University of Central Arkansas

Conway, Arkansas

Basic Financial Statements and Other Reports

June 30, 2014

LEGISLATIVE JOINT AUDITING COMMITTEE

UNIVERSITY OF CENTRAL ARKANSAS
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JUNE 30, 2014

BASIC FINANCIAL STATEMENTS

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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, 2014, 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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 26 to the financial statements, the 2013 financial statements have been restated due to the adoption of Governmental Accounting Standards Board Statement no. 65, *Items Previously Reported as Assets and Liabilities*, and to correct certain misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2013 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 May 28, 2014. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, 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 6-11 and 58 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 June 17, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
June 17, 2015
EDHE16514

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated June 17, 2015. 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 June 17, 2015.

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.

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 17, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS 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, 2014, 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 2013	Fall Term 2013	Spring Term 2014	Summer I Term 2014
Student Headcount	2,128	11,534	10,392	2,751
Student Semester Credit Hours	8,723	144,400	130,429	12,221

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 17, 2015

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, 2014. 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, 2014. 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, 2013, through June 30, 2014. 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 combined with deferred outflows and liabilities combined with deferred inflows. 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 position* is divided into two categories: nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. Expendable restricted resources 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 position* is resources available to the Institution for any lawful purpose of the Institution.

Statement of Net Position
June 30, 2014

	Year Ended June 30			
Assets:	2014	2013	Increase/ Decrease	Percent Change
Current assets	$ 40,191,705	$ 34,903,769	$ 5,287,936	15%
Capital assets, net	183,657,422	179,896,074	3,761,348	2%
Other assets	63,241,097	49,209,834	14,031,263	29%
Total Assets	287,090,224	264,009,677	23,080,547	9%
Deferred Outflows of Resources				
Defeasance of Debt Refunding	42,929	80,867	(37,938)	-47%
Liabilities:				
Current liabilities	14,006,207	11,985,583	2,020,624	17%
Non-current liabilities	147,477,982	138,463,467	9,014,515	7%
Total Liabilities	161,484,189	150,449,050	11,035,139	7%
Net Position:				
Invested in capital assets, net	66,574,256	66,700,394	(126,138)	0%
Restricted-nonexpendable	3,965,541	3,963,954	1,587	0%
Restricted-expendable	7,893,514	6,599,775	1,293,739	20%
Unrestricted	47,215,653	36,377,371	10,838,282	30%
Total Net Position	$ 125,648,964	$ 113,641,494	$ 12,007,470	11%

Statement of Net Position (Continued)

A review of the *Statement of Net Position* reveals that total assets increased by $23.0 million or 9%. While there are several offsetting variances, the significant changes can be found in an increase in cash and investments of $12.9 million, an increase in deposits with trustees of $5.0 million, an increase in student loans receivable of $1.2 million, and an increase in capital assets of $3.8 million. These changes are due to a variety of factors. The primary factors are that the University maintained consistent or increasing revenues and as a result of cost savings was able to increase its cash reserves, and continued to utilize debt financing for capital asset purchases. The increase in student loans receivable is directly related to increased loans to students for the current and upcoming fiscal year.

Total liabilities for the year increased by $11.0 million or 7%. The most significant change is the increase in bonds payable and notes payable of more than $9.3 million. New bonds totaling $13.8 million were issued during the fiscal year, offset by payments of principal on previously outstanding issues. Accounts payable also increased by $1.1 million, primarily related to two major ongoing capital projects.

The aggregate of these changes results in an increase in Total Net Position of $12.0 million or 11%.

While the 2013-14 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.

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, 2014

	Year Ended June 30			
	2014	2013	Increase/ Decrease	Percent Change
Operating revenues	$ 84,343,443	$ 78,239,244	$ 6,104,199	8%
Operating expenses	(167,788,972)	(164,640,738)	(3,148,234)	2%
Operating loss	(83,445,529)	(86,401,494)	2,955,965	-3%
Nonoperating revenues less expenses	96,253,292	93,709,814	2,543,478	3%
Income (loss) before other revenues, expenses, gains or losses	12,807,763	7,308,320	5,499,443	75%
Other revenues, expenses, gains or losses	(800,293)	(2,126,593)	1,326,300	-62%
Increase(Decrease) in net position	12,007,470	5,181,727	6,825,743	132%
Net position at beginning of year as Originally Reported	113,641,494	108,908,491	4,733,003	4%
Restatement of Prior Year Balance		(448,724)	448,724	-100%
Net position at beginning of year	113,641,494	108,459,767	5,181,727	5%
Net position at end of year	$ 125,648,964	$ 113,641,494	$ 12,007,470	11%

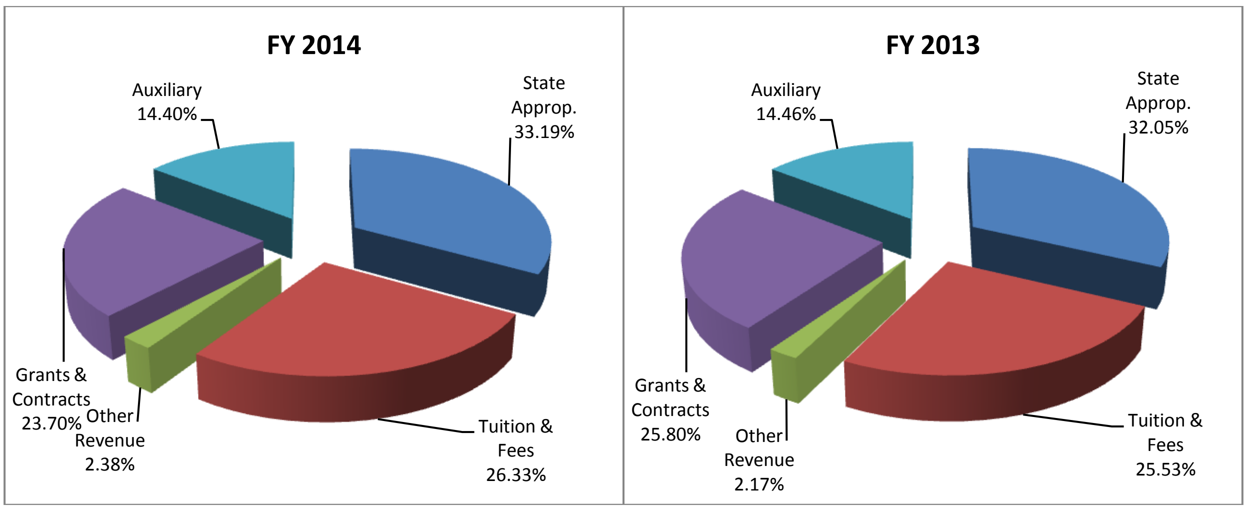
The *Statement of Revenues, Expenses, and Changes in Net Position* reflects an increase in net position at the end of the year of slightly more than $12.0 million.

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

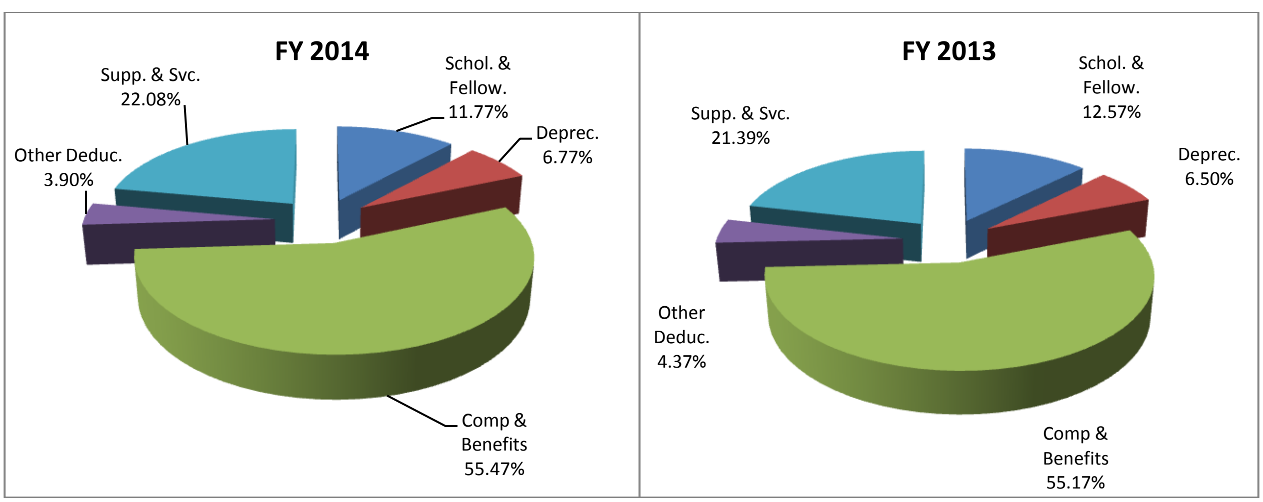
Revenue Changes – The financial statement shows an increase in operating revenues of $6.1 million which is primarily from a $3.9 million increase in student tuition and fee revenue, mostly due to a tuition increase and slight increase in enrollment. Housing revenue also increased by $0.8 million, due to a slight increase in enrollment and the related need for student housing. An increase of more than $5.1 million in state appropriations is reflected in Net Non-Operating Revenues, primarily related to an increase in general improvement funds received in the current fiscal year, while total grant funding decreased by $1.6 million, mostly due to decreased funding related to the American Recovery and Reinvestment Act.

