University matches by 33%. A capital contribution is not necessarily received every year. The University has not received a federal capital contribution since 2006. The University then provides low interest (5%) loans to eligible students. Under certain conditions the loans can be forgiven at annual rates of 15% to 30% of the original balance up to the maximum of 50% to 100%. On forgiven loans, the University receives a percentage of the original forgiven loan as reimbursement from the federal government. The Perkins funds are distributed from the revolving fund as loans are paid. The last reimbursement the University received from this fund was during the 2009-2010 fiscal year.

As the University determines the 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 is not obligated to repay the federal portion of the uncollected student loans.

NOTE 8: Deferred Revenue:

Deferred revenue consists of the following at June 30, 2013:

Prepaid tuition and fees	$ 1,276,824
Academic Outreach fees	22,875
Other deferred income	1,448,546
Totals	$ 2,748,245

NOTE 9: Noncurrent Liabilities:

A summary of noncurrent liabilities as of June 30, 2013, follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Bonds, Notes and Capital Lease					
Bonds	$117,155,000	$ 11,910,000	$ 3,290,000	$ 125,775,000	$ 4,150,000
Bond Premium	593,273		24,161	569,112	24,161
Bond Discount	(128,765)	(45,558)	(8,652)	(165,671)	(9,119)
Capital lease payable	904,178		159,103	745,075	163,763
Note Payable		2,810,072	15,218	2,794,854	
Def. amt of refunding gain/(loss)	(118,805)		(37,938)	(80,867)	(37,938)
Total bonds and capital lease	118,404,881	14,674,514	3,441,892	129,637,503	4,290,867
Other Liabilities:					
Annuity agreement	465,204	27,870	62,500	430,574	62,500
Accrued compensated absences	3,260,264	2,869,098	2,820,795	3,308,567	253,874
OPEB liability	748,430	198,641		947,071	
Refundable federal advances	7,127,212		28,932	7,098,280	
Deposits and funds held in trust	1,117,783	281,191,732	281,255,462	1,054,053	398,269
Total other liabilities	12,718,893	284,287,341	284,167,689	12,838,545	714,643
Total Long Term Liabilities	$131,123,774	$ 298,961,855	$287,609,581	$ 142,476,048	$ 5,005,510

Additional information regarding bonds payable is included in note 10.
Additional information regarding capital lease payable is included in note 12.
Additional information regarding the note payable is included in note 13.
Additional information regarding the annuity agreement is included in note 14.

NOTE 10: Bonds Payable:

On September 25, 2012, the University issued $11,910,000 in Student Housing System revenue capital improvement bonds. The issue, referred to as 2012 Series B, was for the purchase of the Bear Village apartment complex owned by the UCA Foundation, Inc. A refunding escrow to retire the bonds of the UCA Foundation 2005 Series bonds (Bear Village) was established by the trustee on the closing date of the 2012 Series B and bond proceeds of $10,965,970 were deposited into this fund. The refunding escrow held a balance of $11,505,877 on June 30, 2013. The scheduled retirement date for the UCA Foundation bonds to be called is September 1, 2013. Bond issuance costs of $248,980 were recorded on the University's books as an asset, and the amount amortized in fiscal year 2013 was $8,269.

NOTE 10: Bonds Payable (Continued):

A summary of the principal and interest payments due follows:

Fiscal Year	Total Principal	Interest	Total Payments
2014	$ 4,150,000	$ 5,197,711	$ 9,347,711
2015	4,295,000	5,050,042	9,345,042
2016	4,370,000	4,900,541	9,270,541
2017	4,520,000	4,742,556	9,262,556
2018	4,700,000	4,566,638	9,266,638
2019-2023	25,640,000	19,787,740	45,427,740
2024-2028	25,570,000	14,073,958	39,643,958
2029-2033	21,285,000	8,956,238	30,241,238
2034-2038	21,290,000	4,294,525	25,584,525
2039-2043	9,955,000	702,950	10,657,950
Total Bonds	125,775,000	72,272,899	198,047,899
Net prem/disc	**403,441**		**403,441**
Net def. amt. of ref gain/(loss)	**(80,867)**		**(80,867)**
Totals	$ 126,097,574	$ 72,272,899	$ 198,370,473

The amount of interest due for fiscal year 2014 includes a total accrued interest payable of $1,303,036.

A summary of changes in bonds payable per bond issue follows:

Date of Issue	Date of Maturity	Interest Rate	Amount Issued	Debt O/S June 30, 2013	Maturities as of June 30, 2013
2004B	2014	4.75-5.75	$ 600,000	$ 145,000	$ 455,000
2006A	2021	5.40-6.00	4,625,000	2,945,000	1,680,000
2006B	2026	5.40-6.125	4,180,000	3,220,000	960,000
2006C	2026	5.40-6.125	4,180,000	3,220,000	960,000
2006D	2026	4.00-5.00	7,200,000	5,330,000	1,870,000
2006E	2026	4.00-5.00	3,800,000	2,810,000	990,000
2006F	2030	4.00-5.00	8,100,000	6,605,000	1,495,000
2007A	2037	4.00-5.00	2,000,000	1,820,000	180,000
2007B	2037	4.00-5.00	16,000,000	14,615,000	1,385,000
2007C	2034	4.00-4.50	21,400,000	18,075,000	3,325,000
2010A	2023	2.00-3.25	4,065,000	3,520,000	545,000
2010B	2033	2.00-4.5	15,210,000	14,250,000	960,000
2010C	2040	2.00-4.5	22,000,000	21,810,000	190,000
2012A	2041	1.00-4.00	15,500,000	15,500,000	
2012B	2035	2.00-3.5	11,910,000	11,910,000	
Total Bonds			140,770,000	125,775,000	14,995,000
Net unamortized premium/discount			**448,107**	**403,441**	**44,666**
Net unamortized def amt of ref gain/(loss)			**(185,197)**	**(80,867)**	**(104,330)**
Totals			$ 141,032,910	$ 126,097,574	$ 14,935,336

The University is no longer required to maintain certain renewal and replacement reserves, but it did maintain a debt service reserve aggregating $3,505,268 in 2013.

NOTE 11: GASB 48-Sales and Pledges of Receivables and Future Revenues:

The University has pledged future student fee revenue to repay $36,532,768 in student fee revenue bonds. Proceeds from the bonds provided financing for construction, renovation, and implementation of educational and general facilities and projects, and the refunding of existing student fee debt issues. The bonds are payable from student fee revenues and are payable through 2014 to 2037. Annual principal and interest payments on the bonds are expected to require approximately 4% of gross revenues. The total principal and interest remaining to be paid on the bonds is $56,912,334, including $366,735 in accrued interest as of June 30, 2013. Principal and interest paid for the current year and gross revenues were $2,960,629 and $71,596,347, respectively.

