University of Central Arkansas

Conway, Arkansas

Basic Financial Statements and Other Reports

June 30, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE

UNIVERSITY OF CENTRAL ARKANSAS
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JUNE 30, 2010

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

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, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's 2009 financial statements and, in our report dated March 25, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit. We did not audit the financial statements, including the prior year partial comparative information, of the University of Central Arkansas Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon 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 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 of material misstatement. The financial statements of the University of Central Arkansas Foundation, Inc., were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Central Arkansas as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2009, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 12, 2010
EDHE16510

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

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

University of Central Arkansas
Legislative Joint Auditing Committee

We have audited 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, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 12, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below in the Audit Findings section of this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described below in the Audit Findings section of this report to be a material weakness.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated November 12, 2010.

AUDIT FINDINGS

Material Weakness

Financial statements are the responsibility of the University's management and should be presented in conformity with accounting principles generally accepted in the United States of America. The University has policies and procedures to properly record and classify transactions in the financial statements; however, certain misclassifications were detected. These misclassifications had no effect on the University's reported net assets or cash balance at June 30, 2010 and the financial statements were subsequently corrected by University personnel during audit fieldwork. Misclassifications in the Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows consisted of the following:

> Unexpended plant expenses of $4,448,712 that did not meet the University's capitalization thresholds and expenses pertaining to the American Recovery and Reinvestment Act of 2009 of $4,203,976 were reported as other deductions in the Other Changes of Net Assets section instead of supplies and services in the Operating Expenses section of the Statement of Revenues, Expenses, and Changes in Net Assets. As a result of these misclassifications, these transactions were reported in the Statement of Cash Flows as other uses in the Cash Flows from Noncapital Financing Activities section instead of payments to suppliers in the Cash Flows from Operating Activities section.

A similar finding was reported in the previous two audits.

> Management Response: Management acknowledges the misclassification and plans to re-examine all automated and manual processes by which numbers are fed into the financial statements. There have been four vice presidents in the previous two years leading to inconsistent management and oversight. Additional training will be provided where necessary.

The University's response to the findings identified in our audit, excluding the management letter findings, is described above. We did not audit the University's response and, accordingly, we express no opinion on it.

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

DIVISION OF LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 12, 2010

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

University of Central Arkansas
Legislative Joint Auditing Committee

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

1. Password controls do not meet minimum standards. Passwords are not required to be changed on a periodic, recurring basis, not to exceed 90 days. Failure to establish proper password controls increases the likelihood that an unauthorized person could gain access to the system.

2. The Disaster Recovery Plan in place is inadequate (both technical and end-user) for restoring from short-term or long-term interruptions of computer processing. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial and personnel burden on the resources of the entity.

3. Backups are not stored at a suitable off-site facility. Failing to maintain backups at a secure off-site facility could result in loss of data and the inability to continue operations in the event of a disaster.

4. The University's Internal Auditor Office (IAO) conducted an investigation relating to the misappropriation of Student Government Association (SGA) funds. According to the IAO, Gregory Gordon, President of a student fraternity, received eight unauthorized expense reimbursement checks totaling $15,884 during the period September 25, 2009 through June 15, 2010. Gordon was charged with three felony and one misdemeanor offenses and the University's Police Department has an ongoing investigation of this matter as of report date.

   The IAO recommended several internal control improvements relating to SGA funds, which have been implemented. To ensure internal controls are effective, University management should continue to monitor financial transactions of SGA funds.

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, 2010, 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 2009	Fall Term 2009	Spring Term 2010	Summer I Term 2010
Student Headcount	2,267	12,562	11,700	2,973
Student Semester Credit Hours	9,260	148,023	134,552	13,142

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

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

DIVISION OF LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 12, 2010

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, 2010. There are three financial statements presented: *The Statement of Net Assets*; the *Statement of Revenues, Expenses, and Changes in Net Assets*; 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 Assets

The *Statement of Net Assets* presents the assets, liabilities, and net assets of the University as of June 30, 2010. 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, 2009, through June 30, 2010. 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 assets are the difference between assets and liabilities. The *Notes to the Financial Statements* explain the differences between current and noncurrent assets and liabilities.

Readers of the *Statement of Net Assets* 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 Assets are divided into three major categories. *Invested in capital assets, net of debt*, provides information on the institution's equity in property, plant, and equipment owned by the institution. *Restricted net assets* are divided into two categories: nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. *Unrestricted net assets* are available to the institution for any lawful purpose of the institution.

Statement of Net Assets
June 30, 2010

	Year Ended June 30			
		Restated	Increase/	Percent
Assets:	2010	2009	Decrease	Change
Current assets	$ 15,351,885	$ 9,969,060	$ 5,382,825	54%
Capital assets, net	155,230,362	150,725,070	4,505,292	3%
Other assets	20,523,379	22,666,294	(2,142,915)	-9%
Total Assets	191,105,626	183,360,424	7,745,202	4%
Liabilities:				
Current liabilities	9,653,954	12,497,281	(2,843,327)	-23%
Non-current liabilities	92,225,687	96,066,284	(3,840,597)	-4%
Total Liabilities	101,879,641	108,563,565	(6,683,924)	-6%
Net Assets:				
Invested in capital assets, net	70,184,270	70,535,940	(351,670)	0%
Restricted-expendable	2,956,656	3,804,521	(847,865)	-22%
Restricted-nonexpendable	7,479,882	6,682,690	797,192	12%
Unrestricted	8,605,177	(6,226,292)	14,831,469	-238%
Total Net Assets	$ 89,225,985	$ 74,796,859	$ 14,429,126	19%

A review of the *Statement of Net Assets* reveals that total assets increased by more than $7.7 million or 4.2%. While there are many offsetting variances, the significant changes can be found in an increase in cash and investments of $15 million, offset by a net decrease in receivables, prepaid expenses and inventories of $2.4 million, a $4.5 million increase in capital assets, net of accumulated depreciation and a decrease in funds held in trust of $9.4 million, due to the completion of the bond project.

Total liabilities for the year decreased by more than $6.6 million or 6.16%. The most significant changes include a decrease of $4.6 million in bonds and notes payable and another $2.1 million in payables including accounts, deferred revenue and annuities. There were slight increases in OPEB and compensated absence liabilities of $265,127 and a slight decrease of $235,634 in funds held for others and refundable federal advances.

The aggregate of these changes results in an increase in Total Net Assets of $14.4 million or 19.3%.

While the 2009 – 2010 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 Assets

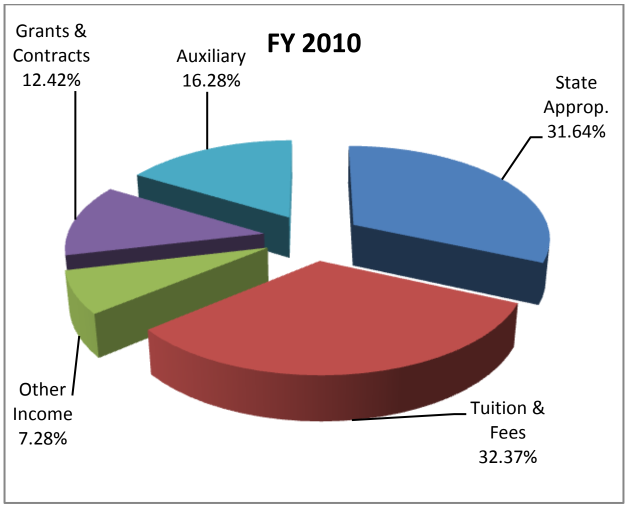
The changes in total net assets as presented on the *Statement of Net Asset*s are based on the activity presented in the *Statement of Revenues, Expenses, and Changes in Net Assets*. The purpose of the statement is to present the revenues received and the expenses paid by the institution, both operating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

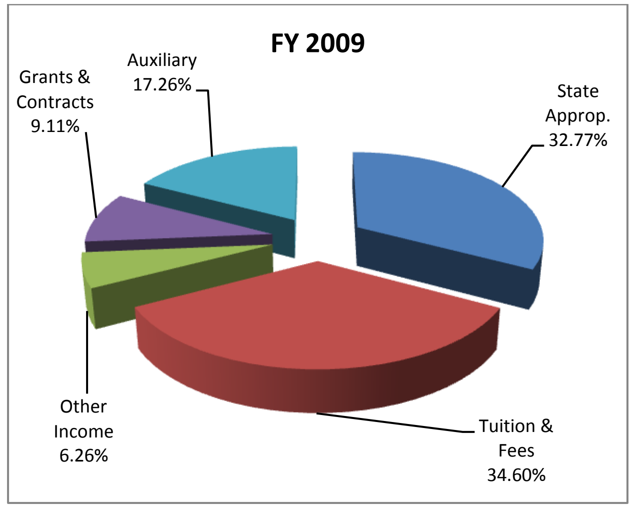
Operating revenues generally are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce goods and services provided in return for the operating revenues, and to carry out the mission of 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 Assets
For the Fiscal Year Ended June 30, 2010