Expense Changes – Operating expenditures decreased by $3.1 million. This occurred with an increase of $1.9 million in compensation and benefits due to a cost of living increase, offset with a decrease in scholarships of $1.1 million. Supplies and services increased $1.7 million while depreciation and amortization increased $0.6 million.

UNIVERSITY OF CENTRAL ARKANSAS
REVENUE ANALYSIS



UNIVERSITY OF CENTRAL ARKANSAS
EXPENDITURE ANALYSIS



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, 2014

	Year Ended June 30			
		Restated	Increase/	Percent
Cash provided(used) by:	2014	2013	Decrease	Change
Operating activities	$ (71,519,239)	$ (76,182,184)	$ 4,662,945	-6%
Non-capital financing activities	100,217,840	97,292,022	2,925,818	3%
Capital and related financing activities	(16,787,426)	(11,641,363)	(5,146,063)	44%
Investing activities	435,052	353,760	81,292	23%
Net Change in Cash	12,346,227	9,822,235	2,523,992	26%
Cash, beginning of year	52,143,669	42,321,434	9,822,235	23%
Cash, end of year	$ 64,489,896	$ 52,143,669	$ 12,346,227	24%

Capital Assets and Debt Administration

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2013-14. The following are some of the significant additions:

Funded By Bonds, Grants, and Other Sources:

Academic and other E & G projects	$	2,353,437
Housing and other Auxiliaries		12,205,285
Athletics		24,154
Infrastructure/Technology & Property		3,445,118
	$	18,027,994

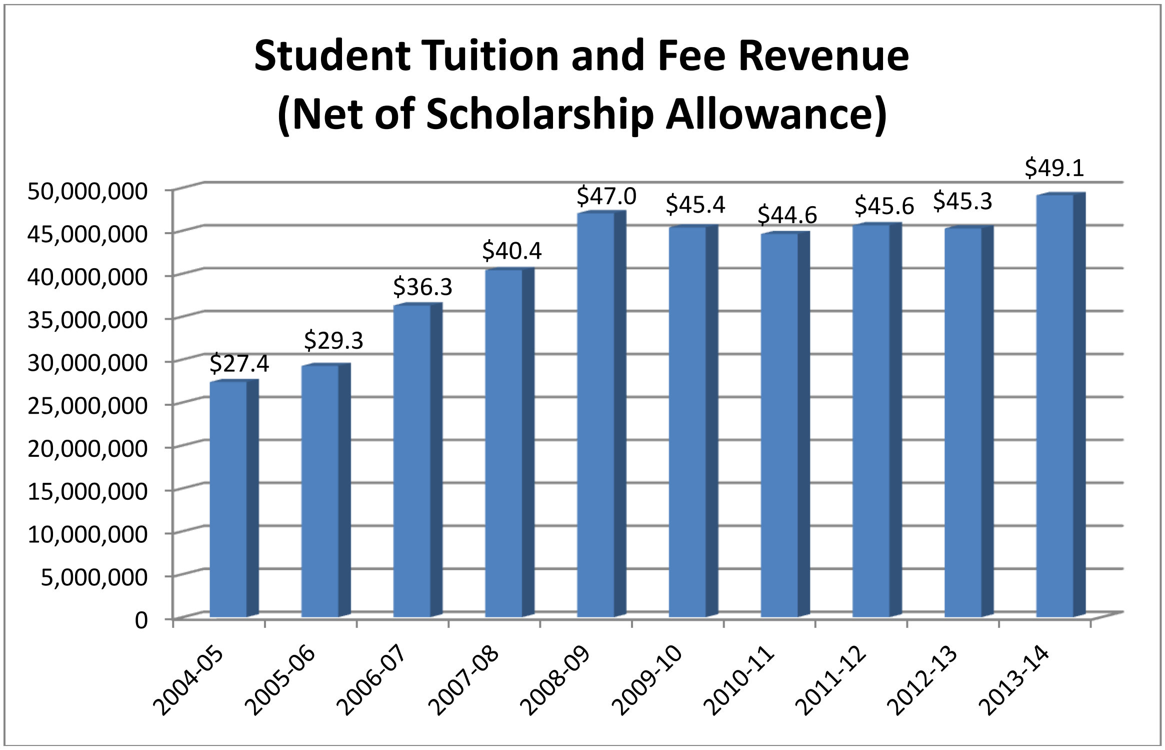
For additional information concerning Capital Assets and Debt Administration, see Notes 6 and 10 in the *Notes to the Financial Statements*.