The University has pledged future housing systems revenue to repay $61,345,000 in housing systems revenue bonds. Proceeds from the bonds provided financing for the construction of University student housing and the refunding of existing housing systems debt issues. The bonds are payable from housing systems revenues and are payable through 2021 to 2040. Annual principal and interest payments on the bonds are expected to require approximately 25% of gross revenues. The total principal and interest remaining to be paid on the bonds is $97,958,997 including $633,268 in accrued interest as of June 30, 2013. Principal and interest paid for the current year and gross revenues were $3,693,765 and $14,516,273, respectively.

The University has pledged future other auxiliary revenue to repay $27,897,232 in other auxiliary revenue bonds. Proceeds from the bonds provided financing for construction and renovation of other auxiliary facilities and the refunding of existing other auxiliary debt issues. The bonds are payable from other auxiliary revenues and are payable through 2023 to 2041. Annual principal and interest payments on the bonds are expected to require approximately 7% of gross revenues. The total principal and interest remaining to be paid on the bonds is $43,176,568 including $303,033 in accrued interest as of June 30, 2013. Principal and interest paid for the current year and gross revenues were $1,616,073 and $22,398,357, respectively.

NOTE 12: Capital Lease Payable:

On October 27, 2010, the University entered into an agreement with Suntrust Equipment Finance & Leasing Corp. to lease an Enterasys Network System. The lease term is 7 years with payments made from Current Unrestricted Funds and the total present value of net minimum lease payments at June 30, 2013 was $745,075. The equipment was capitalized at a cost of $1,159,355 in fiscal year 2010-11. The accumulated depreciation on June 30, 2013 was $414,055, with this fiscal year's amount of $165,622. These amounts have been included annually in the amount of depreciation expense.

The capital lease principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 163,763	$ 19,375	$ 183,138
2015	168,559	14,579	183,138
2016	173,496	9,642	183,138
2017	178,577	4,561	183,138
2018	60,680	366	61,046
Totals	$ 745,075	$ 48,523	$ 793,598

The amount of interest due for fiscal year 2014 includes a total accrued interest payable of $179 for fiscal year 2013.

NOTE 13: Note Payable:

On May 28, 2013, the University entered into an agreement with First Security Bank for a loan of $2,810,072. The proceeds were used to purchase the 5th Floor Sky Boxes at Bear Hall and the Weight Room addition on the indoor practice facility from the UCA Foundation, Inc. The term of the loan is fifteen years with interest-only due on a monthly basis, based upon the debt outstanding at a fixed rate of 3.94%. No principal payments are required until the end of the loan. A voluntary principal payment of $15,218 and interest of $5,536 was paid as of June 30, 2013. The principal outstanding at June 30, 2013 was $2,794,854. The total principal and interest remaining to be paid on the note is $4,466,189, including $4,587 in accrued interest as of June 30, 2013. Principal and interest paid for the current year was $20,754.

Fiscal Year	Total Principal	Interest	Total Payments
2014		$ 111,647	$ 111,647
2015		111,647	111,647
2016		111,952	111,952
2017		111,647	111,647
2018		111,647	111,647
2019-2023		558,539	558,539
2024-2028	$ 2,794,854	554,256	3,349,110
Totals	$ 2,794,854	$ 1,671,335	$ 4,466,189

NOTE 13: Note Payable (Continued):

A portion of the assets purchased was transferred to the University as a capital gift on January 13, 2012. The facility was to be funded by a private donor; however, subsequent to the donation of the facility, it was determined the donor would not be able to follow through on the contribution. In order to defease the costs of construction ultimately incurred by the UCA Foundation, the University agreed to purchase the Facility from the UCA Foundation.

The removal of the capital gift in 2013 is included in Payments to Foundation for Uncollected Donations on the *Statement of Revenues, Expenses, and Changes in Net Position.*

NOTE 14: Annuity Payable:

The University entered into a trust agreement for land and housing facilities located in Conway, Arkansas, on September 1, 1992, with Doyle W. and Eleanor F. Baldridge. The property consists of apartments located at 229 and 232 Elizabeth and 2003 and 2005 Bruce, and land adjacent to the buildings. The total acreage is approximately 2.09. The property was appraised at $766,000. The property was appraised again in fiscal year 2011 and the current value is $740,000. The life annuity to be received annually by the Baldridges is $62,500. The University has estimated that there should be adequate income from the apartments to pay this annuity.

The annuity payable at June 30, 2013, was $430,574 based on the longer life expectancy of the two. Adjustments to the annuity payable will be made yearly to reflect the present value of expected future payments to the Baldridges based upon their life expectancy and expected earnings rate of fund investments.

NOTE 15: Commitments:

The University was contractually obligated for the following at June 30, 2013:

Project Name	Estimated Completion Date		Contract Balance
McAlister -District Cooling	August 2013	$	28,885
Bear Hall Parking Lot	August 2013		139,032
Farris Center Roof	September 2013		216,558
Parking Lot-North Overflow	September 2013		217,273
Conway Hall Shower Units	September 2013		122,077
Hughes Hall Shower Units	September 2013		143,644
Bernard Hall Shower Units	September 2013		124,662
Old Main-Restroom Renovations	September 2013		14,697
Residence Halls-Mini Blinds	September 2013		103,679
Torryson Library Restrooms/Floor	September 2013		130,972
Hughes Hall-Fire Sprinklers	September 2013		37,702
Parking Lot-Bruce/Farris	September 2013		57,565
Torreyson Library-Network Cabling	October 2013		23,478
HPER Expansion	October 2014		12,416,357
ADEM Data Center	November 2013		7,025
Intramural Soccer Field	March 2014		77,158
Doyne Health Science-Fan Coil Units	December 2014		500
Greek Village-Phase I	December 2015		190,277
		$	14,051,541

NOTE 16: Retirement Plans:

The University provides eligible employees the opportunity to participate in an alternate retirement plan, TIAA-CREF, two defined benefit plans, the Arkansas Teachers Retirement System and Arkansas Public Employees Retirement System, and supplemental Retirement Accounts with AIG, Valic, and TIAA-CREF.

Alternate Retirement Plan: The plan is administered by Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF).

Plan Description: The University's Alternate Plan through TIAA/CREF is a defined contribution plan. The plan is a 403 (b) program as defined by Internal Revenue Service Code of 1986 as amended. 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 which offers a variable annuity. Arkansas Code Annotated authorized participation in the plan.