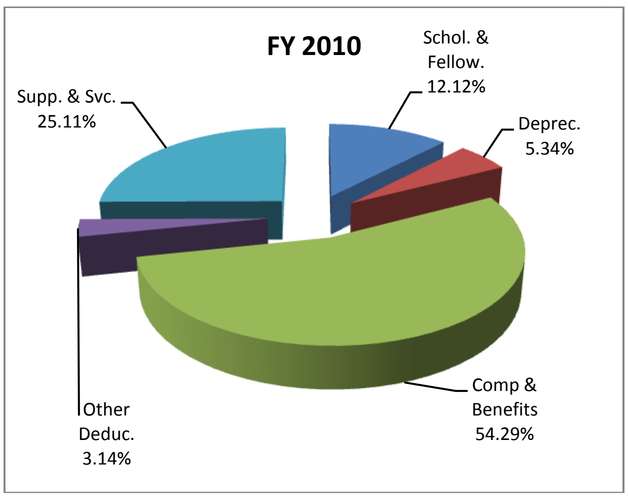
	Year Ended June 30			
		Restated	Increase/	Percent
	2010	2009	Decrease	Change
Operating revenues	$ 97,786,489	$ 100,883,328	$ (3,096,839)	-3.07%
Operating expenses	(157,403,014)	(154,410,056)	(2,992,958)	1.94%
Operating loss	(59,616,525)	(53,526,728)	(6,089,797)	11.38%
Nonoperating revenues less expenses	66,396,615	59,153,974	7,242,641	12.24%
Income (loss) before other revenues, expenses, gains or losses	6,780,090	5,627,246	1,152,844	20.49%
Other revenues, expenses, gains or losses	7,649,036	3,962,449	3,686,587	93.04%
Increase(Decrease) in net assets	14,429,126	9,589,695	4,839,431	50.46%
Net assets at beginning of year	74,796,859	72,585,041	2,211,818	3.05%
Reclassification-Perkins Loan program		(7,377,877)	7,377,877	-100.00%
Net assets-Beginning of year restated	74,796,859	65,207,164	9,589,695	14.71%
Net assets at end of year	$ 89,225,985	$ 74,796,859	$ 14,429,126	19.29%

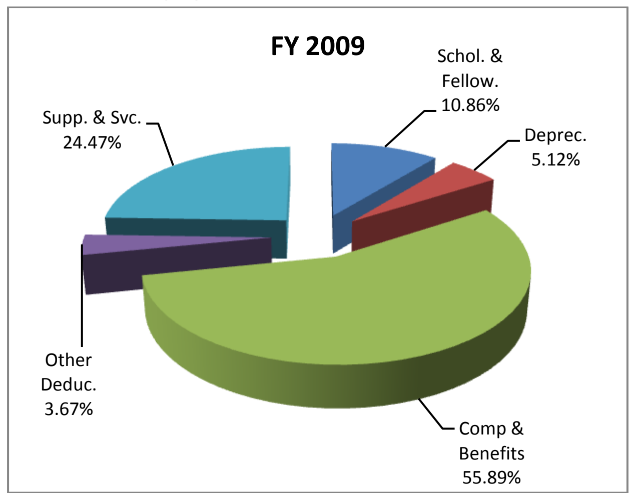
UNIVERSITY OF CENTRAL ARKANSAS
REVENUE ANALYSIS





UNIVERSITY OF CENTRAL ARKANSAS
EXPENDITURE ANALYSIS





The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects an increase in net assets at the end of the year of slightly more than $14.4 million.

Revenue Changes – The financial statement indicates a decrease in operating revenues of just over $3 million of which most can be attributed to shortfall in tuition and fees based on lower enrollment. Net non-operating revenue, however has increased by over $7.2 million mainly due to increases in the Pell grant revenue and the commencement of the Direct Loan program in response to the Department of Education's changes in the FFEL program. The Direct Loan program brought more than $3 million into restricted revenue that under the previous program would have been counted as agency funds in and out. In addition, the Federal Stimulus program brought in more than $4.2 million in revenue during fiscal year 2010.

Expense Changes – Expenditures for compensation and benefits and supplies and services expenditures are comparable with prior year. However, scholarships increased by more than $2.2 million. This increase (reflected in operating expenses) is due to the additional Pell funding as well as the reinstatement of the Direct Lending program. University provided scholarship spending decreased by $3.7 million.

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 Assets*.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

	Year Ended June 30			
	2010	Restated 2009	Increase/ Decrease	Percent Change
Cash provided(used) by:				
Operating activities	$ (53,431,856)	$ (40,852,388)	$ (12,579,468)	31%
Non-capital financing activities	70,450,513	57,374,486	13,076,027	23%
Capital and related financing activities	(344,286)	(12,274,664)	11,930,378	-97%
Investing activities	(1,655,036)	(2,108,643)	453,607	-22%
Net Change in Cash	15,019,335	2,138,791	12,880,544	602%
Cash, beginning of year	3,640,353	1,501,562	2,138,791	142%
Cash, end of year	$ 18,659,688	$ 3,640,353	$ 15,019,335	413%

Capital Assets and Debt Administration

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2009-10. The following are some of the significant additions:

Funded By Bonds, ARRA Funds and Other Sources:

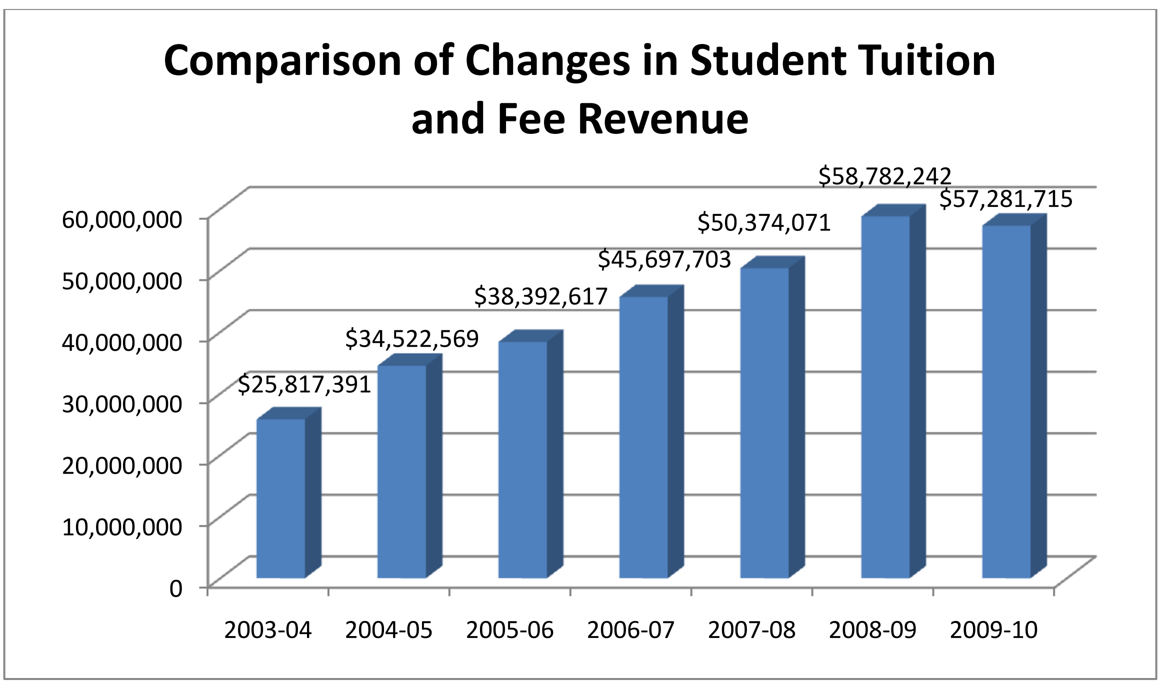
Waterproofing and roofing	$	2,606,976
Housing & other auxiliaries		1,728,271
Burdick Renovation		801,235
New Business Building		7,989,579
Technology & other equipment		2,454,069
Academic and other E & G projects		3,182,209
	$	18,762,339