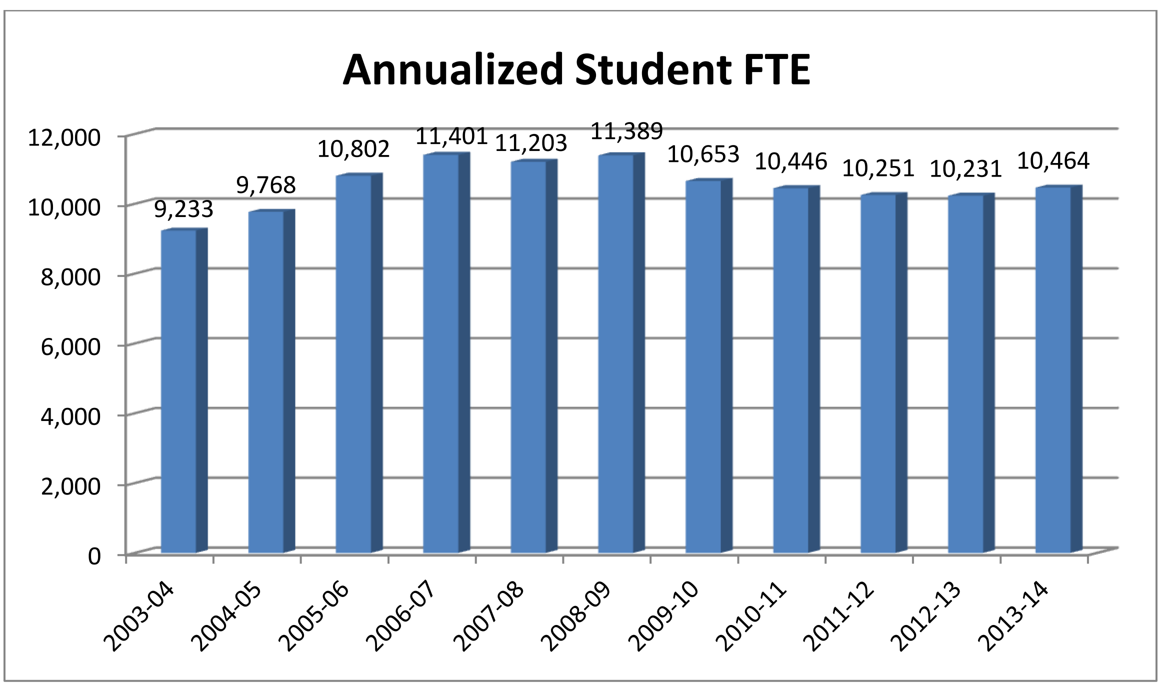
Economic Outlook

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

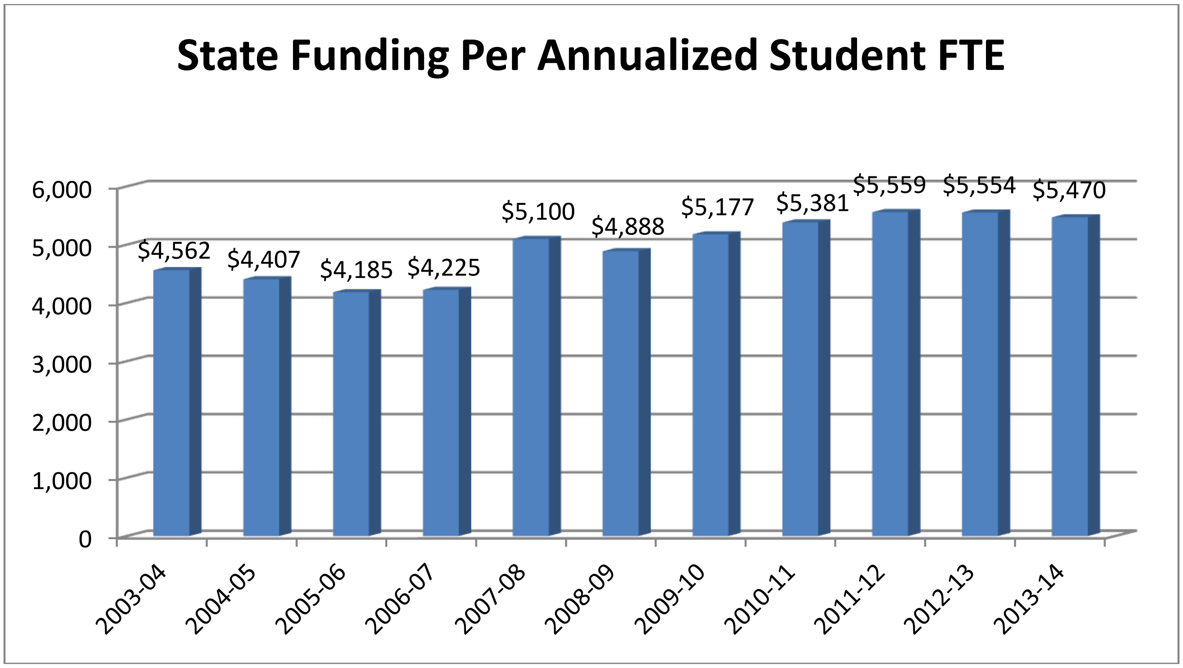
Economic Outlook (Continued)

The following charts provide key trends experienced by the University:





Economic Outlook (Continued)



***2013-14 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.

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 and maintaining unrestricted cash reserves and operating fund balances. Several indicators point to continued optimism in revenue generation. These include stable state funding, steady increases in freshman enrollment, and an increased demand for housing and food service.

In June 2014, Moody's Investors Service affirmed the University's bond rating A2 with a stable outlook.

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 2015. 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. 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

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A

ASSETS	**2013-2014**	**2012-2013**
Current Assets		
Cash and cash equivalents	$ 34,367,654	$ 29,956,520
Accounts receivable-state	262,559	257,420
Accounts receivable-other, net of allowances of $2,398,618 and $3,458,581, respectively	3,061,093	3,200,007
Student loans receivable	975,931	254,219
Prepaid expenses	1,129,545	859,222
Inventories	364,539	346,717
Bond issuance costs	30,384	29,664
Total Current Assets	**40,191,705**	**34,903,769**
Noncurrent Assets		
Cash and cash equivalents	28,851,390	22,187,149
Cash in state treasury	1,270,852	
Deposits with trustees	19,616,893	14,581,191
Investments	5,596,319	5,004,766
Endowment investments in real estate, net of accum depr of $440,000 and $440,000, respectively	300,000	300,000
Student loans receivable	6,957,257	6,455,351
Capital assets, net of accum depr and amort of $135,922,789 and $127,261,241, respectively	183,657,422	179,896,074
Bond issuance costs	648,386	681,377
Total Noncurrent Assets	**246,898,519**	**229,105,908**
TOTAL ASSETS	**287,090,224**	**264,009,677**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	**42,929**	**80,867**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	3,459,298	2,345,867
Accounts payable-payroll	1,703,053	1,487,194
Accrued interest payable	1,508,005	1,310,829
Bonds, notes, and capital leases payable, current portion portion-net (Note 10)	4,478,942	4,328,805
Compensated absences	281,008	253,874
Unearned revenue	1,994,347	1,798,245
Annuity payable	62,500	62,500
Deposits and funds held in trust for others	519,054	398,269
Total Current Liabilities	**14,006,207**	**11,985,583**
Noncurrent Liabilities:		
Bonds, notes, and capital leases payable, long term portion-net (Note 10)	134,568,023	125,389,565
Compensated absences	2,932,147	3,054,693
Unearned revenue	835,000	950,000
Annuity payable	342,170	368,074
OPEB liability	1,139,300	947,071
Deposits and funds held in trust for others	641,392	655,784
Refundable federal advances	7,019,950	7,098,280
Total Noncurrent Liabilities	**147,477,982**	**138,463,467**
TOTAL LIABILITIES	**161,484,189**	**150,449,050**
NET POSITION		
Net investment in capital assets	66,574,256	66,700,394
Restricted for:		
Non-Expendable		
Loans	1,241,745	1,257,090
Other	2,723,796	2,706,864
Expendable	7,893,514	6,599,775
Unrestricted	47,215,653	36,377,371
Total Net Position	**$ 125,648,964**	**$ 113,641,494**

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, 2014 AND 2013

ASSETS

	2014	2013
Current Assets:		
Cash and cash equivalents	$ 316,212	$ 450,008
Unconditional promises to give - promises to give net	766,362	738,109
Total Current Assets	1,082,574	1,188,117
Property, Plant, and Equipment:		
Building - Buffalo Alumni Hall	1,025,290	1,025,290
	1,025,290	1,025,290
Less: accumulated depreciation	(418,782)	(393,150)
Total Property, Plant, and Equipment	606,508	632,140
Other Assets:		
Cash - bond funds		3
Unconditional promises to give, net	465,565	344,483
Investments	17,483,809	12,829,428
Cash surrender value of life insurance	1,944,798	1,883,012
Other assets	104,921	104,921
Total Other Assets	19,999,093	15,161,847
Endowment Investments:		
Cash and cash equivalents	1,605,808	1,681,330
Investments	17,618,652	16,311,601
Total Endowment Investments	19,224,460	17,992,931
Total Assets	$ 40,912,635	$ 34,975,035

Exhibit A-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities:		
Accounts payable		$ 38,002
Current maturities of long-term debt	$ 45,849	54,416
Current maturities of obligations under annuity agreements	6,374	6,374
Total Current Liabilities	52,223	98,792
Long-Term Liabilities:		
Long-Term Debt	221,092	367,457
Less: current maturities above	(45,849)	(54,416)
Obligations under annuity agreements	70,088	76,462
Less: current maturities above	(6,374)	(6,374)
Amount held for UCA - Crow/White	5,593,539	5,001,986
Total Long-Term Liabilities	5,832,496	5,385,115
Total Liabilities	5,884,719	5,483,907
Net Assets:		
Unrestricted		
Board designated	235,716	235,716
Unrestricted	56,386	371,990
Temporarily restricted	15,511,354	10,552,315
Permanently restricted	19,224,460	18,331,107
Total Net Assets	35,027,916	29,491,128
Total Liabilities and Net Assets	$ 40,912,635	$ 34,975,035

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

	2013-2014	**2012-2013**
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $26,463,617 and $26,321,321)	$ 49,140,099	$ 45,275,026
Federal grants and contracts	2,655,769	2,878,500
State and local grants and contracts	2,026,453	1,088,950
Non-governmental grants and contracts	833,441	843,668
Sales and services of educational departments	1,584,214	1,413,262
Auxiliary Enterprises		
Athletics (net of scholarship allowances $1,690,703 and $1,806,149)	5,289,095	5,498,544
Housing (net of scholarship allowances of $4,445,687 and $4,419,195)	10,983,944	10,097,078
Food service (net of scholarship allowances of $2,846,833 and $2,844,150)	5,900,880	5,419,486
Student center (net of scholarship allowances of $422,654 and $451,532)	891,903	889,131
Recreational facilities (net of scholarship allowances of $906,788 and $963,682)	1,746,030	1,718,646
Other auxiliary enterprises (net of scholarship allowances of $713,810 and $787,462)	2,067,564	2,019,575
Other Operating revenues	1,224,051	1,097,378
Total Operating Revenues	**84,343,443**	**78,239,244**
Operating Expenses:		
Compensation and benefits	96,858,135	94,987,082
Supplies and services	38,558,095	36,828,829
Scholarships and fellowships	20,558,912	21,633,575
Depreciation and amortization	11,813,830	11,191,252
Total Operating Expenses	**167,788,972**	**164,640,738**
Operating Income (Loss)	**(83,445,529)**	**(86,401,494)**
Non-operating Revenues (Expenses):		
State appropriations	61,934,274	56,831,814
Federal grants and contracts	18,314,582	17,264,521
State and local grants and contracts	16,832,827	20,319,115
Non-governmental grants and contracts	3,554,254	3,360,269
Gifts	400,698	253,197
Investment income (net of investment expense $54,233 and $50,191)	1,125,888	839,990
Interest expense and trustee fees	(5,360,730)	(4,976,357)
Disposal of capital assets (net of accumulated depreciation $3,152,282 and $10,519,371)	(497,119)	(125,513)
Payments to foundation for scholarships	(96,302)	(97,768)
Other income	44,920	40,546
Net Non-operating Revenues (Expenses)	**96,253,292**	**93,709,814**
Income Before Other Revenues, Expenses, Gains or Losses	**12,807,763**	**7,308,320**
Other Revenues, Expenses, Gains or Losses		
Capital gifts	56,825	197,970
Payments to foundation for uncollected donations		(1,598,072)
Payments of mandatory fees to agency funds	(820,522)	(698,621)
Other deductions, net	(36,596)	(27,870)
Total Other Revenues, Expenses, Gains or Losses	**(800,293)**	**(2,126,593)**
Increase in Net Position	12,007,470	5,181,727
Net Position - Beginning of Year as Originally Reported	113,641,494	108,908,491
Restatement of Prior Year Balance		(448,724)
Net Position - Beginning of Year	**113,641,494**	**108,459,767**
Net Position - End of Year	**$ 125,648,964**	**$ 113,641,494**