Funding Policy: The Alternate Plan is a contributory plan in which members must contribute at least 6% of their earnings to the plan. The University contributes an amount equal to 10% of earnings for members.

Schedule of Employer and Employee Contributions

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2011	$4,265,089	$3,174,543
June 30, 2012	4,292,466	3,244,336
June 30, 2013	4,502,703	3,757,559

Arkansas Teacher Retirement System:

Plan Description: The University contributes to the Arkansas Teacher Retirement (ATRS), a cost-sharing multiple-employer defined benefit pension 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.

NOTE 16: Retirement Plans (Continued):

Arkansas Teacher Retirement System (Continued):

Funding Policy: ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The fiscal year 2013 employer rate was 14%.

Schedule of Employer Contributions for ATRS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2011	$1,638,514	$ 669,233
June 30, 2012	1,631,812	656,092
June 30, 2013	1,422,911	579,495

The University contributes 14% for the ATRS T-Drop Plan members.

Schedule of Employer Contributions for ATRS T-Drop

Fiscal Year Ended	Employer Annual Contributions
June 30, 2011	$ 223,154
June 30, 2012	102,786
June 30, 2013	120,300

Arkansas Public Employees Retirement System:

Plan Description*:* The University contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan. Employees may elect coverage under APERS as a qualified retirement system. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201-3704 or by calling 1-800-682-7377.

NOTE 16: Retirement Plans (Continued):

Arkansas Public Employees Retirement System (Continued):

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 14.24% of annual covered payroll. For the 2013-2014 fiscal year the rate is changing to 14.88% of the annual covered payroll.

Schedule of Employer Contributions for APERS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2011	$1,051,914	$ 109,318
June 30, 2012	1,270,790	180,332
June 30, 2013	1,426,497	221,877

Supplemental Retirement Accounts:

Plan Description: The University provides all employees with the voluntary option of participating in a supplemental account with TIAA-CREF or Valic. In addition, employees have the option of participating in a Roth plan offered through TIAA-CREF. The vendors provide contracts to the participants upon participation and all contributions are the property of the participants.

Funding Policy: Participants' contributions are tax-sheltered, except for the TIAA-CREF Roth plan, and contribution limits are based upon annual pre-tax calculations. The University makes no contributions to supplemental accounts.

Schedule of Annual Employee Contributions for Supplemental Retirement Accounts:

Fiscal Year Ended	TIAA-CREF	TIAA-CREF ROTH	VALIC
June 30, 2011	$ 794,853	$ 19,547	$ 101,485
June 30, 2012	881,376	44,311	133,582
June 30, 2013	878,366	66,125	100,660

NOTE 17: Claims and Judgments/Contingencies:

The following claims and potential judgments/contingencies existed as of June 30, 2013, and subsequently.

Felicia Taylor v. University of Central Arkansas, et al. (United States District Court, Eastern District of Arkansas, Western Division, Case No. 4-10-CV-0549 SWW).

This is a suit brought by a former faculty member, Dr. Felicia Taylor, against the University, the President and Board of Trustees, the former President of the University, several current and past administrators and faculty members. The suit was filed on June 7, 2010. The United States District Court, Eastern District of Arkansas, Western Division, granted the University's Motion for Summary Judgment and dismissed the case with prejudice on March 14, 2012. On May 21, 2012, Dr. Taylor filed an appeal with the Eighth Circuit Court of Appeals. On March 29, 2013, the Court of Appeals upheld the District Court's decision in granting the University's Motion for Summary Judgment. On April 12, 2013, Dr. Taylor filed a petition for an enbanc rehearing and for a panel rehearing. On May 6, 2013, the Court of Appeals denied Dr. Taylor's petitions. The Eighth Circuit Court of Appeals issued a mandate on May 17, 2013, in accordance with its March 29, 2013, opinion upholding the District Court's decision to grant the University's Motion for Summary Judgment.

The plaintiff is a former member of the Department of Health Sciences. She was denied tenure in the spring of 2009. In accordance with the University's Faculty Handbook, she taught through the end of the spring semester 2010, at which time her teaching position was eliminated and her employment was terminated in accordance with the Faculty Handbook.

In the spring of 2010, she filed a Charge of Discrimination with the Equal Employment Opportunity Commission ("EEOC"). The Charge of Discrimination was dismissed without a finding of any discrimination on the part of the University, and the plaintiff was provided with the standard ninety-day right-to-sue letter. No official of the University was aware of the EEOC filing until after the ninety-day letter was issued by the EEOC, and no formal investigation was conducted by the EEOC.

In her complaint and amended complaint, the plaintiff alleged various claims under Title VII of the Civil Rights Act, and her prayer for relief requests, among other things, back pay, reimbursement for lost and substandard wages and benefits (for which the plaintiff seeks $96,000), reinstatement (with tenure being granted), punitive damages, legal fees and costs. The damage claims in the complaint and amended complaint were unspecified except for the $96,000 claim for lost and substandard wages and benefits.

NOTE 17: Claims and Judgments/Contingencies (Continued):

The Office of the Arkansas Attorney General notified the University on November 19, 2013, that the case is closed.

Melissa L. Goff-EEOC Charge No.: 493-2013-00038

On October 10, 2012, Ms. Melissa Goff (a former employee who was the Director of Institutional Research) filed a Charge of Discrimination with the Equal Employment Opportunity Commission ("EEOC") alleging age discrimination. Ms. Goff was terminated by the University on April 16, 2012. On November 15, 2012, the University responded to the request for information from the EEOC and provided the EEOC with its position statement in connection with the allegations of Ms. Goff. On May 30, 2013, the EEOC issued a Dismissal and "right to sue letter," stating that the charge was dismissed because the EEOC was unable to conclude that the information obtained established a violation. In addition, Ms. Goff was given notice that she had 90 days to file a lawsuit based on this charge. Ms. Goff did not file a lawsuit within 90 days after the EEOC issued its Dismissal; therefore, the matter is considered closed.

Linda Bessette

On April 27, 2013, Ms. Linda Bessette, a graduate student in the UCA English Department, submitted a formal complaint to the chair of the department, Dr. Jay Ruud, stating that the comprehensive exam given by the English Department appears fatally flawed as a testing tool and clearly useless as a "weeding out" technique. She further states that the test appears to be arbitrary and capricious. She requests the following remedies:

a. The elimination of the comprehensive exam in its current incarnation;
b. The award of a Master's Degree to all English graduate students in the past ten years who successfully completed 30 hours of course work and met all other requirements but who failed the comprehensive exam and were separated from the University without a degree; and
c. The payment of damages to any English graduate student separated from the University after completing coursework and failing the exam, specifically for loss of income directly connected to their inability to obtain their Master's Degree due solely to their inability to pass the comprehensive exam.