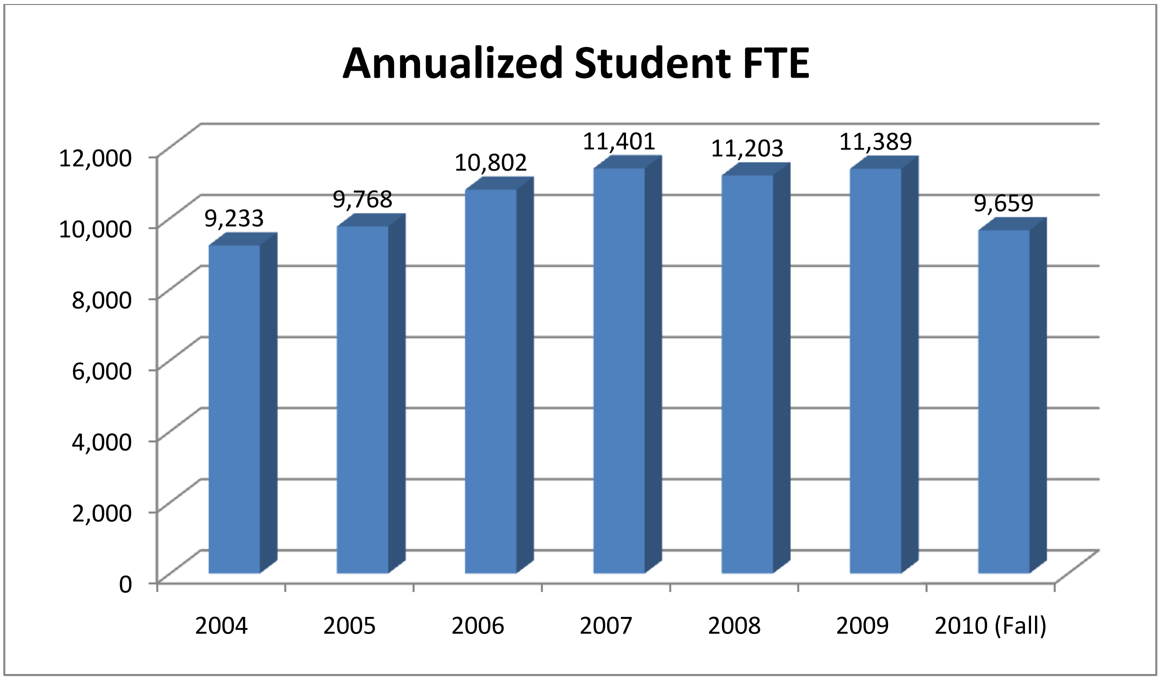
For additional information concerning Capital Assets and Debt Administration, see Notes 6 and 9 in the *Notes to the Financial Statements*.

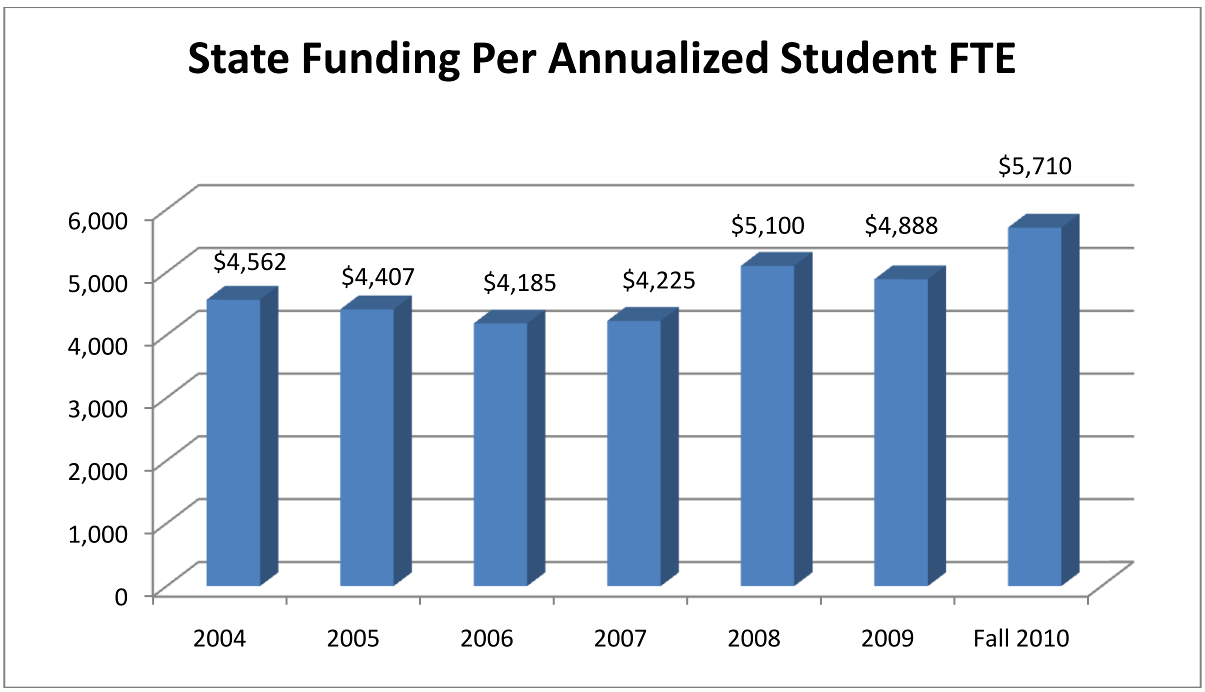
Economic Outlook

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

The following charts provide a comparison of the trends experienced by the University:







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. While funding provided by the state saw some volatility in fiscal year 2010, the overall funding is remaining relatively stable in comparison to other states.

The University has reduced, and will continue to reduce scholarship spending. This is as a result of the overall budget situation of the University, but it is also in order to meet provisions of the state law “capping” spending on institutional scholarships at 20% of tuition revenue. This law must be met by FY 2014, or state funding will be reduced accordingly.

Due to the steps taken in fiscal year 2009 by the transition team and those taken in fiscal year 2010 by the new president, the overall financial position of the University is improving. A major emphasis is being placed on restoring unrestricted cash reserves and operating fund balances. This will occur through the continuation of controlled spending, efficient use of funds provided to institutions of higher education through the federal stimulus legislation, and the renewed focus on student recruitment and retention. On July 1, 2010, the president created a new division of enrollment management. Combining areas essential to student recruitment and retention into one division is a proven practice among successful colleges and universities across the country.

Moody’s Investors Service has affirmed the University’s A3 bond rating with a stable outlook. This August 27, 2010 report, coming after two upgrades since January 2010, goes on to state as support a strength of a “clear resolve by newly appointed senior management team to improve operating cash flow and cash position through revenue management, cost containment and collection of accounts receivable.”

While student headcount for the fall semester of 2010 is lower than that of the fall semester of 2009, freshman and transfer enrollment is up. Realizing fiscal year 2011 would still be a transition year, management put together a conservative budget based on flat enrollment. In addition, part of the enrollment decline continues to be attributed to the high school students enrolled through a program known as “concurrent enrollment.” Under this program high school students receive college credit without coming to campus. The University did not gain any tuition revenue through this program, nor did the University receive any additional state funding for these increased students (as a result of the General Assembly not fully funding the existing funding formula). Finally, the new administration has embarked on an aggressive marketing campaign to increase enrollment for the fall of 2011. Any decline in undergraduate enrollment in 2010 should be more than recouped by next fall.

Finally, although the economy is an unknown at this time and could affect state funding (as noted earlier in this discussion), 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 deal with 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 2011. This is the same challenge faced by all public institutions and agencies, as well as all private colleges and universities in the nation.

**Diane D. Newton*

Diane D. Newton
Vice President for Finance and Administration

*Diane Newton joined UCA in January 2010 in the role Vice President of Finance and Administration.