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, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:								
Contributions	$ 91,791	$ 1,395,258	$ 875,178	$ 2,362,227	$ 92,368	$ 1,706,953	$ 951,966	$ 2,751,287
Lease income		30,000		30,000		567,976		567,976
Special events		860,642		860,642		1,061,750		1,061,750
Interest and dividends	11	719,343		719,354	23,260	587,802		611,062
Membership dues and sponsorships		599,151	18,175	617,326		442,292	14,340	456,632
Grants		1,165,250		1,165,250		131,915		131,915
Royalty income		52,939		52,939		44,326		44,326
Realized gain (loss) on sale of assets						1,524,999		1,524,999
Realized gain (loss) on sale of investments	(638)	926,824		926,186	1,525	38,393		39,918
Unrealized gain (loss) on investments		2,993,769		2,993,769	127,665	2,518,093		2,645,758
Net assets released from restrictions:								
Satisfaction of program restrictions	3,784,137	(3,784,137)			4,820,339	(4,820,339)		
Total Revenues, Gains, and Other Support	3,875,301	4,959,039	893,353	9,727,693	5,065,157	3,804,160	966,306	9,835,623
Expenses:								
Programs								
Scholarships	644,088			644,088	590,381			590,381
Grants and University programs - UCA	2,883,254			2,883,254	3,153,901			3,153,901
Total Programs	3,527,342			3,527,342	3,744,282			3,744,282
Administration	153,900			153,900	136,061			136,061
Investment fees	211,804			211,804	244,496			244,496
Fundraising	152,288			152,288	159,958			159,958
Interest	119,939			119,939	586,197			586,197
Depreciation	25,632			25,632	25,632			25,632
Total Expenses	4,190,905			4,190,905	4,896,626			4,896,626
Change in Net Assets	(315,604)	4,959,039	893,353	5,536,788	168,531	3,804,160	966,306	4,938,997
Net Assets at Beginning of Year	607,706	10,552,315	18,331,107	29,491,128	439,175	6,748,155	17,364,801	24,552,131
Net Assets at End of Year	$ 292,102	$ 15,511,354	$ 19,224,460	$ 35,027,916	$ 607,706	$ 10,552,315	$ 18,331,107	$ 29,491,128

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	2013-2014	2012-2013
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	$ 49,432,207	$ 45,190,796
Grants and contracts	5,770,512	4,854,851
Collection of loans and interest from students/loans issued to students - net	(1,069,958)	377,673
Auxiliary Enterprise revenues:		
Athletics	5,137,656	6,487,022
Housing	10,943,776	9,953,682
Food service	5,872,767	5,558,131
Student center	891,568	900,639
Recreational facilities	1,745,094	1,720,875
Other auxiliary enterprises	2,176,424	2,396,359
Other receipts	2,397,416	2,341,136
Payments to employees/benefits	(96,545,459)	(94,858,172)
Payments to suppliers	(37,712,330)	(39,471,601)
Payments for scholarships and fellowships	(20,558,912)	(21,633,575)
Net cash provided (used) by operating activities	**(71,519,239)**	**(76,182,184)**
Cash Flows from Non-capital Financing Activities		
State appropriations	61,888,348	56,903,964
Private gifts	400,698	250,417
Federal grants and contracts	18,374,182	17,200,944
State, local, and private grants and contracts	20,387,081	23,696,884
Direct lending receipts	48,996,350	47,002,106
Direct lending payments	(48,996,350)	(47,002,106)
Other agency funds - net	50,553	934
Annuity payments	(62,500)	(62,500)
Payment of mandatory fees to agency funds	(820,522)	(698,621)
Net cash provided (used) by non-capital financing activities	**100,217,840**	**97,292,022**
Cash Flows from Capital and Related Financing Activities		
Distributions from trustee of bond proceeds and interest earnings	8,596,834	5,602,147
Capital grants and gifts	25,000	40,000
Proceeds from sale of capital assets	30,743	39,692
Purchases of capital assets	(15,477,111)	(8,803,441)
Payments to debt holders for principal other than for bonds	(303,718)	(174,322)
Payments to trustee for bond principal	(4,150,000)	(3,290,000)
Payments to trustee for interest and fees	(5,380,703)	(5,031,404)
Payments to debt holders for interest and fees other than for bonds	(128,471)	(24,035)
Net cash provided (used) by capital and related financing activities	**(16,787,426)**	**(11,641,363)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	97,414	148,109
Purchase of investments	(785,268)	(616,583)
Interest on investments (net of fees)	1,122,906	822,234
Net cash provided (used) by investing activities	**435,052**	**353,760**
Net increase (decrease) in cash	**12,346,227**	**9,822,235**
Cash - Beginning of Year	**52,143,669**	**42,321,434**
Cash - End of Year	**$ 64,489,896**	**$ 52,143,669**

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

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	2013-2014	2012-2013
Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (83,445,529)	$ (86,401,494)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	11,813,830	11,191,252
Change in assets and liabilities:		
Receivables, net	(1,097,213)	276,501
Inventories	(17,822)	11,989
Deposits with others	(455)	10,051
Prepaid expenses and other assets	(270,323)	(28,931)
Accounts payable	1,320,355	(1,800,997)
Unearned revenue	81,101	312,501
Compensated absences	(95,412)	48,303
Other postemployment benefits liability	192,229	198,641
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (71,519,239)**	**$ (76,182,184)**
Noncash Transactions		
Capital gifts	$ 31,825	$ (1,440,102)
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund	13,638,921	11,864,442
Bond issuance costs and discounts paid directly from bond proceeds	161,079	248,980
Amortization of bond premium	23,842	24,161
Amortization of bond discount	10,214	8,652
Amortization of bond refunding gain/loss	37,938	37,938
Amortization of bond issuance costs	32,271	183,977
Interest earned on reserve accounts held by trustee	14	1,580
Value of trade-in of equipment	14,177	853
Loss on disposal of certain capital assets	170,417	
Payments by Foundation for scholarships	96,302	97,768
Unearned revenue from skybox purchase transactions	85,000	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 Statement no. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement no. 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.

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 Statement no. 34 and GASB Statement no. 35. This was amended by GASB Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement no. 65, *Items Previously Reported as Assets or Liabilities.* 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.

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, 2014, 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 $2,398,618 at June 30, 2014.

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, including those 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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 ended June 30, 2014 was $5,471,392 and $568,540, 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.

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 Outflows of Resources: Deferred outflows include the deferred gains and losses on debt refinancing (debt refunding) in prior years.

Unearned Revenues: Unearned 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 Position*, and as a component of the compensation and benefit expense in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Determination of the current liability portion for vacation, sick leave, and compensatory time 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.

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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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

Net Investment in Capital Assets – This represents the University's total investment in capital assets, net of outstanding debt related to those capital assets.

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

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

Unrestricted – This represents 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.

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 $7,019,950 as of June 30, 2014.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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, 2014 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, 2014.

At June 30, 2014, the University's deposits with trustees totaled $19,616,893 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 consisting of U.S. Treasuries, government agency securities, and repurchase agreements. The weighted average maturity was 51 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 consisting of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 44 days.

Investments are recorded at fair value.