She also requested to receive a response to her complaint by May 15, 2013.

NOTE 17: Claims and Judgments/Contingencies (Continued):

On May 8, 2013, Dr. Ruud mailed a response to Ms. Bessette's complaint. He notes in his response that questions on the exam are chosen from a specific list that all students have access to; therefore, by definition, they are not arbitrarily chosen. Answers to identification questions are either right or wrong (no subjectivity). The amount of subjectivity that could be possible in grading the essay portion of the exam is reduced by a three-member grading team meeting together to discuss essay scores before final test scores are announced.

On May 14, 2013, Ms. Bessette emailed Mr. Shane Broadway, Interim Director of the Arkansas Department of Higher Education, stating that she recently became aware that many students were successfully completing all their coursework and reading list and yet failing the comprehensive exam and denied their degrees. She further claims that the exam was arbitrary and subjective. She also notes in her email that this issue is "ripe for a civil rights lawsuit." Therefore, the University is including this matter as a potential contingency. However, to our knowledge, no claim has been filed with the Arkansas State Claims Commission, nor has suit been filed as of the date of August 9, 2013.

Craig and Chrissy Denton-UCA Child Study Center

On August 29, 2011, Craig Denton signed a University of Central Arkansas Child Study Center Contract for Services/Fees, which provided preschool services for Gray Denton during the 2011-2012 school year. The Dentons currently owe UCA $710 in tuition and late fees pursuant to the agreement referenced above. On August 27, 2012, the Dentons were mailed a promissory note, which provides that the Dentons will repay the $710 balance over a twelve-month period (eleven (11) monthly installments of $60 each, with the first installment due on the 1st day of October 2012, and the first day of each calendar month thereafter, with a final payment of $50 due on the 1st day of September 2013).

As of the date of this report, the Dentons have not signed and returned the promissory note, nor paid the balance owed.

NOTE 17: Claims and Judgments/Contingencies (Continued):

Roy and Linda Massey/Mountaineer Apartments

This matter involves the expiration of a lease agreement between Roy and Linda Massey (as lessors) and the University of Central Arkansas (as lessee) for apartments situated in the City of Conway, Arkansas, known as the "Mountaineer Apartments."

In 2004, the University leased the Mountaineer Apartments from the lessors for student housing. There was a written lease agreement between the parties. The current lease expired on June 30, 2010, and the University is no longer a lessee of the Mountaineer Apartments.

Although the University expended funds to make certain repairs and return the apartments to the lessors upon expiration of the lease term, the lessors have alleged that the University is responsible for additional repairs and renovation to the Mountaineer Apartments upon the expiration of the lease. The lessors have alleged that approximately $25,000 in additional repairs should be performed by the University, but later asserted a claim of $50,000 through their attorney.

The University has denied liability and does not believe that any additional repairs or work should be performed, nor are the Masseys entitled to any sums under the lease. No further discussions have been held, nor have any additional claims or letters been received from the Masseys. To our knowledge, no claim has been filed with the Arkansas State Claims Commission, nor has suit been filed by the Masseys as of the date of this report.

The following matters are included because they existed on June 30, 2012, and were disposed of in the last fiscal year.

University of Central Arkansas v. Marcia Smith (Circuit Court of Faulkner County, Arkansas, 2nd Division, Case No. DV-11-670 - filed July 19, 2011)

This was an action to collect unpaid rent and for unlawful detainer involving a house at 955 South Donaghey, Conway, Arkansas, 72034, owned by the University. Ms. Smith vacated the property and in exchange for dismissing the action against her, Ms. Smith signed a Promissory Note on November 21, 2011, in the amount of $3,303. The University began withholding $198 from Ms. Smith's payroll on January 1, 2012. The debt was paid in full on September 15, 2012.

NOTE 17: Claims and Judgments/Contingencies (Continued):

University of Central Arkansas v. Amanda Sellers (District Court of Faulkner County, Arkansas, Case No.CWCV-12-820)

On July 20, 2010, a check in the amount of $1,000 was sent in error to Amanda Sellers. Another individual named Amanda Sellers was the proper party to receive the check. Although the University made several attempts to collect the debt, Ms. Sellers did not pay back the money owed to the University. Therefore, the University filed an action in Faulkner County District Court on August 27, 2012, to collect the debt owed to the University.

On September 18, 2012, Ms. Sellers paid the money she owed to the University. Therefore, this action is now settled.

U.S. Department of Education Audit

The U.S. Department of Education ("DOE") conducted a review of the UCA Office of Financial Aid as it relates to financial aid provided to students in the University's Radiography Program. This review is referred to as an "Off-Site Focused Program Review."

The review examined the radiography program and the contractual agreement the University has had, for many years, with St. Vincent Hospital in Little Rock to deliver a portion of the educational program. The issues involved were whether more than the requisite number of credit hours were taught off-campus and in a program which was not separately accredited. The University responded to all requests for information from the DOE. On February 22, 2013, the DOE made its final determination concerning all of the outstanding findings of the program review report. The University's total liability was $75,734, which was paid by the University in March, 2013. This matter is now settled.

Lauren Griffin v. University of Central Arkansas (Circuit Court of Faulkner County, Arkansas, Second Division, Case No. 23 CV-12-112)

On February 6, 2012, Lauren Griffin, a former student at the University of Central Arkansas, filed a petition for declaratory judgment and complaint for breach of contract against UCA in the Circuit Court of Faulkner County, Arkansas. On February 5, 2009, Ms. Griffin signed a "Consolidation/Private Room Intent" form and placed a "check mark" by the following statement: "I prefer a single room and agree to pay the additional fee of $670. I understand that my signature on this form is binding to the effect that I will agree to pay all applicable single room charges. Also, I understand that this form becomes part of my Residence Hall/Apartment Agreement and guarantees that I will have a single room for the remainder of the academic semester." On February 11, 2009, a private room fee was assessed on Ms. Griffin's account.

NOTE 17: Claims and Judgments/Contingencies (Continued):

Ms. Griffin alleged in her Complaint that when she signed the form referenced above, the form was mostly blank and did not have the private room option checked and did not set forth the amount of the private room fee.

The University filed a Motion to Dismiss based on lack of subject matter jurisdiction (the University argued that the Arkansas State Claims Commission has exclusive jurisdiction over this claim). On July 10, 2012, the Circuit Court of Faulkner County granted the University's Motion, and the case against the University was dismissed.