Exhibit A

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30, 2010

	2009-2010	2008-2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,629,370	$ 2,606,543
Cash in state treasury	542,895	
Accounts receivable-state	348,267	3,268,822
Accounts receivable-other, net of allowances of $4,961,120 and $4,459,733, respectively	3,794,702	3,409,324
Student loans receivable	82,101	3,164
Prepaid expenses	549,728	288,520
Inventories	404,822	392,687
Total Current Assets	**15,351,885**	**9,969,060**
Noncurrent Assets		
Cash and cash equivalents	8,487,423	1,033,810
Deposits with trustees	27	9,454,554
Investments	4,331,782	2,463,353
Endowment investments in real estate		1,801,000
Accounts receivable-other		48,392
Student loans receivable	7,704,147	7,865,185
Capital assets, net of accum depr & amort of $120,318,109 and $112,292,287, respectively	155,230,362	150,725,070
Total Noncurrent Assets	**175,753,741**	**173,391,364**
TOTAL ASSETS	**191,105,626**	**183,360,424**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,972,214	3,654,973
Accounts payable-payroll	1,257,059	1,352,502
Accrued interest payable	1,612	10,404
Bonds and notes payable, net of current portion bond discount of $5,932 and $5,932, respectively	3,824,068	4,518,074
Premium on bonds payable	28,205	28,205
Compensated absences	281,874	304,074
Deferred revenue	1,672,095	1,943,979
Annuity payable	62,500	62,500
Deposits and funds held in trust for others	554,327	622,570
Total Current Liabilities	**9,653,954**	**12,497,281**
Noncurrent Liabilities:		
Bonds and notes payable, net of LT portion bond discount $100,607 and $106,538, respectively	80,549,393	84,468,462
Premium on bonds payable	416,626	444,830
Compensated absences	2,550,091	2,367,687
Annuity payable	417,480	430,740
OPEB liability	426,266	321,343
Deposits and funds held in trust for others	591,593	655,345
Refundable federal advances	7,274,238	7,377,877
Total Noncurrent Liabilities	**92,225,687**	**96,066,284**
TOTAL LIABILITIES	**101,879,641**	**108,563,565**
NET ASSETS		
Invested in capital assets, net of debt	70,184,270	70,535,940
Restricted for:		
Expendable	2,956,656	3,804,521
Nonexpendable	7,479,882	6,682,690
Unrestricted	8,605,177	(6,226,292)
Total Net Assets	**$ 89,225,985**	**$ 74,796,859**

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

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

Exhibit A-1

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets:		
Cash and cash equivalents	$ 1,169,460	$ 515,767
Unconditional promises to give - net	1,982,672	1,634,897
Royalty receivable	2,468	3,209
Total Current Assets	3,154,600	2,153,873
Property, Plant, and Equipment:		
Land	1,141,000	1,141,000
Building - Buffalo Alumni Hall	1,025,289	1,025,289
Apartment Complex	11,579,667	11,579,667
	13,745,956	13,745,956
Less: Accumulated Depreciation	(2,419,376)	(1,972,665)
Total Property, Plant, and Equipment	11,326,580	11,773,291
Other Assets:		
Cash - Bond funds	796,842	793,834
Unconditional promises to give - net	2,104,582	3,292,155
Investments	7,486,074	3,456,036
Cash surrender value of life insurance	277,941	252,796
Unamortized bond debt expense	248,567	258,509
Prepaid Insurance	231,345	240,599
Other assets	104,921	91,271
Total Other Assets	11,250,272	8,385,200
Endowment Investments:		
Cash and cash equivalents	1,143,522	1,908,555
Investments	15,689,245	14,134,280
Total Endowment Investments	16,832,767	16,042,835
Total Assets	$ 42,564,219	$ 38,355,199

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

Exhibit A-1

STATEMENTS OF FINANCIAL POSITION - Continued

JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities:		
Accrued interest payable	$ 180,040	$ 182,792
Current maturities of long-term debt	260,000	492,579
Current maturities of obligations under annuity agreements	6,374	6,374
Total Current Liabilities	446,414	681,745
Long-Term Liabilities:		
Long-Term Debt	12,264,246	12,635,907
Less: current maturities above	(260,000)	(492,579)
Obligations under annuity agreements	95,585	101,960
Less: current maturities above	(6,374)	(6,374)
Amount held for UCA - Crow/White	3,995,364	1,592,300
Total Long-Term Liabilities	16,088,821	13,831,214
Total Liabilities	16,535,235	14,512,959
Net Assets:		
Unrestricted	323,294	209,534
Temporarily restricted	8,872,924	7,589,871
Permanently restricted	16,832,766	16,042,835
Total Net Assets	26,028,984	23,842,240
Total Liabilities and Net Assets	$ 42,564,219	$ 38,355,199

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

Exhibit B

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	2009-2010	2008-2009
Operating Revenues:		
Student tuition & fees (net of scholarship allowances $11,406,203 & $14,433,794)	$ 57,281,715	$ 58,782,242
Federal grants and contracts	3,090,202	3,200,159
State and local grants and contracts	963,658	678,678
Non-governmental grants and contracts	4,640,442	5,102,232
Sales & services of educational departments	1,643,932	2,399,586
Auxiliary Enterprises		
Athletics (net of scholarship allowances $2,606,595 & $2,392,357)	2,480,973	2,583,711
Housing	14,161,900	14,269,047
Food Service	6,918,510	7,073,753
Student Center	1,277,718	1,453,449
Recreational Facilities (net of scholarship allowances of $7,000 & $3,780)	1,268,810	1,345,808
Other Auxiliary Enterprises	2,702,200	2,590,177
Other Operating Revenues	1,356,429	1,404,486
Total Operating Revenues	**97,786,489**	**100,883,328**
Operating Expenses:		
Compensation and benefits	88,230,449	89,582,664
Supplies and services	40,812,426	39,220,000
Scholarships and fellowships	19,688,898	17,405,243
Depreciation	8,671,241	8,202,149
Total Operating Expenses	**157,403,014**	**154,410,056**
Operating Loss	**(59,616,525)**	**(53,526,728)**
Nonoperating Revenues (Expenses):		
State appropriations	55,976,707	55,670,633
Federal and State grants and contracts	13,285,101	6,492,523
Gifts	790,310	409,587
Investment income (net of investment expense $43,066 & $79,064)	215,056	97,524
Interest expense and trustee fees	(4,167,653)	(4,446,225)
Disposal of capital assets (net of accumulated depreciation $645,419 & $775,252)	(849,104)	(335,961)
Gain on disposal of capital assets	781,020	
Other income	365,178	1,265,893
Net Non-operating Revenues	**66,396,615**	**59,153,974**
Income before other revenues & expenses	**6,780,090**	**5,627,246**
Other Changes in Net Assets		
Bond proceeds from Act 1282 of 2005	7,190,896	4,560,236
Capital appropriations		500,000
Capital grants	543,766	
Other deductions, net	(85,626)	(1,097,787)
Increase (decrease) in Net Assets	**14,429,126**	**9,589,695**
Net Assets - Beginning of Year as Originally Reported	**74,796,859**	**72,585,041**
Reclassification - Perkins Loan Program		**(7,377,877)**
Net Assets - Beginning of Year - Restated	**74,796,859**	**65,207,164**
Net Assets - End of Year	**$ 89,225,985**	**$ 74,796,859**

Exhibit B-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:								
Contributions	$ 201,543	$ 2,133,715	$ 604,242	$ 2,939,500	$ 159,901	$ 6,157,721	$ 364,162	$ 6,681,784
Lease income		819,367		819,367		814,394		814,394
Special events	1,531	636,705	1,339	639,575	993	484,102	6,515	491,610
Interest and dividends	26,659	238,049	174,050	438,758	71,471	292,781	126,979	491,231
Membership dues and sponsorships		243,187	10,300	253,487		111,895	13,000	124,895
Grants		221,592		221,592		321,320		321,320
Royalty income		13,814		13,814		20,865		20,865
Realized gain (loss) on sale of investments		(45,793)		(45,793)	(91,679)	(591,349)		(683,028)
Realized gain (loss) on sale of assets								
Unrealized gain (loss) on investments	28,705	1,164,597		1,193,302	(95,572)	(1,949,966)		(2,045,538)
Net assets released from restrictions:								
Satisfaction of program restrictions	4,142,180	(4,142,180)			4,385,782	(4,385,782)		
Total Revenues, Gains, and Other Support	4,400,618	1,283,053	789,931	6,473,602	4,430,896	1,275,981	510,656	6,217,533
Expenses:								
Programs:								
Scholarships	426,924			426,924	442,982			442,982
Grants and University programs	2,410,410			2,410,410	3,137,135			3,137,135
Total Programs	2,837,334			2,837,334	3,580,117			3,580,117
Administration	121,819			121,819	130,442			130,442
Investment fees	138,748			138,748	95,728			95,728
Fund raising	170,494			170,494	134,092			134,092
Interest	561,810			561,810	567,818			567,818
Amortization	9,942			9,942	9,943			9,943
Depreciation	446,711			446,711	446,711			446,711
Total Expenses	4,286,858			4,286,858	4,964,851			4,964,851
Change in Net Assets	113,760	1,283,053	789,931	2,186,744	(533,955)	1,275,981	510,656	1,252,682
Net Assets at Beginning of Year	209,534	7,589,871	16,042,835	23,842,240	743,489	6,313,890	15,532,179	22,589,558
Net Assets at End of Year	$ 323,294	$ 8,872,924	$ 16,832,766	$ 26,028,984	$ 209,534	$ 7,589,871	$ 16,042,835	$ 23,842,240