The commercial bank deposits noted below do not include cash on hand in the amount of $23,605.

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

Statement of Cash/Invested Assets

TOTAL PLAN	JUNE 30, 2014
Cash Equivalent/Investment Type	**Fair Value**
State Treasury Deposits	**$ 1,270,852**
State Treasury Deposits-GIF	1,270,852
Commercial Bank Deposits	**63,195,439**
Insured (FDIC)	528,975
Uninsured, Collateralized	62,666,464
Deposits with Trustees*	**19,616,893**
Bank of the Ozarks	
Federated Government Obligations Fund 395	8
Federated Treasury Obligation IS Fund 68	19,616,885
UCA Foundation, Inc.	**5,593,539**
Delta Trust	127,716
Delta Trust-Equities	5,465,823
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.

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

DEPOSITS WITH TRUSTEES		June 30, 2014	
Fund Name	**Fair Value**	**Moody's**	**S & P**
Federated Government Obligations #395	8	Aaa-mf	AAAm
Federated Treasury Obligations Fund #068	19,616,885	Aaa-mf	AAAm

Note: The Effective Average Maturity was 51 and 44 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, 2014
Investment Type	**Fair Value**	**No Rating**	**Aaf**	**AA**	**BBB+f**
Delta Trust-Fixed Income	NONE				

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

Credit Risk Concentration

TOTAL PLAN		JUNE 30, 2014
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, 2014
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**
Delta Trust-Fixed Income	NONE			

NOTE 4: Disaggregation of Receivable and Payable Balances

Accounts receivable consisted of the following at June 30, 2014:

Student tuition and fees	$ 1,914,763
Auxiliary enterprises	264,717
Loans	7,933,188
State of Arkansas	262,559
Federal and private grants and contracts	506,334
Other	375,279
Totals	$ 11,256,840

Accounts payable consisted of the following at June 30, 2014:

Vendor accounts	$ 3,459,298
Payroll	1,703,053
Accrued interest	1,508,005
Totals	$ 6,670,356

NOTE 5: Inventories

Inventories consisted of the following at June 30, 2014:

Maintenance	$ 281,834
Postage	55,019
Housing	6,448
Central Duplicating	7,260
Technology Learning Ctr	9,857
Math/Science Ed Books	4,121
Totals	$ 364,539

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, 2013 Balance	Additions	Deductions	June 30, 2014 Balance
Capital Assets not Being Depreciated				
Land*	$ 12,111,880	$ 1,159,000		$ 13,270,880
Timber	89,894			89,894
Construction in Progress	3,097,240	12,017,775	$ 1,228,270	13,886,745
Archives	704,732	25,000		729,732
Total Capital Assets not Being Depreciated	16,003,746	13,201,775	1,228,270	27,977,251
Other Capital Assets				
Infrastructure	27,294,102	1,356,992		28,651,094
Buildings**	229,039,492	618,777	793,929	228,864,340
Furniture and Equipment	19,106,646	749,995	916,034	18,940,607
Intangibles-computer software	5,290,741			5,290,741
Library Holdings	11,162,588	1,373,028	1,939,438	10,596,178
Total Other Capital Assets	291,893,569	4,098,792	3,649,401	292,342,960
Less Accumulated Depr & Amort for:				
Intangibles-computer software	1,737,014	264,537		2,001,551
Infrastructure	13,490,418	1,225,484		14,715,902
Buildings***	96,247,270	7,773,188	345,260	103,675,198
Furniture and equipment	11,583,906	1,652,675	867,584	12,368,997
Library holdings	4,642,633	897,946	1,939,438	3,601,141
Total Accumulated Depreciation	127,701,241	11,813,830	3,152,282	136,362,789
Total Other Capital Assets, net	164,192,328	(7,715,038)	497,119	155,980,171
Capital Assets Summary:				
Capital Assets not being depreciated	16,003,746	13,201,775	1,228,270	27,977,251
Other capital assets, at cost	291,893,569	4,098,792	3,649,401	292,342,960
Less: Accumulated Depreciation	127,701,241	11,813,830	3,152,282	136,362,789
Total Other Capital Assets, net	164,192,328	(7,715,038)	497,119	155,980,171
Capital Assets, net	$ 180,196,074	$ 5,486,737	$ 1,725,389	$ 183,957,422

*Beginning land balance reduced by $52,033
**Beginning buildings balance increased by $52,033
***Beginning accumulated depreciation – buildings balance increased by $9,539

NOTE 7: Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2014. 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.

NOTE 7: Student Loans Receivable (Continued)

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 Outflows of Resources:

In March 2012, the GASB issued GASB Statement no. 65 – *Items Previously Reported as Assets or Liabilities* (GASB 65), effective for periods beginning after December 15, 2012. GASB Statement no. 65 requires the reclassification of certain items on the Statement of Net Position to new categories: Deferred Inflows or Resources and Deferred Outflows of Resources.

Deferred outflows of resources consist of unamortized debt refunding amounts of $42,929 at June 30, 2014.

NOTE 9: Unearned Revenue:

Unearned revenue consists of the following at June 30, 2014:

Prepaid tuition and fees	$ 1,455,146
Academic Outreach fees	89,141
Other deferred income	1,285,060
Totals	$ 2,829,347

NOTE 10: Noncurrent Liabilities

A summary of noncurrent liabilities as of June 30, 2014, follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
Bonds, Notes and Capital Lease					
Bonds	$ 125,775,000	$ 13,800,000	$ 4,150,000	$ 135,425,000	$ 4,295,000
Bond Premium	569,112		23,841	545,271	24,649
Bond Discount	(165,671)	(4,059)	(10,214)	(159,516)	(9,266)
Capital lease payable	745,075		163,764	581,311	168,559
Note payable	2,794,854		139,955	2,654,899	
Total bonds and capital lease	129,718,370	13,795,941	4,467,346	139,046,965	4,478,942
Other Liabilities:					
Annuity agreement	430,574	36,596	62,500	404,670	62,500
Accrued compensated absences	3,308,567	2,900,527	2,995,939	3,213,155	281,008
OPEB liability	947,071	192,229		1,139,300	
Refundable federal advances	7,098,280		78,330	7,019,950	
Unearned revenue	2,748,245	1,853,901	1,772,799	2,829,347	1,994,347
Deposits and funds held in trust	1,054,053	265,351,907	265,245,514	1,160,446	519,054
Total other liabilities	15,586,790	270,335,160	270,155,082	15,766,868	2,856,909
Total Long Term Liabilities	$ 145,305,160	$ 284,131,101	$ 274,622,428	$ 154,813,833	$ 7,335,851

Additional information regarding bonds payable is included in note 11.
Additional information regarding capital lease payable is included in note 13.
Additional information regarding the note payable is included in note 14.
Additional information regarding the annuity agreement is included in note 15.

NOTE 11: Bonds Payable:

On December 16, 2013, the University issued $13,800,000 in Student Housing System revenue capital improvement bonds. The issues, referred to as 2013 Series A Taxable Student Housing System Revenue Capital Improvement Bonds in the amount of $12,300,000 and 2013 Series B Tax-Exempt Student Housing System revenue Capital Improvement Bonds in the amount of $1,500,000 collectively make up the Series 2013. These issues are for the purpose of design and construction of sorority houses and one National Pan-Hellenic Council facility that will consist of Greek Village Phase I. The bond issuance costs of $157,020 were expensed in the current fiscal year.

NOTE 11: Bonds Payable (Continued)

A summary of the principal and interest payments due on all bonds payable follows:

Fiscal Year	Total Principal	Interest	Total Payments
2015	$ 4,295,000	$ 5,756,470	$ 10,051,470
2016	4,550,000	5,605,987	10,155,987
2017	4,765,000	5,445,210	10,210,210
2018	4,950,000	5,264,787	10,214,787
2019	5,125,000	5,075,738	10,200,738
2020-2024	27,695,000	22,026,248	49,721,248
2025-2029	24,700,000	16,052,694	40,752,694
2030-2034	25,415,000	10,459,630	35,874,630
2035-2039	22,415,000	5,364,008	27,779,008
2040-2044	11,515,000	1,469,279	12,984,279
Total Bonds	135,425,000	82,520,051	217,945,051
Net prem/disc	**385,755**		**385,755**
Totals	$ 135,810,755	$ 82,520,051	$ 218,330,806

The amount of interest due for fiscal year 2014 includes a total accrued interest payable of $1,503,413.