NOTE 18: Related Party Transactions:

Bear Village Lease

On September 25, 2012, the University issued $11,910,000 in bonds to purchase the Bear Village Apartments that were previously leased to the University by the UCA Foundation, Inc. Additional information about these bonds can be found in Note 10.

Bear Hall Skyboxes

On May 28, 2013, the University signed a loan agreement with First Security Bank. The proceeds of this loan were to purchase the 5th Floor Skyboxes that are part of Bear Hall and overlook the stadium and the weight room addition from the UCA Foundation, Inc. Additional details on this note payable can be found in Note 13.

UCA/CRHS Healthcare Education Foundation, Inc.

UCA/CRHS Healthcare Education Foundation, Inc., (CRHS) is a non-profit entity created for the purpose of building and maintaining a healthcare education facility to be used by the University's Department of Nursing as well as the Conway Regional Health System for training and education of its nursing staff. A 50-year ground lease began on January 1, 2012, and an application for 501(c)(3) status was filed with the Internal Revenue Service in September 2011.

In fiscal year 2013, it was determined that CRHS will only collaborate on programming related to the Department of Nursing and on programming benefitting the public.

NOTE 18: Related Party Transactions (Continued):

Wideworld

It was discovered in August 2011 that the University had been paying amounts due to Wideworld, a graphic design company, owned by the spouse of a University employee. Polly Walter, an assistant professor in the department of Mass Communication/Theatre, was the contact person in the vendor file for Wideworld. Ms. Walter admitted to working for the company, but stated that she did not own it.

An advisory opinion was sought and received by Ms. Walter which was dated October 19, 2011 from Richard Weiss, the Director of the Department of Finance and Administration. He stated that, in his opinion, no conflict of interest existed in this instance since Ms. Walter had no participation in the procurement process that led to her husband's company being hired to perform the work, nor was there a breach of the contemporaneous employment prohibition. Based upon this opinion, the University is not prohibited from contracting with Wideworld. The opinion did stress that she have no current or future involvement in procurement actions involving Wideworld and she must perform her part-time consulting duties on her own time and not while on state time and without the use of any of the University's equipment or supplies to perform this work.

NOTE 19: Natural Classifications with Functional Classifications:

The University operating expenses by functional classification were as follows:

Year Ended June 30, 2013
Natural Classification

Functional Classification	Personal Services	Scholarships	Supplies	Depreciation	TOTAL
Instruction	$ 52,960,797		$ 5,919,278		$ 58,880,075
Research	2,412,854		1,027,217		3,440,071
Public service	1,382,031		1,883,827		3,265,858
Academic support	7,137,392		2,893,022		10,030,414
Student services	4,810,383		1,888,022		6,698,405
Institutional support	8,485,564		1,577,260		10,062,824
Operation of plant	8,304,289		6,532,583		14,836,872
Scholarships		$ 18,447,760			18,447,760
Auxiliary enterprises	9,493,772	3,185,815	15,107,620		27,787,207
Depreciation				$ 11,189,518	11,189,518
Total Expenses	$ 94,987,082	$ 21,633,575	$ 36,828,829	$ 11,189,518	$ 164,639,004

NOTE 20: Other Postemployment Benefits (OPEB):

The University adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-2008. This statement requires governmental entities to recognize and match other postretirement benefit (“OPEB”) costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services.

The University offers postemployment benefits through the University’s Retiree Benefits Plan (the Plan) to all employees who officially retire from the University and meet certain requirements. Full-time employees who have completed 10 or more years of continuous benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency and who are age 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA.

Qualified retirees shall be eligible to continue participation in health, dental, and life insurance plans. The Plan is considered to be a single-employer plan and consists of health, dental, and life insurance benefits. The authority under which the Plan’s benefit provisions are established or amended is the Board of Trustees. The Plan does not issue a stand-alone financial report. For inquires relating to the Plan, please contact the University of Central Arkansas Human Resources Department, Wingo Hall, Suite 106, 201 Donaghey Avenue, Conway, Arkansas, 72035.

Retirees may purchase health insurance for themselves and their eligible dependents. The retiree will pay the difference between the University’s contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2009, the University’s maximum monthly contribution for a single plan is $283 and the University’s maximum monthly contribution for a family plan is $400. For those employees retiring after December 31, 2008, the retiree will pay the difference between the University’s contribution of $150 per month and the cost of the full premium based on their enrollment status (single, family, etc.). At the members’ age 65, health insurance coverage for retirees and their dependents will cease.

Current retirees or those in phased retirement as of June 30, 2008 who reach age 65 after December 31, 2008 are granted a stipend for supplemental medical insurance of $73 per month from members’ age 65 to 70.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Retirees may purchase dental insurance for themselves and their eligible dependents. The retiree will pay the difference between the University's contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2010, the University's maximum monthly contribution is the lesser of $25 or the current year's monthly premium for single coverage. Employees retiring after December 31, 2009 may purchase dental insurance for themselves and their eligible dependents by payment of the full premium. At the members' age 65, dental insurance coverage for retirees and their dependents will cease.

Retirees may purchase life insurance through the University plan if they are in one of the two following classifications. Class 4 contains retired employees hired prior to January 1, 1999. These retirees are provided with $15,000 of life insurance. For those who retired prior to January 1, 2009, the retiree will pay the difference between the University's contribution of $10 and the cost of the plan. For those who retired after December 31, 2008, the retiree will pay the full cost of the plan. Class 5 is a closed class of retirees who had already retired or met certain requirements as of December 31, 1998. These retirees are provided with coverage equal to the coverage provided when the retiree retired at no cost to retiree. At age 65, coverage is reduced to 65% at no cost to retiree. At age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At age 80, life insurance coverage for retirees will cease.

Participants included in the actuarial valuation include active employees and retirees who are eligible to participate in the Plan upon retirement and their spouses, if spousal coverage is currently elected. Expenditures for the Plan are recognized monthly and financed on a pay-as-you-go basis. During fiscal year 2012-2013, the University's annual OPEB cost was $313,991. The University paid retiree premiums for the benefits described above in the amount of $115,350. The University accrued an additional increase of $198,641 in the net OPEB expense resulting in a net OPEB obligation of $947,071 at FY ending June 30, 2013.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Determination of Annual Required Contribution (ARC) and End of Year Accrual

Cost Element		**Fiscal Year Ending June 30, 2013**	
		Amount	Percent of Payroll[1]
1.	Unfunded actuarial accrued liability at July 1, 2012	$2,740,307	4.09%
Annual Required Contribution (ARC)			
2.	Normal cost	$189,914	
3.	Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$139,808	
4.	Annual Required Contribution (ARC = 2 + 3)	$329,722	0.50%
Annual OPEB Cost (Expense)			
5.	Normal cost	$329,722	
6.	Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$(38,184)	
7.	Interest on beginning of year accrual	$ 22,453	
8.	Fiscal 2012-2013 OPEB cost (5 +6 + 7)	$313,991	0.47%

[1] Annual payroll for the 1,354 plan participants as of June 30, 2013 is $67,038,486.