The accompanying notes are an integral part of the financial statements

Exhibit C

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2009-2010	2008-2009
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	$ 54,434,045	$ 56,439,481
Grants and contracts	8,133,685	8,903,004
Collection of loans & interest to students	243,941	306,115
Auxiliary Enterprise revenues:		
Athletics	4,936,611	5,071,615
Housing	14,060,024	14,480,416
Food Service	6,910,653	7,149,340
Student Center	1,276,561	1,494,389
Recreational Facilities	1,273,585	1,358,477
Other Auxiliary Enterprises	2,704,781	2,707,136
Other receipts	3,215,127	6,590,185
Payments to employees/benefits	(88,060,765)	(89,443,931)
Payments to suppliers	(42,871,206)	(37,893,300)
Payments for scholarships and fellowships	(19,688,898)	(18,015,315)
Net cash provided (used) by operating activities	**(53,431,856)**	**(40,852,388)**
Cash Flows from Non-capital Financing Activities		
State appropriations	57,101,714	54,482,678
Private gifts	6,526	-
Federal grants and contracts	11,250,066	4,639,158
State and local grants and contracts	1,995,075	1,870,724
Direct lending and FFEL Loan receipts	51,944,933	53,569,082
Direct lending and FFEL Loan payments	(51,944,933)	(53,569,082)
Other agency funds - net	(102,282)	143,107
Annuity payments	(62,500)	(62,500)
Proceeds of note payable		9,000,000
Repayment of note payable		(13,500,000)
Other	261,914	801,319
Net cash provided (used) by non-capital financing activities	**70,450,513**	**57,374,486**
Cash Flows from Capital and Related Financing Activities		
Bond proceeds from Act 1282 of 2005	9,089,531	3,016,824
Capital appropriations		500,000
Payments from bond trustee	8,861,381	8,035,610
Capital grants and gifts	1,240,130	
Proceeds from sale of capital assets	2,590,930	28,696
Purchases of capital assets	(13,935,031)	(14,709,036)
Principal paid on capital debt	(939,006)	(825,825)
Payments to bond trustees	(7,227,443)	(7,814,409)
Interest and fees/capital debt	(24,778)	(62,949)
Other		(443,575)
Net cash provided (used) by capital and related financing activities	**(344,286)**	**(12,274,664)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	606,608	
Purchase of investments	(2,475,037)	(2,110,258)
Interest on investments (net of fees)	213,393	1,615
Net cash provided (used) by investing activities	**(1,655,036)**	**(2,108,643)**
Net increase (decrease) in cash	**15,019,335**	**2,138,791**
Cash - Beginning of Year	**3,640,353**	**1,501,562**
Cash - End of Year	**$ 18,659,688**	**$ 3,640,353**

Exhibit C

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2010

	2009-2010	2008-2009
Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (59,616,525)	$ (53,526,728)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,671,241	8,202,149
Change in assets and liabilities:		
Receivables, net	(299,977)	3,447,423
Inventories	(12,134)	15,501
Deposits with others	(46,920)	61,195
Prepaid expenses and other assets	(261,268)	102,644
Accounts payable	(1,859,516)	505,923
Deferred revenue	(271,884)	108,212
Compensated Absences	160,204	38,922
Other postemployment benefits liability	104,923	192,371
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (53,431,856)**	**$ (40,852,388)**
Noncash Transactions		
Archives	$ 16,000	$ 10,000
Equipment	71,420	193,704
Land		100,000
Building		15,989
Timber		89,894
Donation	(87,420)	(409,587)

NOTE 1: <u>Reporting Entity</u>

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

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

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

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

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

Accounts of the University of Central Arkansas Foundation, Inc. are presented in a discrete separate presentation following the University's financial statements as required by GASB 39, *Determining Whether Certain Organizations are Component Units* based on the following criteria:

NOTE 1: Reporting Entity (Continued)

Legally separate - The Foundation is legally separate from state and/or 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.

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

NOTE 2: Summary of Significant Accounting Policies

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

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

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

The University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-2008. This statement requires governmental entities to recognize and match other postretirement benefit ("OPEB") costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. Please refer to note 16, 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.

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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 Assets.*

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.

NOTE 2: Summary of Significant Accounting Policies (Continued)

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. As of June 30, 2010, 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 $4,961,120.

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 Assets.

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 $2,500 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.

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 reclassified the SCT Administrative Software system from Infrastructure to Intangible asset as the system was already being capitalized over twenty years. The accumulated depreciation was also reclassified to amortization.

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*

NOTE 2: Summary of Significant Accounting Policies (Continued)

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

Asset Classification	Estimated Life (Years)
Computer Equipment	5
Motor Vehicles	10
Transportation Equipment	10
Office Furnishings	10
Other Office Equipment	10
Equipment (Non-Office)	5-10
Software	5
Library Holdings	10-15
Watercraft	10
Infrastructure	20
Houses	20
Buildings and Improvements	15-30

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

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

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

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. This applies only to classified positions.

Number of days (hours) accumulated (rounded to nearest day)	% of Daily Salary
50 days (400 hours) through 59 days (472 hours)	25%
60 days (480 hours) through 69 days (552 hours)	36%
70 days (560 hours) through 79 days (632 hours)	49%
80 days (640 hours) or more	64%

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

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

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

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

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

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

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 Assets*. 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 Assets. The amount refundable to the Federal government upon cessation of the program was $7,274,238 as of June 30, 2010.

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, 2010 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, 2010.

At June 30, 2010, the University's deposits with trustees totaled $27 and were invested as follows:

- Federated Government Obligations Fund, a money market treasury fund rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service and consisted of U.S. Treasuries, government agency securities and repurchase agreements. The weighted average maturity was 35 days.
- Federated Treasury Obligations Fund, a money market treasury fund rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 29 days.

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

Investments are recorded at fair value.

The commercial bank deposits noted below do not include cash on hand in the amount of $27,655.

Statement of Cash/Invested Assets

TOTAL PLAN	JUNE 30, 2010
Cash Equivalent/Investment Type	**Fair Value**
Commercial Bank Deposits:	**$ 18,089,138**
Insured (FDIC)	528,289
Insured (SIPC)	1,157
Uninsured, Collateralized	17,559,692
Deposits with Trustees:	**27**
Federated Government Obligations Fund 395	25
Federated Treasury Obligation IS Fund 68	2
Other Deposits:	**542,895**
State Treasury	542,895
UCA Foundation, Inc.:	**4,020,072**
UCA Foundation, Inc. (Regions)	27,527
Stephens, Inc.	895,041
Stephens, Inc.-Equities*	1,466,469
Stephens, Inc.-Fixed Income	1,631,035
Fixed Income:	**139,378**
Common Fund:	
Multi-Strategy Bond	137,383
Intermediate	1,995
Equity Funds*:	**172,332**
Common Fund:	
Multi-Strategy Equity Fund	172,332

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

*Note: Holdings in Common Fund's Multi-Strategy Equity Fund and Stephens Inc. Equity fund holdings are not regulated by GASB Statement No. 40.