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, 2014	Maturities as of June 30, 2014
2004B	2014	4.75-5.75	$ 600,000	$ 75,000	$ 525,000
2006A	2021	5.40-6.00	4,625,000	2,645,000	1,980,000
2006B	2026	5.40-6.125	4,180,000	3,050,000	1,130,000
2006C	2026	5.40-6.125	4,180,000	3,050,000	1,130,000
2006D	2026	4.00-5.00	7,200,000	5,015,000	2,185,000
2006E	2026	4.00-5.00	3,800,000	2,645,000	1,155,000
2006F	2030	4.00-5.00	8,100,000	6,345,000	1,755,000
2007A	2037	4.00-5.00	2,000,000	1,780,000	220,000
2007B	2037	4.00-5.00	16,000,000	14,300,000	1,700,000
2007C	2034	4.00-4.50	21,400,000	17,320,000	4,080,000
2010A	2023	2.00-3.25	4,065,000	3,240,000	825,000
2010B	2033	2.00-4.5	15,210,000	13,755,000	1,455,000
2010C	2040	2.00-4.5	22,000,000	21,715,000	285,000
2012A	2041	1.00-4.00	15,500,000	15,165,000	335,000
2012B	2035	2.00-3.5	11,910,000	11,525,000	385,000
2013A	2043	1.10-5.70	12,300,000	12,300,000	
2013B	2043	1.05-5.0	1,500,000	1,500,000	
Total Bonds			154,570,000	135,425,000	19,145,000
Net unamortized premium/discount			**444,048**	**385,755**	**58,293**
Totals			$ 155,014,048	$ 135,810,755	$ 19,203,293

The University did maintain Housing System Reserves as required by bond covenants aggregating $4,075,086 in 2014.

NOTE 12: GASB 48-Sales and Pledges of Receivables and Future Revenues

The University has pledged future student fee revenue to repay $35,202,216 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 $53,954,286, including $355,284 in accrued interest as of June 30, 2014. Principal and interest paid for the current year and gross revenues were $2,958,047 and $75,603,716, respectively.

The University has pledged future housing systems revenue to repay $73,350,000 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 2043. Annual principal and interest payments on the bonds are expected to require approximately 29% of gross revenues. The total principal and interest remaining to be paid on the bonds is $122,916,779 including $851,434 in accrued interest as of June 30, 2014. Principal and interest paid for the current year and gross revenues were $4,432,292 and $15,429,631, respectively.

The University has pledged future other auxiliary revenue to repay $26,872,784 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 9% of gross revenues. The total principal and interest remaining to be paid on the bonds is $41,073,985 including $296,695 in accrued interest as of June 30, 2014. Principal and interest paid for the current year and gross revenues were $2,102,583 and $22,856,091, respectively.

NOTE 13: 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 seven years with payments made from current unrestricted funds and the total present value of net minimum lease payments at June 30, 2014 was $581,311. The equipment was capitalized at a cost of $1,159,355 in fiscal year 2010-11. The accumulated depreciation on June 30, 2014 was $579,678, with this fiscal year's amount of $165,623. 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
2015	$ 168,559	$ 14,579	$ 183,138
2016	173,496	9,642	183,138
2017	178,577	4,561	183,138
2018	60,679	366	61,045
Totals	$ 581,311	$ 29,148	$ 610,459

The amount of interest due for fiscal year 2015 includes a total accrued interest payable of $140 for fiscal year 2014.

NOTE 14: 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 15 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. Voluntary principal payments of $139,955 and interest of $109,096 were paid as of June 30, 2014. The principal outstanding at June 30, 2014 was $2,654,899. The total principal and interest remaining to be paid on the note is $4,136,484, including $4,357 in accrued interest as of June 30, 2014.

Fiscal Year	**Total Principal**	**Interest**	**Total Payments**
2015		$ 106,056	$ 106,056
2016		106,346	106,346
2017		106,056	106,056
2018		106,056	106,056
2019		106,056	106,056
2020-2024		530,860	530,860
2025-2028	$ 2,654,899	420,155	3,075,054
Totals	$ 2,654,899	$ 1,481,585	$ 4,136,484

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 was included in Payments to Foundation for Uncollected Donations on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 15: 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, 2014, was $404,670 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 16: Commitments

The University was contractually obligated for the following at June 30, 2014:

Project Name	Estimated Completion Date	Contract Balance
Baridon Hall Fire Sprinkler	July 2014	$ 50,342
Short/Denney Hall Fire Sprinkler	July 2014	80,223
Conway Hall Roof Replacement	July 2014	7,180
Tennis Court Resurfacing	August 2014	13,737
Math Building Remodel	August 2014	2,246
New Gravel Parking Lot	August 2014	41,979
Intramural Soccer Field	September 2014	52,721
Torreyson Library Roof Replacement	September 2014	335,000
ADEM Renovation	October 2014	37,697
HPER Expansion	October 2014	4,868,062
McCastlain Remodel	December 2014	13,307
Greek Village Housing & NPHC	July 2015	9,648,028
Donaghey Corridor Design	June 2016	533,041
Lewis Science Center Addition	January 2017	1,213,224
Nursing & Communication Sciences	June 2017	940,114
		$ 17,836,901

NOTE 17: 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 two supplemental Retirement Accounts with 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.

NOTE 17: Retirement Plans (Continued)

Schedule of Employer and Employee Contributions

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2012	$4,292,466	$3,244,336
June 30, 2013	4,502,703	3,757,559
June 30, 2014	4,630,726	3,374,736

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.

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 2014 employer rate was 14%.

Schedule of Employer Contributions for ATRS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2012	$1,631,812	$ 656,092
June 30, 2013	1,422,911	579,495
June 30, 2014	1,373,857	561,163

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, 2012	$ 102,786
June 30, 2013	120,300
June 30, 2014	98,673

NOTE 17: Retirement Plans (Continued)

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.

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. For the 2013-2014 fiscal year, the current statutory employer rate was 14.88% of the annual covered payroll.

Schedule of Employer Contributions for APERS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2012	$1,270,790	$ 180,332
June 30, 2013	1,426,497	221,877
June 30, 2014	1,512,948	237,365

The University contributes 14.88% for the APERS Drop Plan members.

Schedule of Employer Contributions for APERS Drop

Fiscal Year Ended	Employer Annual Contributions
June 30, 2012	$ 5,972
June 30, 2013	18,289
June 30, 2014	27,092

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.

NOTE 17: Retirement Plans (Continued)

Schedule of Annual Employee Contributions for Supplemental Retirement Accounts:

Fiscal Year Ended	TIAA-CREF	TIAA-CREF ROTH	VALIC
June 30, 2012	$ 881,376	$ 44,311	$ 133,582
June 30, 2013	878,366	66,125	100,660
June 30, 2014	856,112	82,138	98,465

NOTE 18: Claims and Judgments/Contingencies

The following claims and potential judgments/contingencies existed as of June 30, 2014, and subsequently.

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.

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 June 30, 2014.

NOTE 18: Claims and Judgments/Contingencies (Continued)

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. However, the University has written this amount off to bad debt expense as of June 30, 2014, which is reflected as a reduction in Sales & Services of Educational Departments on the *Statement of Revenues, Expenses, and Changes in Net Position*.

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.

University of Central Arkansas v. Terry Williams, Simmons First National Bank, and Centennial Bank (Circuit Court of Faulkner County, Arkansas, 2nd Division, Case No. 23CV-13-928)

The University filed a lawsuit on November 21, 2013, seeking condemnation of a small parcel of real property located on Donaghey Avenue in Conway, Arkansas. The University deposited $116,000 into the registry of the Court as compensation to everyone possessing an interest in the property. On June 23, 2014, the Court filed a consent judgment granting condemnation and transferring the property to the University in exchange for the amount already deposited in the registry of the Court.

NOTE 18: Claims and Judgments/Contingencies (Continued)

Mark Lowery v. University of Central Arkansas (Circuit Court of Faulkner County, Arkansas, 2nd Division, Case No. 23CV-14-301)

Mark Lowery filed a lawsuit against the University on May 12, 2014. 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.

Mr. Lowery 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 unemployment 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 breached his contract, and (5) a declaration that the University violated his right to procedural due process. The University was served on May 14, 2014. Mr. Lowery subsequently filed three amended complaints. The University is contesting the allegations, and the Office of the Attorney General is representing the University. A hearing on a motion to dismiss filed by the Attorney General was held on May 19, 2015, and the Court ruled at the hearing that it was dismissing the case.

The following matters are included because they existed on June 30, 2012 or June 30, 2013, and were disposed of in a fiscal year included in the financial statements.

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.

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.

NOTE 18: Claims and Judgments/Contingencies (Continued)

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.

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.

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.

NOTE 18: Claims and Judgments/Contingencies (Continued)

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). (Continued)

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.