End of Year Accrual (Net OPEB Obligation)

9.	Beginning of year accrual	$748,430	
10.	Annual OPEB cost	$313,991	
11.	Employer contribution (benefit payments) [2]	$115,350	
12.	End of year accrual (9 + 10 – 11)	$947,071	1.41%

[2] Actual contributions and administrative fees paid in fiscal year 2012-2013 of $269,084 less participant contributions of $153,734.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contributions[3]	Percentage Contributed
June 30, 2011	$304,011	$160,340	52.7%
June 30, 2012	311,294	132,801	42.7%
June 30, 2013	313,991	115,350	36.7%

[3] Since there is no funding, these are actual benefit payments.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll[4] (c)	UAAL as a Percentage Of Covered Payroll [(b)-(a)/(c)]
June 30, 2011	$0	$2,682,702	$2,682,702	0%	$64,339,275	4.17%
June 30, 2012	0	$2,722,330	2,722,330	0%	66,111,689	4.12%
June 30, 2013	0	$2,740,307	2,740,307	0%	67,038,486	4.09%

[4] Estimated payroll as of June 30, 2011 for FY ended June 30, 2011, as of June 30, 2012 for FY ended June 30, 2012, and as of June 30, 2013 for FY ended June 30, 2013 includes only plan participants.

Note:
The annual required contribution (ARC) of $329,722 for fiscal year 2012-2013 and accrual of $947,071 as of June 30, 2013, is based on the assumption of no funding in a segregated GASB qualified trust.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$304,011	52.7%	$569,937
June 30, 2012	311,294	42.7%	748,430
June 30, 2013	313,991	36.7%	947,071

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2011 – June 30, 2012
Actuarial cost method	Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization[5]
Asset valuation method	N/A

[5] Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Actuarial assumptions:

Discount rate	3.0% per annum
Medical trend rate for health and dental	9% in fiscal year 2008 and 8% in fiscal year 2009, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2016 and after. Note that trend rates are not used after 2008 because UCA has frozen employer contributions to the plan at fiscal 2008 levels.

General Overview of the Valuation Methodology

The estimation of the retiree benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per participant premiums for 2012. The amounts contributed by the University will not change in future years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Valuation Year	July 1, 2011 – June 30, 2012
Census Data	Census data was provided as of February 1, 2012. 1,177 active participants with an average age of 47.0 and average service of 9.3 years were valued. 63 retired participants with an average age of 63.3 were valued.
Actuarial Cost Method	Projected Unit Credit actuarial cost method with 30-year open, level dollar amortization; unfunded.
Plan Funding	The University will not fund the plan and costs will be paid using the “pay-as-you-go” method.
Plan Eligibility	Full-time employees who have completed 10 or more years of continuous benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency and who are age 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Employees who have 30 or more years of service in the Arkansas Teacher Retirement System, who are at least 60 years of age and who have at least 20 years of service at UCA will be allowed to retire under the University’s early retirement plan. Medical and dental coverage ceases at the members’ age 65. Supplemental medical insurance stipend ceases at the members’ age 70. Life insurance coverage ceases at the members’ age 80.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Health Costs

Total monthly costs for the University are capped at $150 per member for retirees who retire after December 31, 2008. This employer cost is not increased with trend rates. The University's monthly cost for retirees who retire before January 1, 2009 is capped at $283 for single coverage and $400 for retiree plus spouse coverage.

Dental Costs

The retiree will pay the difference between the University's contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2010, the University's maximum monthly contribution is the lesser of $25 or the current year's monthly premium for single coverage. Employees retiring after December 31, 2009 may purchase dental insurance for themselves and their eligible dependents by payment of the full premium. At the members' age 65, dental insurance coverage for retirees and their dependents will cease.

Life Insurance Costs

Retirees may purchase life insurance through the University plan if they are in one of the two following classifications. Class 4 contains retired employees hired prior to January 1, 1999. These retirees are provided with $15,000 of life insurance. For those who retired prior to January 1, 2009, the retiree will pay the difference between the University's contribution of $10 and the cost of the plan. For those who retired after December 31, 2008, the retiree will pay the full cost of the plan. Class 5 is a closed class of retirees who had already retired or met certain requirements as of December 31, 1998. These retirees are provided with coverage equal to the coverage provided when the retiree retired at no cost to retiree. At the members' age 65, coverage is reduced to 65% at no cost to retiree. At the member's age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At the members' age 80, life insurance coverage for retirees will cease.

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

Annual Medical Trend Rate*

Fiscal Year	Medical Trend Rate
2008	9.0%
2009	8.0%
2010	7.5%
2011	7.0%
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%
2016+	4.5%

* Note that trend rates are not used after 2008 because UCA has frozen employer contributions to the plan at fiscal 2008 levels.

Discount Rate 3.00% per annum

Spouse Age Difference Husbands are assumed to be three years older than wives for current and future retirees who currently elect spousal coverage.

Mortality IRS 2008 Combined Mortality Table (without projection, combined active and retiree, sex distinct tables).

Mortality and Termination (Sample Rates – Annual Rates per 1,000 Members):

	Mortality		Termination	
Age	Male	Female	Male	Female
25	.30	.15	46.0	48.4
30	.40	.21	39.4	44.0
35	.69	.37	32.0	31.0
40	.90	.50	27.0	22.0
45	1.13	.78	20.8	20.0
50	1.53	1.16	16.2	17.0
55	2.46	2.30	15.0	15.0
60	5.10	4.62	15.0	15.0
65	10.23	8.97	15.0	15.0
70	17.42	15.23	15.0	15.0
75	30.49	24.77	n/a	n/a
80	55.36	41.29	n/a	n/a

NOTE 20: Other Postemployment Benefits (OPEB) (Continued):

In addition, a select and ultimate assumption that total termination in the first year is 32%, in the second year is 15%, in the third year is 11%, in the fourth year is 7.5%, and 5% in the fifth year.

Participation Rates Active members are assumed to elect the same postretirement medical coverage as they elected while active.