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, 2010
Investment Type	**Fair Value**	**AAAf**	**AA**	**BBB+f**
Multi-Strategy Bond	$ 137,383		$ 137,383	
Intermediate Term	1,995		1,995	
Stephens, Inc.	1,631,035	$ 918,154		$ 712,881

Credit Risk Concentration

TOTAL PLAN		JUNE 30, 2010
Issuer Name	**Fair Value**	**% of Assets**
NONE		

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

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, 2010
Investment Type		**Fair Value**	**Less than 1**		**1 - 5**		**6 - 10**
Multi-Strategy Bond	$	137,383		$	137,383		
Intermediate Term		1,995			1,995		
Stephens, Inc.		1,631,035			1,418,648	$	212,387

NOTE 4: Disaggregation of Receivable and Payable Balances

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

Student tuition and fees	$	1,722,134
Auxiliary enterprises		757,222
Loans		7,786,248
State of Arkansas		348,267
Federal and private grants and contracts		850,880
Other		464,466
Total	$	11,929,217

NOTE 4: Disaggregation of Receivable and Payable Balances (Continued)

Accounts payable consisted of the following at June 30, 2010:

Vendor accounts	$	1,972,214
Payroll		1,257,059
Accrued interest		1,612
Total	$	3,230,885

NOTE 5: Inventories

Inventories consisted of the following at June 30, 2010:

Storeroom	$	16,041
Maintenance		283,823
Postage		36,090
Housing		37,006
Other		31,862
Total	$	404,822

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, 2009 Balance	Additions	Deductions	June 30, 2010 Balance
Capital Assets not Being Depreciated				
Land	$ 10,766,230			$ 10,766,230
Timber	89,894			89,894
Construction in progress	11,444,860	$ 948,019	$ 7,943,730	4,449,149
Archives	688,732	16,000		704,732
Total Capital Assets not Being Depreciated	$ 22,989,716	$ 964,019	$ 7,943,730	$ 16,010,005
Other Capital Assets				
Infrastructure	$ 24,642,068	$ 1,064,385	$ 5,290,741	$ 20,415,712
Buildings	173,681,978	15,903,569	79,451	189,506,096
Furniture and equipment	18,494,641	3,434,922	714,386	21,215,177
Intangibles - computer software		5,290,741		5,290,741
Library holdings	23,208,954	602,472	700,686	23,110,740
Total Other Capital Assets	240,027,641	26,296,089	6,785,264	259,538,466
Less Accumulated Depr & Amort for:				
Intangibles - computer software		950,671		950,671
Infrastructure	9,855,365	1,184,350	950,671	10,089,044
Buildings	73,538,300	4,912,336	18,750	78,431,886
Furniture and equipment	12,390,294	1,852,102	626,669	13,615,727
Library holdings	16,508,328	722,453		17,230,781
Total Accumulated Depreciation	112,292,287	9,621,912	1,596,090	120,318,109
Total Other Capital Assets, net	$ 127,735,354	$ 16,674,177	$ 5,189,174	$ 139,220,357
Capital Assets Summary:				
Capitalassets not being depreciated	$ 22,989,716	$ 964,019	$ 7,943,730	$ 16,010,005
Other capital assets, at cost	240,027,641	26,296,089	6,785,264	259,538,466
Less: Accumulated Depreciation	112,292,287	9,621,912	1,596,090	120,318,109
Total other capital assets, net	127,735,354	16,674,177	5,189,174	139,220,357
Capital Assets, net	$ 150,725,070	$ 17,638,196	$ 13,132,904	$ 155,230,362

NOTE 7: Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2010. 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 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.

As the University determines the loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University is not obligated to repay the federal portion of the uncollected student loans.

NOTE 8: Deferred Revenue:

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

Prepaid tuition and fees	$ 1,408,522
Academic Outreach fees	124,311
Other deferred income	139,262
Total	$ 1,672,095

NOTE 9: Noncurrent Liabilities

On October 1, 2007, the University issued $21,400,000 in refunding bonds referred to as the Board of Trustees of the University of Central Arkansas Student Housing System Revenue Refunding Bonds, Series 2007C. The bonds are secured by a specific pledge of Housing System Revenues. The Series 2007C bonds were issued to provide funds for advance refunding of the Housing System Revenue Bonds Series 1997A in the amount of $5,540,000 and the Student Housing System Revenue Bonds Series 2004C of $15,170,000, as well as to pay the cost of issuance of the 2007C bonds and resulted in gross savings of $1,495,357. The 1997A issue was called on April 1, 2008. The 2004C bond issue was held by the trustee until it was fully defeased on November 1, 2009, with the final payment from escrow of $15,149,458. A check was issued to the University for the remaining funds of $714 in order to close the escrow account.

On April 27, 2006, the University issued $8,100,000 in general obligation bonds referred to as 2006F. The series 2006F bonds are secured by a pledge of a portion of the student housing revenues and will refund the series 2000 bonds of the College Square Retirement Center. The 2000 issue was held by the trustee until the debt was fully defeased on January 4, 2010, with the final payment by the trustee of $7,418,260 from the escrow account. The balance remaining in the escrow account of $188 was transferred to the bond fund in order to close out the account.

NOTE 9: Noncurrent Liabilities (Continued)

A summary of noncurrent liabilities as of June 30, 2010, follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts due within one year
Bonds and Notes Payable:					
Revenue bonds	$ 88,160,000		$ 3,680,000	$ 84,480,000	$ 3,830,000
Note payable	939,006		939,006		
Bond discount	(112,470)		(5,931)	(106,539)	(5,932)
Premium on bonds payable	473,035		28,204	444,831	28,205
Annuity agreement	493,240		13,260	479,980	62,500
Total bonds, notes and annuity	89,952,811		4,654,539	85,298,272	3,914,773
Other Liabilities:					
Accrued compensated absences	2,671,761	$ 2,557,462	2,397,258	2,831,965	281,874
OPEB liability	321,343	104,923		426,266	
Refundable federal advances	7,377,877		103,639	7,274,238	
Deposits and funds held in trust	1,277,915	297,008,940	297,140,935	1,145,920	554,327
Total other liabilities	11,648,896	299,671,325	299,641,832	11,678,389	836,201
Total Long Term Liabilities	$ 101,601,707	$ 299,671,325	$ 304,296,371	$ 96,976,661	$ 4,750,974

Fiscal Year	Bonds	Notes	Total Principal	Interest	Total Payments
2011	$ 3,830,000		$ 3,830,000	$ 3,950,902	$ 7,780,902
2012	4,000,000		4,000,000	3,783,817	7,783,817
2013	4,190,000		4,190,000	3,602,793	7,792,793
2014	4,385,000		4,385,000	3,413,774	7,798,774
2015	3,770,000		3,770,000	3,218,409	6,988,409
2016-2020	18,120,000		18,120,000	13,642,129	31,762,129
2021-2025	20,035,000		20,035,000	9,047,783	29,082,783
2026-2030	14,325,000		14,325,000	4,548,524	18,873,524
2031-2035	8,635,000		8,635,000	1,837,862	10,472,862
2036-2038	3,190,000		3,190,000	244,750	3,434,750
Totals	$ 84,480,000	$ 0	$ 84,480,000	$ 47,290,743	$ 131,770,743

NOTE 9: Noncurrent Liabilities (Continued)

Date of Issue	Date of Maturity	Interest Rate	Amount Issued	Debt O/S June 30, 2010	Maturities as of June 30, 2010
Notes Payable:					
2006	2010	4.85-5.55	$ 2,414,303		$ 2,414,303
2007	2010	5.500	323,967		323,967
2008	2012		375,000		375,000
2008	2010	5.89	323,968		323,968
Bonds Payable:					
1997B	2028	5.2-7.0	550,000	$ 295,000	255,000
1997C	2028	5.2-7.0	2,000,000	1,070,000	930,000
1998	2029	4.1-7.0	6,170,000	4,780,000	1,390,000
2003A	2033	2.0-5.0	8,015,000	6,745,000	1,270,000
2003B	2023	2.0-4.5	8,205,000	3,665,000	4,540,000
2004A	2014	3.5-5.0	3,900,000	2,160,000	1,740,000
2004B	2014	4.75-5.75	600,000	340,000	260,000
2006A	2021	5.40-6.00	4,625,000	3,740,000	885,000
2006B	2026	5.40-6.125	4,180,000	3,680,000	500,000
2006C	2026	5.40-6.125	4,180,000	3,680,000	500,000
2006D	2026	4.00-5.00	7,200,000	6,200,000	1,000,000
2006E	2026	4.00-5.00	3,800,000	3,270,000	530,000
2006F	2030	4.00-5.00	8,100,000	7,300,000	800,000
2007A	2038	4.00-5.00	2,000,000	1,930,000	70,000
2007B	2038	4.00-5.00	16,000,000	15,480,000	520,000
2007C	2035	4.00-4.50	21,400,000	20,145,000	1,255,000
Totals			$ 104,362,238	$ 84,480,000	$ 19,882,238

The University is no longer required to maintain certain renewal and replacement reserves, but it did maintain a debt service reserve aggregating $2,488,477 in 2010.

NOTE 10: Commitments

The University was contractually obligated for the following at June 30, 2010:

Project Name	Estimated Completion Date	Contract Balance
AR Hall Phase 1	August 2010	$ 85,900
AR Hall Phase 2	August 2010	156,050
Stadium Park Roof Renovation	September 2010	495,845
Fire Protection for AR Hall	August 2010	26,000
HVAC Replacement	August 2010	121,105
Doyne Health Fan Coil Units	June 2011	47,500
Bruce Street Improvements	August 2010	39,735
Donaghey Street Improvement	August 2010	63,950
		$ 1,036,085

NOTE 11: Retirement Plans

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

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

Plan Description: The University's Alternate Plan through TIAA/CREF is a defined contribution plan. The plan is a 403 (b) program as defined by Internal Revenue Service Code of 1986 as amended. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. Arkansas Code Annotated authorized participation in the plan.