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 as of August 28, 2013.

NOTE 19: Related Party Transactions

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 19: 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 20: Natural Classifications with Functional Classifications

The University operating expenses by functional classification were as follows:

Year Ended June 30, 2014
Natural Classification

Functional Classification	Personal Services	Scholarships	Supplies	Depreciation	TOTAL
Instruction	$ 53,253,703		$ 5,784,558		$ 59,038,261
Research	2,394,311		1,064,740		3,459,051
Public service	1,067,887		1,564,107		2,631,994
Academic support	7,255,118		4,388,730		11,643,848
Student services	4,977,380		2,160,774		7,138,154
Institutional support	8,997,413		1,555,278		10,552,691
Operation of plant	8,640,446		7,377,615		16,018,061
Scholarships		$ 17,207,203			17,207,203
Auxiliary enterprises	10,271,877	3,351,709	14,662,293		28,285,879
Depreciation				$ 11,813,830	11,813,830
Total Expenses	$ 96,858,135	$ 20,558,912	$ 38,558,095	$ 11,813,830	$ 167,788,972

NOTE 21: 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.

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

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 are eligible for the postemployment benefits if they 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.

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.

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

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 2013-2014, the University's annual OPEB cost was $293,315. The University paid retiree premiums for the benefits described above in the amount of $101,086. The University accrued an additional increase of $192,229 in the net OPEB expense resulting in a net OPEB obligation of $1,139,300 at FY ended June 30, 2014.

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.

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

Cost Element		**Fiscal Year Ending June 30, 2014**	
		Amount	Percent of Payroll[1]
1.	Unfunded actuarial accrued liability at July 1, 2013	$2,550,466	3.76%
Annual Required Contribution (ARC)			
2.	Normal cost	$183,099	
3.	Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$130,123	
4.	Annual Required Contribution (ARC = 2 + 3)	$313,222	0.46%
Annual OPEB Cost (Expense)			
5.	Normal cost	$313,222	
6.	Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$(48,319)	
7.	Interest on beginning of year accrual	$ 28,412	
8.	Fiscal 2013-2014 OPEB cost (5 +6 + 7)	$293,315	0.43%

[1]Annual payroll for the 1,351 plan participants as of June 30, 2014 is $67,882,331.

End of Year Accrual (Net OPEB Obligation)			
9.	Beginning of year accrual	$ 947,071	
10.	Annual OPEB cost	$ 293,315	
11.	Employer contribution (benefit payments) [2]	$ 101,086	
12.	End of year accrual (9 + 10 – 11)	$1,139,300	1.68%

[2] Actual contributions and administrative fees paid in fiscal year 2013-2014 of $291,729 less participant contributions of $190,643.

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2012	$311,294	$132,801	42.7%
June 30, 2013	313,991	115,350	36.7%
June 30, 2014	293,315	101,086	34.5%

[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 Ended	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, 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%
June 30, 2014	0	2,550,466	2,550,466	0%	67,882,331	3.76%

[4] Estimated payroll as of June 30, 2012 for FY ended June 30, 2012, as of June 30, 2013 for FY ended June 30, 2013, and as of June 30, 2014 for FY ended June 30, 2014 includes only plan participants.

Note:
The annual required contribution (ARC) of $313,222 for fiscal year 2013-2014 and accrual of $1,139,300 as of June 30, 2014, 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, 2012	$311,294	42.7%	$748,430
June 30, 2013	313,991	36.7%	947,071
June 30, 2014	293,315	34.5%	1,139,300

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2013 – June 30, 2014
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

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

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 2014. 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.

Valuation Year	July 1, 2013 – June 30, 2014
Census Data	Census data was provided as of May 2014. 1,196 active participants with an average age of 46.9 and average service of 9.3 years were valued. 91 retired participants with an average age of 66.0 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.

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

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. 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.
Health Costs	Total monthly costs for the University are capped at \$150 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	Total monthly costs for the University are capped at \$0 for retirees who retire after December 31, 2009. This employer cost is not increased with trend rates. The University's maximum monthly cost for retirees who retire before January 1, 2010 is capped at \$25 for single coverage.
Life Insurance Costs	Retiree life insurance has two classifications, Class 4 and Class 5. For Class 4, the monthly costs for the University are capped at \$0 for retirees who retire after December 31, 2008. This employer cost is not increased with trend rates. The University's maximum monthly cost for retirees who retire before January 1, 2009 is capped at \$10 for basic coverage. For Class 5, the monthly costs for the University are 100% of the monthly premium until retiree reaches age 70. The monthly costs for the University are capped at \$0 for retirees in Class 5 age 70 and older.

NOTE 21: 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 2013 Combined Static 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	.284	.139	46.0	48.4
30	.386	.199	39.4	44.0
35	.672	.348	32.0	31.0
40	.862	.462	27.0	22.0
45	1.058	.716	20.8	20.0
50	1.396	1.068	16.2	17.0
55	2.235	2.205	15.0	15.0
60	4.700	4.502	15.0	15.0
65	9.536	8.750	15.0	15.0
70	16.155	14.856	15.0	15.0
75	28.415	23.795	n/a	n/a
80	52.647	39.866	n/a	n/a

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.

NOTE 21: Other Postemployment Benefits (OPEB) (Continued)

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

Age	Percentage	
	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 22: 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 only one group health insurance plan, the Point of Service (POS), which is qualified to be associated with the GAP Plan. The University offers the POS plan to all benefits-eligible employees. The POS applies a $1,000 deductible to eligible in-network medical expenses. The deductible is the employee's financial responsibility to medical providers. The Gap Plan will reimburse the employee $500 after $1,000 has been applied to the health insurance deductible.

The University offers the self-insured Gap Plan to the employees who have elected to participate in the group health insurance. The employees may choose single, two-party, or family coverage. 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.

NOTE 22: Gap Plan-Self Insured (Continued)

Schedule of Contributions

Fiscal Year Ended	Employer Contributions	Employee Contributions
June 30, 2012	$260,796	$ 51,997
June 30, 2013	256,843	38,674
June 30, 2014	253,650	38,298

Schedule of Claims

Fiscal Year Ended	Claims Reimbursed
June 30, 2012	$ 94,659
June 30, 2013	112,267
June 30, 2014	106,237

As of June 30, 2014, 1,208 employees have elected Gap Plan coverage.

NOTE 23: 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.

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.

NOTE 23: Risk Management (Continued)

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.

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 24: 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, 2014 were $6,321,331. Of this amount, $2,723,796 was reported as restricted – nonexpendable other and the remaining $3,597,535 was reported as restricted – expendable.

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 25: 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*.

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. A second payment was made on August 28, 2013 in the amount of $69,000. The remaining outstanding receivable of $562,000 and allowance of $560,000 at June 30, 2014 are included in Accounts Receivable-Other on the *Statement of Net Position*.

NOTE 26: Prior Year Restatements

In March 2012, the GASB issued GASB Statement no. 65 – *Items Previously Reported as Assets or Liabilities* (GASB 65), effective for periods beginning after December 15, 2012. Under GASB 65:

> *"Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred."*

GASB 65 required that financial statements be restated to reflect the change in accounting principle on the financial statements for the year ended June 30, 2014.

GASB 65 also required the reclassification of certain assets and liabilities as deferred outflows of resources or deferred inflows of resources.

The University also elected to restate certain prior year amounts on the *Statement of Net Position* for presentation purposes.

As such, prior year restatements were required as follows:

Statement of Net Position

In order to accurately present recognition of certain bond issuance costs in prior years as a result of the implementation of GASB 65, current and noncurrent bond issuance costs were decreased by $24,634 and $548,520, respectively, with a total corresponding decrease to net investment in capital assets and in total net position of $573,154.

The University also separated unamortized gains and losses on debt refinancing (debt refunding) as a component of deferred outflows of resources, as required by GASB 65. As a result of implementation, a new classification of debt refunding costs was added to the financial statements in the amount of $80,867. Corresponding increases to current and non-current bonds and capital leases payable of $37,938 and $42,929, respectively, were made. There is a zero net effect from this change on the restated financial statement.

NOTE 26: <u>Prior Year Restatements</u> (Continued)

Additionally, the deferred revenue descriptions from prior year statements were changed to “unearned revenue,” to prevent confusion with the categories newly established by GASB 65.

The University recognized that certain amounts included in unearned- revenue should be classified as noncurrent as they will not be recognized within one year of the report date. As such, noncurrent unearned revenue of $950,000 was reclassified, with a corresponding decrease in current unearned revenue. There is a zero net effect from this change on the restated financial statement.