Retirement Rates Percentage of eligible members who retire during the year.

	Percentage	
Age	**0-27 years**	**28 years and after**
48-49	0%	50%
50	2	13
51	2	10
52	3	9
53-54	4	9
55	6	9
56	9	12
57	9	10
58	9	11
59	9	14
60-61	100	14
62	100	28
63-64	100	17
65	100	27
66-74	100	30
75 & older	100%	100%

NOTE 21: Gap Plan-Self Insured:

The University began the Gap Plan in January 2006. The Gap Plan is designed to offset the employee’s health insurance deductible applied from the UCA group health insurance.

The University offers group health insurance to all benefits-eligible employees. The current group health insurance applies a $1,000 deductible for eligible medical expenses, which is the employee’s financial responsibility to medical providers. The Gap Plan will reimburse the second $500 applied to the health insurance deductible.

NOTE 21: Gap Plan-Self Insured (Continued):

The University offers the self-insured Gap Plan to the employees who have elected the group health insurance. The employees may elect single, two-party or family coverage with the gap plan. However, no family member will be covered by the Gap Plan if they're not covered by the group health plan. The University contributes monthly to the gap plan as follows:

$16.55 - single coverage
$20.12 - two-party coverage
$30.76 - family coverage

The employee contributes $10 monthly to the Gap Plan for two-party and family coverage.

Schedule of Contributions

Fiscal Year Ended	Employer Contributions	Employee Contributions
June 30, 2011	$252,695	$ 36,497
June 30, 2012	260,796	51,997
June 30, 2013	256,843	38,674

Schedule of Claims

Fiscal Year Ended	Claims Reimbursed
June 30, 2011	$ 89,096
June 30, 2012	94,659
June 30, 2013	112,267

As of June 30, 2013, 1,153 employees have elected gap plan coverage.

NOTE 22: Risk Management:

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In that regard, the University carries the following policies:

The University carries an Errors and Omissions policy covering Trustees and Officers. The policy limits are $1,000,000 each claim and $1,000,000 aggregate. The University pays an annual premium for this coverage.

NOTE 22: Risk Management (Continued):

The University carries Excess Auto liability coverage on the fleet of vehicles covered under the state policy. The coverage is with Bancorp South. The liability limit is $9,000,000 for each occurrence and $9,000,000 aggregate. The University pays an annual premium for this coverage.

The University carries a Professional Liability insurance policy for students in a clinical environment. The liability limits are $2,000,000 each claim and $5,000,000 aggregate. The University pays an annual premium for this coverage.

The University pays individual Professional Liability policies for Nurse Practitioners. The liability limits are $1,000,000 each claim and $6,000,000 aggregate. The University pays an annual premium for this coverage.

The University pays a portion of the premium for liability coverage for the physician on campus. The liability limits are $1,000,000 each claim and $3,000,000 aggregate. The University pays the premium annually.

The University pays individual liability policies for Athletic Trainers. The liability limits are $1,000,000 each claim and $3,000,000 aggregate. The University pays an annual premium for this coverage.

The University carries a liability policy on College Square Independent Living Facility. The limits for this policy are $1,000,000 each claim and $3,000,000 aggregate. The University pays an annual premium for this coverage.

The University carries athletic insurance related to student athletes while participating in a scheduled game. The University pays an annual premium for this coverage. The University carries accident medical insurance that meets NCAA requirements up to the NCAA catastrophic deductible of $90,000. The NCAA limit is $15 million.

The University carries a liability insurance policy on the fifth floor skyboxes for Bear Hall. The liability policy is $5,000,000 aggregate limit and $5,000,000 for each occurrence.

For worker's compensation purposes, the University of Central Arkansas participates in the State of Arkansas' self-insured program for state agencies and public colleges and universities. This program is administered by the Arkansas Public Employees Claims Division. In its administrative capacity, the Division is responsible for managing claims, and where appropriate, negotiating settlements thereof.

NOTE 22: Risk Management (Continued):

The University participates in the Arkansas Multi-Agency Insurance Trust (AMAIT) for insurance coverage for property and vehicles. In its administrative capacity, AMAIT is responsible for monitoring, negotiating and settling claims that have been filed against its members. The University pays annual premiums for buildings, contents and vehicles.

The University carries insurance for the Postal Station. The insurance is a Commercial Surety Bond and the University pays an annual premium for this insurance.

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to $250,000 with a $2,500 deductible. Premiums are contributed annually.

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

NOTE 23: Endowment and Annuity Funds:

The University has donor-restricted endowment and annuity funds. Such funds include investments reported at fair value. The endowment and annuity net position at June 30, 2013 was $5,712,846. Of this amount, $2,706,864 was reported as restricted – nonexpendable other and the remaining $3,005,982 was reported as restricted – expendable other.

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.

It is the University’s general policy to limit annual expenses to actual income generated by the fund assets.

NOTE 24: Oxford American:

For several years, the University has had a contractual relationship with the Oxford American Literary Project, Inc. (OA). The OA publishes a magazine known as *The Oxford American*.

NOTE 24: Oxford American (Continued):

Pursuant to an earlier agreement, the University made periodic advances/infusions of cash totaling $700,000 to the OA over a five year span from FY 03/04-FY 07/08. In addition, the University has given annual operating support to the OA in the amount of $50,000 and has provided the OA with two offices in Old Main on the University's campus.

A memorandum of understanding was signed on October 12, 2012, between the University and Oxford American. The agreement obligates the University to continue providing two offices to house the editorial staff with reasonable accommodations and a $50,000 annual operating budget for purchases in compliance with University purchasing requirements and periodic University review. The memorandum also re-affirmed the amount previously advanced of $700,000 and that the OA agrees to repay those sums given an OA positive cash flow or with funds advanced to the OA specifically designated for repayment to the University. In October of 2012, the University received the first payment of $69,000 towards this debt. The remaining outstanding receivable of $631,000 and allowance of $560,000 at June 30, 2013 are included in Accounts Receivable-Other on the *Statement of Net Position*.

NOTE 25: Subsequent Events:

Greek Village

On October 11, 2013, the University's Board of Trustees approved a request for the University to proceed with a feasibility study for a bond issue to fund the design and construction of the Greek Village development. A resolution was considered and approved by the Arkansas Higher Education Coordinating Board (AHECB) at its October 25, 2013 meeting. It authorized the issuance of Housing System Revenue Capital Improvement Bonds not to exceed $13.8 million with a term of up to thirty (30) years at an interest rate not to exceed 5.75%.