NOTE 11: Retirement Plans (Continued)

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. The University's and the participants' contributions for the year ended June 30, 2010, were $4,165,655 and $3,034,281, respectively.

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 2010 employer rate was 14%. The University's contributions to ATRS for the years ended June 30, 2010, 2009, and 2008 were $1,501,188, $1,410,292, and $1,244,468, respectively, equal to the required contributions for each year.

The University contributes 14% for the ATRS T-Drop Plan members and for any ATRS retirees that have returned to work. The FY 2010 total amount of employer contribution was $222,105.

NOTE 11: 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 PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy: PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 11.0% of annual covered payroll. For the 2010-2011 fiscal year, the rate is changing to 12.46% of the annual covered payroll. The University's contributions to PERS for the years ended June 30, 2010, 2009, and 2008, were $963,236, $961,656, and $1,119,689, respectively, equal to the required contributions for each year.

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. 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 and contributions limits are based upon annual pre-tax calculations. The University makes no contributions to supplemental accounts. Participants' contributions for the year ended June 30, 2010, were $766,961 in TIAA-CREF and $77,689 in Valic.

NOTE 12: Annuity Payable

The Agency 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 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, 2010, was $479,980 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 13: Claims and Judgments/Contingencies

The following claims and potential judgments/contingencies existed as of June 30, 2010, and subsequently.

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

This is a suit brought by a former faculty member, Dr. Felicia Taylor, against the University, the President and Board of Trustees, the former President of the University, and several current and past administrators and faculty members. The suit was filed on June 7, 2010. The plaintiff filed an amended complaint on August 19, 2010. It is pending in the United States District Court, Eastern District of Arkansas, Western Division.

NOTE 13: Claims and Judgments/Contingencies (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 the complaint and amended complaint, the plaintiff is alleging 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 are unspecified except for the $96,000 claim for lost and substandard wages and benefits.

The University has denied liability and does not believe there is any liability to the plaintiff in connection with this matter. The case will be defended vigorously by the Office of the Arkansas Attorney General. The Office of the Attorney General is representing all defendants in the case.

Pursuant to a scheduling order issued by the United States District Court on September 22, 2010, this case has been scheduled for a non-jury trial the week of July 25, 2011, in Little Rock, Arkansas.

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."

NOTE 13: <u>Claims and Judgments/Contingencies</u> (Continued)

The University leased the Mountaineer Apartments from the lessors in 2004 for student housing. There was a written lease agreement between the parties. The current lease expired on June 30, 2010. 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 most recently have asserted a claim of $50,000 through their attorney. While discussions have occurred and are continuing in an effort to resolve the matter, no agreement has been reached on this alleged claim.

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 claim has been filed with the Arkansas State Claims Commission.

<u>The following matters were contained in the notes to the prior year's financial statement and have been disposed of</u>:

<u>SSM, LLC (d/b/a Sportstar Management) v. University of Central Arkansas</u> (Before the Arkansas State Claims Commission, No. 08-0200-CC)—On May 24, 2006, the University terminated a Sponsorship Marketing Agreement with Sportstar. The agreement was for three years and was signed by the parties on September 1, 2005.

On September 19, 2007, Sportstar filed a claim with the Arkansas State Claims Commission seeking lost commissions (profits) and damage to goodwill. A hearing before the Claims Commission was held on February 13, 2009. The Claims Commission found liability on the part of the University and recommended an award to Sportstar of $150,000.

On April 10, 2009, the University filed a notice of appeal to the Arkansas General Assembly. The appeal was heard on September 14, 2009, by the Claims Review Subcommittee of the Arkansas Legislative Council.

NOTE 13: Claims and Judgments/Contingencies (Continued)

The subcommittee voted to approve the award of the Claims Commission.

The claim was submitted to the fiscal session of the Arkansas General Assembly in February of 2010, and included in an appropriation bill for the Arkansas State Claims Commission to be paid by the University.

The claim was paid in full in March of 2010 by the Arkansas Department of Finance and Administration withholding that sum from the monthly distribution to the University. The award was then paid by the Arkansas State Claims Commission to the claimant and its attorney.

Tammie J. Baker v. University of Central Arkansas (Before the United States Equal Employment Opportunity Commission, Charge No. 493-2009-00480)

On January 19, 2009, Ms. Baker, an employee in the Office of the Registrar, filed a harassment complaint against the Assistant Registrar. In accordance with the University's Sexual Harassment Policy, an informal investigation was conducted. Ms. Baker alleged that the Assistant Registrar inquired with co-workers and asked subordinates to check whether or not Ms. Baker was wearing underwear in the workplace. The informal investigation committee found that there was indisputable evidence of sexual harassment by the Assistant Registrar against Ms. Baker. According to the *UCA Staff Handbook* and Board Policy #511, UCA appropriately conducted its informal investigation and reached a reasonable resolution under the circumstances. Furthermore, Ms. Baker was notified that if she was not satisfied with the result of the investigation, that she could pursue the formal complaint process as stated in the *UCA Staff Handbook*. However, a formal complaint was not filed.

Upon her own request, Ms. Baker was transferred and promoted to a position in the Office of Leadership and Greek Services as soon as the issues surrounding the charge were resolved. On February 5, 2009, Ms. Baker was promoted from Document Examiner II (grade 12; salary of $18,453) to Secretary II (grade 13; salary of $19,667).

NOTE 13: Claims and Judgments/Contingencies (Continued)

Ms. Baker filed a charge of discrimination with the Equal Employment Opportunity Commission on February 2, 2009, alleging that she was demoted in “terms of responsibility,” and that she was sexually harassed because of her sex, female, and retaliated against for complaining about sexual harassment, in violation of Title VII of the Civil Rights Act of 1964, as amended.

On March 10, 2009, the University filed its response to the EEOC’s request for information, as well as its position statement in connection with the allegations of Ms. Baker. On September 2, 2009, the EEOC issued a right to sue letter to Ms. Baker. She did not file a lawsuit within 90 (ninety) days of her receipt of that letter. Therefore, she lost the right to sue based on this charge, and the matter is now concluded.

NOTE 14: Related Party Transactions

On June 29, 2005 the University through the Arkansas State Building Authority entered into a lease agreement with the University of Central Arkansas Foundation, Inc. to lease a student apartment complex for student housing. The term of the lease began on June 1, 2005 for a maximum period of thirty years. The University paid $799,367 to the UCA Foundation, Inc. for this lease in 2010.

On August 8, 2003 the University through the Arkansas State Building Authority entered into a lease agreement for office space in Buffalo Alumni Hall which is owned by the UCA Foundation, Inc. This lease was renewed on an annual basis through June 30, 2010. The University paid the UCA Foundation $20,000 annually for this lease. At the May 7, 2010 Board meeting a new two year contract was approved increasing the annual lease amount to $30,000 beginning with fiscal year 2011. The agreement is renewable through fiscal year 2012.

NOTE 15: Natural Classifications with Functional Classifications

The University operating expenses by functional classification were as follows:

Year Ended June 30, 2010
Natural Classification

Functional Classification	Personal Services	Scholarships	Supplies	Depreciation	TOTAL
Instruction	$ 51,665,946		$ 5,340,314		$ 57,006,260
Research	1,879,320		738,857		2,618,177
Public service	1,789,955		1,494,356		3,284,311
Academic support	6,356,462		2,011,133		8,367,595
Student services	4,072,348		1,653,471		5,725,819
Institutional support	7,595,329		2,974,020		10,569,349
Operation of plant	7,101,662		12,280,355		19,382,017
Scholarships		$ 17,075,303			17,075,303
Auxiliary enterprises	7,769,427	2,613,595	14,319,920		24,702,942
Depreciation				$ 8,671,241	8,671,241
Total Expenses	$ 88,230,449	$ 19,688,898	$ 40,812,426	$ 8,671,241	$ 157,403,014

NOTE 16: 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 16: 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 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 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Employees who have 30 or more years of service in the Arkansas Teacher Retirement System, who are at least 60 years of age and who have at least 20 years of service at UCA will be allowed to retire under the University's early retirement plan.