<u>Statement of Revenues, Expenses, and Changes in Net Position</u>

In order to accurately present recognition of certain bond issuance costs in prior years as a result of the implementation of GASB 65, the University restated its prior year beginning balance by a decrease of $440,919, reflected in the prior year Restatement of Prior Year Balance on the *Statement of Revenues, Expenses, and Changes in Net Position*. This change represents bond issuance costs which were included in total assets as of July 1, 2012, which would have been expensed in the years ended June 30, 2012 or prior.

In addition, the University was required to recognize bond issuance costs originally included in total assets at July 1, 2013, which would have been expensed in the year ended June 30, 2013. Interest expense was increased by $132,235, resulting in a reduction in increase in net position of $132,235.

<u>Statement of Cash Flows</u>

The increase in bond issuance costs of $132,235 for the prior year is included in the amortization of bond issuance costs under noncash transactions on the *Statement of Cash Flows*.

In 2014, the University determined that a capital asset purchased in September 2007 and previously classified as land also consisted of a building, which had previously been scheduled for demolition. Since the building still exists and is maintained by the University, we have restated prior year financial statements to include the value of the building and related depreciation since the date of acquisition. On the *Statement of Net Position*, Noncurrent Assets – Capital Assets was decreased by $9,539 with a matching reduction in Net Position – Net Investment in Capital Assets. On the *Statement of Revenues, Expenses, and Changes in Net Position*, Operating Expenses – Depreciation and Amortization was increased by $1,734 and the Restatement of Prior Balance was decreased by $7,805 to reflect depreciation of the building asset. The Operating Loss and Depreciation Expense on the *Comparative Statement of Cash Flows* were also restated to reflect these changes. The amount reclassified from land to building was $52,033, with that change reflected in *Note 6: Capital Assets*.

The University also determined that certain non-governmental funds previously classified as operating revenues should have been classified as non-operating revenues. As such, non-governmental grants and contracts included in operating revenues were reduced by $1,290,122, with an equal increase to non-governmental grants and contracts included in non-operating revenues. Cash flows from operating activities – grants and contracts was reduced by $1,290,122, and Cash flows from non-capital financing activities – State, local, and private grants and contracts was increased by the same amount. The Operating Loss on the *Comparative Statement of Cash Flows* was also restated to reflect this change.

NOTE 27: Subsequent Events

United Health Care

At the meeting of the UCA Board of Trustees on August 15, 2014, approval was given to accept a proposal by United Health Care to increase premiums by 5%, effective January 1, 2015 to December 31, 2015. 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 $240,000 for fiscal year 2015, which will be covered by a $550,000 contingency fund which was set aside for potential health insurance cost increases. The total estimated increase in cost for the coverage period is $505,000.

Purchase of 315 Western

At the meeting of the UCA Board of Trustees on July 22, 2014, approval was given to purchase the lot and building located at 315 Western Avenue in Conway. The closing occurred on July 24, 2014, for a total purchase price of $310,325.

Purchase of 2302 Bruce

At the meeting of the UCA Board of Trustees on September 16, 2014, approval was given to purchase the lot and building located at 2302 Bruce Street in Conway. The closing occurred on November 14, 2014, for a total purchase price of $460,325.

Purchase of 212 Baridon

At the meeting of the UCA Board of Trustees on October 10, 2014, approval was given to purchase the lot and building located at 212 Baridon Street in Conway. The closing occurred on May 8, 2015 for a total purchase price of $100,026.

Purchase of 1919 South

At the meeting of the UCA Board of Trustees on October 10, 2014, approval was given to purchase the lot and building located at 1919 South Boulevard in Conway. The closing occurred on December 11, 2014 for a total purchase price of $108,993.

Sale of Woodson Lateral Property

At the meeting of the UCA Board of Trustees on February 13, 2015, approval was given for the sale of unimproved property in Pulaski County, Arkansas, referred to as the Woodson Lateral Property. The closing occurred on April 27, 2015 for a total sale price of $130,000.

Purchase of 242 Donaghey

At the meeting of the UCA Board of Trustees on January 16, 2015, approval was given to purchase the lot and building located at 242 Donaghey Avenue in Conway. The closing occurred on February 4, 2015 for a total purchase price of $236,179. The University also agreed to pay the seller $164,000 if the property was vacated prior to April 15, 2015. These terms were met and settled on March 30, 2015, bringing the total purchase price to $400,179.

NOTE 27: Subsequent Events (Continued)

Purchase of 2012 South

At the meeting of the UCA Board of Trustees on May 15, 2015, approval was given to purchase the lot and building located at 2012 South Boulevard in Conway. The closing occurred on June 3, 2015 for a total purchase price of $164,819.

Purchase of 1954 South

At the meeting of the UCA Board of Trustees on May 15, 2015, approval was given to purchase the lot and building located at 1954 South Boulevard in Conway for the sum of $325,000.

Purchase of 354/362 Donaghey

At the meeting of the UCA Board of Trustees on May 15, 2015, approval was given to purchase the lots and buildings located at 354 and 362 Donaghey Avenue in Conway for the sum of $309,000.

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 was not to exceed $13,500,000 with a term not exceeding thirty (30) years at an interest rate not to exceed 5.75%.

The closing for the 2014 Series bonds occurred on July 22, 2014. The all-inclusive rate for the new bonds in the amount of $13,500,000 is 3.97%.

Donaghey Hall

On September 16, 2014, 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 Donaghey Hall development. A resolution was submitted to the Arkansas Higher Education Coordinating Board (AHECB) to authorize the issuance of Housing System Revenue Capital Improvement Bonds not to exceed $17.5 million with a term of up to thirty (30) years at an interest rate not to exceed 5.75%. At the meeting of the UCA Board of Trustees on January 16, 2015, approval was given to commence all preparations for issuance of the bonds.

The closing for the 2015A and 2015B Series bonds occurred on March 5, 2015. The all-inclusive rates for the new bonds in the amount of $14,000,000 and $3,500,000 are 3.78% and 3.00%, respectively.

Bond Refunding

At the meeting of the UCA Board of Trustees on May 15, 2015, the approval was given to commence all preparations for refunding and reissuance of the 2006D, 2006E, 2007A, and 2007B Series bonds.

On May 20, 2015, the University issued $18,245,000 in student fee revenue refunding bonds referred to as Series 2015 Student Fee Revenue Refunding. The bond proceeds were used to refinance the 2006 Series E and 2007 Series B bonds, in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value of cost savings to the University on the student fee revenue refunding issue is $686.117. The all-inclusive rate for the new bonds in the amount of $18,245,000 is 3.56%.

NOTE 27: Subsequent Events (Continued)

Bond Refunding (Continued)

On May 28, 2015, the University issued $6,915,000 in auxiliary revenue refunding bonds referred to as Series 2015 Auxiliary Revenue Refunding. The bond proceeds were used to refinance the 2006 Series D and 2007 Series A bonds, in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value of cost savings to the University on the auxiliary refunding issue is $312.100. The all-inclusive rate for the new bonds in the amount of $6,915,000 is 3.20%.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2014

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2012	$311,294	$132,801	42.7%
June 30, 2013	313,991	115,350	36.7%
June 30, 2014	293,315	101,086	34.5%

[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, 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%
June 30, 2014	0	2,550,466	2,550,466	0%	67,882,331	3.76%

[4]Estimated payroll as of June 30, 2012 for FY ending June 30, 2012, as of June 30, 2013 for FY ending June 30, 2013, and as of June 30, 2014 for FY ending June 30, 2014 includes only plan participants.

Note:
The annual required contribution (ARC) of $313,222 for fiscal year 2013-2014 and accrual of $1,139,300 as of June 30, 2014, 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, 2014
(Unaudited)

Schedule 1

	Year Ended June 30, 2014				
	2014	2013	2012	2011	2010
Total Assets and Deferred Outflows	$ 287,133,153	$ 264,090,544	$ 248,315,680	$ 224,281,197	$ 190,324,739
Total Liabilities and Deferred Inflows	161,484,189	150,449,050	139,407,189	126,017,612	102,585,014
Total Net Position	125,648,964	113,641,494	108,908,491	98,263,585	87,739,725
Total Operating Revenues	84,343,443	78,239,244	80,855,048	79,020,177	84,096,856
Total Operating Expenses	167,788,972	164,640,738	163,186,248	163,779,848	157,990,349
Total Net Non-Operating Revenues	96,253,292	93,709,814	91,822,802	95,273,678	79,796,000
Total Other Revenues, Expenses, Gains or Losses	(800,293)	(2,126,593)	1,153,304	9,853	7,040,359