The closing for the 2013 Series A and 2013 Series B bonds occurred on December 17, 2013. The all-inclusive rate for the new bonds in the amount of $13,800,000 is 4.61%.

Lewis Science Center

At the meeting of the UCA Board of Trustees on February 21, 2014, approval was given to commence all preparations for issuance of bonds to finance the design and construction of an addition to the Lewis Science Center. The bond issuance is not to exceed $13.5 million with a term not exceeding 30 years at an interest rate not to exceed 5.75%.

NOTE 25: Subsequent Events (Continued):

Purchase of 230 Donaghey

At the meeting of the UCA Board of Trustees on June 24, 2013, approval was given to purchase the lot and home located at 230 Donaghey Avenue in Conway. The closing occurred on July 15, 2013, for a total purchase price of $165,792.

Purchase of 2331 College

At the meeting of the UCA Board of Trustees on August 16, 2013, approval was given to purchase the lot and home located at 2331 College Avenue in Conway. The closing occurred on August 28, 2013, for a total purchase price of $189,951.

Purchase of 100 S Elizabeth

At the meeting of the UCA Board of Trustees on September 24, 2013, approval was given to purchase the lot and home located at 100 South Elizabeth Avenue in Conway. The closing occurred on September 27, 2013, for a total purchase price of $259,918.

Purchase of Hammett Property

At the meeting of the UCA Board of Trustees on September 13, 2013, approval was given to purchase the lot located on Donaghey Avenue in Conway. The closing occurred on October 18, 2013, for a total purchase price of $649,987.

Purchase of 1920 South

At the meeting of the UCA Board of Trustees on March 7, 2014, approval was given to purchase the lot and home located at 1920 South Boulevard in Conway. The closing occurred on April 4, 2014, for a total purchase price of $100,169.

Purchase of 1903 Bruce

At the meeting of the UCA Board of Trustees on April 25, 2014, approval was given to purchase the lot and home located at 1903 Bruce Street in Conway. The closing occurred on May 8, 2014, for a total purchase price of $142,064.

NOTE 25: Subsequent Events (Continued):

Oxford American

On August 28, 2013, the University received a payment of $69,000 toward the outstanding debt payable by the Oxford American Literary Project, Inc. to the University. The outstanding receivable after receipt of the payment was $562,000.

United Health Care

At the meeting of the UCA Board of Trustees on August 16, 2013, approval was given to accept a proposal by United Health Care to increase premiums by 5.3%, effective January 1, 2014 to December 31, 2014. The proposal increases out-of-pocket maximums for covered individuals but does not increase the employee portion of monthly premiums. The estimated increase in cost to the University is $254,000 for fiscal year 2014, which will be covered by a $500,000 contingency fund which was set aside for potential health insurance cost increases. The total estimated increase in cost for the coverage period is $435,000.

Board of Trustees of the University of Central Arkansas v. Terry Williams, Simmons First National Bank, and Centennial Bank (Circuit Court of Faulkner County, Arkansas, Case No. 23 CV-13-928)

At the meeting of the UCA Board of Trustees on September 13, 2013, approval was given to purchase the lot located on Donaghey Avenue in Conway. The University filed a lawsuit on November 21, 2013, seeking condemnation of the property. The University deposited $116,000 into the registry of the Court as compensation to everyone possessing an interest in the property. As of the date of this report, the parties are discussing a consent judgment that will transfer the property to the University in exchange for the $116,000 already deposited in the registry of the Court.

Mark Lowery v. University of Central Arkansas (Circuit Court of Faulkner County, Arkansas, Case No. 23 CV-14-301)

Mark Lowery filed a lawsuit against the University on May 12, 2014, in Faulkner County Circuit Court. The lawsuit did not name any members of the Board of Trustees or any employees as individual defendants. Mr. Lowery was employed as a visiting lecturer at the time of the lawsuit. His complaint is primarily based upon a faculty grievance that he filed in September 2013 regarding the process followed and the decision not to convert his position to that of Lecturer I.

NOTE 25: Subsequent Events (Continued):

He alleges four causes of action: (1) breach of contract based on the Faculty Handbook, (2) breach of implied covenant of good faith and fair dealing, (3) denial of the right to procedural due process, and (4) estoppel to deny the existence of an employment contract.

Mr. Lowery seeks in part an order that (1) the University be required to provide him with a grievance hearing, (2) the University rule on his request for advancement, (3) the University reconsider its decision not to convert his position, (4) a declaration that the University violated his right to procedural due process. The University was served on May 14, 2014, and has 30 days to file an answer or a motion to dismiss. The University intends to contest the allegations.

General Counsel

On August 20, 2013, the University announced the resignation of Katie Henry, interim general counsel, effective September 30, 2013.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2013

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contributions[3]	Percentage Contributed
June 30, 2011	$304,011	$160,340	52.7%
June 30, 2012	311,294	132,801	42.7%
June 30, 2013	313,991	115,350	36.7%

[3] Since there is no funding, these are actual benefit payments.

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll[4] (c)	UAAL as a Percentage Of Covered Payroll [(b)-(a)/ (c)]
June 30, 2011	$0	$2,682,702	$2,682,702	0%	$64,339,275	4.17%
June 30, 2012	0	2,722,330	2,722,330	0%	66,111,689	4.12%
June 30, 2013	0	2,740,307	2,740,307	0%	67,038,486	4.09%

[4] Estimated payroll as of June 30, 2011 for FY ending June 30, 2011, as of June 30, 2012 for FY ending June 30, 2012, and as of June 30, 2013 for FY ending June 30, 2013 includes only plan participants.

Note:

The annual required contribution (ARC) of $329,722 for fiscal year 2012-2013 and accrual of $947,071 as of June 30, 2013, is based on the assumption of no funding in a segregated GASB qualified trust.

UNIVERSITY OF CENTRAL ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2013	2012	2011	2010	2009
Total Assets	$ 264,592,370	$ 248,315,680	$ 224,281,197	$ 190,324,739	$ 183,360,424
Total Liabilities	150,368,183	139,407,189	126,017,612	102,585,014	108,563,565
Total Net Assets	114,224,187	108,908,491	98,263,585	87,739,725	74,796,859
Total Operating Revenues	79,529,366	80,855,048	79,020,177	84,096,856	100,883,328
Total Operating Expenses	164,639,004	163,186,248	163,779,848	157,990,349	154,410,056
Total Net Non-Operating Revenues	92,551,927	91,822,802	95,273,678	79,796,000	59,153,974
Total Other Revenues, Expenses, Gains or Losses	(2,126,593)	1,153,304	9,853	7,040,359	3,962,449