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 $283.00 and the University's maximum monthly contribution for a family plan is $400.00. For those employees retiring after December 31, 2008, the retiree will pay the difference between the University's contribution of $150.00 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 $73.00 per month from members' age 65 to 70.

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

Retirees may purchase dental insurance for themselves and their eligible dependents. The retiree will pay the difference between the University's contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2010, the University's maximum monthly contribution is the lesser of $25.48 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 $10.00 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 until the members' age 65. At the members' age 65, coverage is reduced to 65% at no cost to retiree. At the members' age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At the members' age 80, life insurance coverage for retirees will cease.

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 2009-2010, the University paid retiree premiums for the benefits described above in the amount of $191,838. The University accrued an additional $104,923 of OPEB expense.

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

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

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

Cost Element	**Fiscal Year Ending June 30, 2010**	
	Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at July 1, 2009	$2,695,507	4.30%
Annual Required Contribution (ARC)		
2. Normal cost	$165,993	
3. Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$137,523	
4. Annual Required Contribution (ARC = 2 + 3)	$303,516	0.48%
Annual OPEB Cost (Expense)		
5. Normal cost	$303,516	
6. Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$(16,395)	
7. Interest on beginning of year accrual	$ 9,640	
8. Fiscal 2009-2010 OPEB cost (5 + 6 + 7)	$296,761	0.47%
End of Year Accrual (Net OPEB Obligation)		
9. Beginning of year accrual	$321,343	
10. Annual OPEB cost	$296,761	
11. Employer contribution (benefit payments)[2]	$191,838	
12. End of year accrual (9 + 10 – 11)	$426,266	0.68%

[1] Annual payroll for the 1,162 plan participants as of June 30, 2010 is $62,713,367.
[2] Actual contributions and administrative fees paid in fiscal year 2009-2010 of $325,708 less participant contributions of $133,870.

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2008	$367,337	$238,365	64.9%
June 30, 2009	$410,908	$218,537	53.2%
June 30, 2010	$296,761	$191,838	64.6%

[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, 2008	$0	$2,446,008	$2,446,008	0%	$47,660,304	5.13%
June 30, 2009	$0	$3,032,988	$3,032,988	0%	$62,441,472	4.86%
June 30, 2010	$0	$2,695,507	$2,695,507	0%	$62,713,367	4.30%

[4] Estimated payroll as of July 1, 2007 for FY ended June 30, 2008, as of June 30, 2009 for FY ended June 30, 2009, and as of June 30, 2010 for FY ended June 30, 2010 includes only plan participants.

Note

The annual required contribution (ARC) of $303,516 for fiscal year 2009-2010 and accrual of $426,266 as of June 30, 2010, are based on the assumption of no funding in a segregated GASB qualified trust.

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

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$367,337	64.9%	$128,972
June 30, 2009	$410,908	53.2%	$321,343
June 30, 2010	$296,761	64.6%	$426,266

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2009 - June 30, 2010
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%
Heath care cost 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 2010. The amounts contributed by the University will not change in future years.

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

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, 2009 – June 30, 2010
Census Data	Census data was provided as of February 1, 2010. 1,117 active participants with an average age of 45.9 and average service of 8.7 years were valued. 45 retired participants with an average age of 61.9 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 16: 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 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Employees who have 30 or more years of service in the Arkansas Teacher Retirement System, who are at least 60 years of age and who have at least 20 years of service at UCA will be allowed to retire under the University's early retirement plan. Medical and dental coverage ceases at the members' age 65. Supplemental medical insurance stipend ceases at the members' age 70. Life insurance coverage ceases at the members' age 80.

Health Costs

Total monthly costs for the University are capped at $150.00 per member for retirees who retire after December 31, 2008. This employer cost is not increased with trend rates. The University's monthly cost for retirees who retire before January 1, 2009 is capped at $283.00 for single coverage and $400.00 for retiree plus spouse coverage.

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

Dental Costs

The retiree will pay the difference between the University's contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2010, the University's maximum monthly contribution is the lesser of $25.48 or the current year's monthly premium for single coverage. Employees retiring after December 31, 2009 may purchase dental insurance for themselves and their eligible dependents by payment of the full premium. At the members' age 65, dental insurance coverage for retirees and their dependents will cease.

Life Insurance Costs

Retirees may purchase life insurance through the University plan if they are in one of the two following classifications. Class 4 contains retired employees hired prior to January 1, 1999. These retirees are provided with $15,000 of life insurance. For those who retired prior to January 1, 2009, the retiree will pay the difference between the University's contribution of $10.00 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 until the members' age 65. At the members' age 65, coverage is reduced to 65% at no cost to retiree. At the members' age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At the members' age 80, life insurance coverage for retirees will cease.

NOTE 16: Other Postemployment Benefits (OPEB) (Continued)]

Annual Health Care Trend Rate*

Fiscal Year	Health and Dental 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% discount rate
Spouse Age Difference	Husbands are assumed to be three years older than wives for current and future retirees who currently elect spousal coverage.
Mortality	RP-2000 Combined Mortality Table (without projection, combined active and retiree, sex distinct tables)

NOTE 16: Other Postemployment Benefits (OPEB) (Continued)]

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

	Mortality		Termination	
Age	Male	Female	Male	Female
25	.38	.21	46.0	48.4
30	.44	.26	39.4	44.0
35	.77	.48	32.0	31.0
40	1.08	.71	27.0	22.0
45	1.51	1.12	20.8	20.0
50	2.14	1.68	16.2	17.0
55	3.62	2.72	15.0	15.0
60	6.75	5.06	15.0	15.0
65	12.74	9.71	15.0	15.0
70	22.21	16.74	15.0	15.0
75	37.83	28.11	0.0	0.0
80	64.37	45.88	0.0	0.0

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 16: 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 17: Subsequent Events

At the August 20, 2010 UCA Board of Trustees meeting, approval was given to move forward with the refinancing of the Parking Facilities Revenue Bonds, 1997 Series B and Auxiliary Revenue Capital Improvement and Refunding Bonds, 2003 Series B in order to recognize certain savings from more favorable interest rates. This refunding will be collectively called the Series 2010A Auxiliary Refunding Program. The total for the 2010A refunding issue will not exceed $5,000,000.

NOTE 17: Subsequent Events (Continued)

In addition, the Recreation Facilities Allocated Revenue Bonds, 1997 Series C, Student Fee Refunding and Construction Bond, Series 1998, Student Fee Revenue Capital Improvement and Refunding Bonds, 2003 Series A, and Student Fee Revenue Capital Improvement Bonds, Series 2004A will be refunded in order to recognize certain savings from more favorable interest rates and the new issue will be referred to as the Series 2010B Student Fee Refunding Program. The total of this refunding issue will not exceed $16,000,000.

Also approved was the financing of construction and furnishing of a new residence hall on campus and the updating of additional housing facilities on campus. This issue will be referred to as Series 2010C Housing Project for a total not to exceed $22,000,000.

Approval for these refunding issues and construction issue was granted by the Department of Higher Education Coordinating Board on July 30, 2010. The official closing has been scheduled for mid to late September, 2010.

At the May 7, 2010 Board of Trustees meeting, a proposed property exchange agreement between the University and HDR Properties, LLC was approved.

The University owns approximately five (5) acres with a house on the east side of Donaghey Avenue across from the softball field. Two appraisals were performed on the University property. The first appraisal occurred in September 2008 and valued the property at $1,100,000 while the second was in January of 2010 and valued it at $1,336,000. The average of the two appraisals is $1,218,000.

HDR Properties, LLC, owns four houses, three on Western Avenue and one on Augusta Avenue. Monthly rents on these four houses aggregate approximately $4,850. These properties were appraised on two occasions. One in September of 2008 was $572,000, and the second in January of 2010 was $538,000. These two appraisals average $555,000.

NOTE 17: Subsequent Events (Continued)

Under the exchange agreement approved on May 7, 2010, and subsequently signed by the parties, the respective properties would be exchanged and in addition, HDR Properties, LLC, would pay to the University the sum of $720,000 cash at closing. Using the lower of the two HDR appraisals, the University would receive property and cash totaling $1,258,000.

The matter went before the University Board of Trustees again on July 21, 2010 due to a request by HDR for a reduction in the cash payment to be made at closing. The University property was surveyed by HDR Properties, LLC and it was found that the acreage is 4.76 acres, not 5.0 acres. HDR requested a reduction of $60,000 in the amount of cash to be paid at closing (determined by taking the reduction in acreage times the price per square foot to be paid in cash and property to the University). However, the University's Board of Trustees approved a motion that the amount of the cash payment at closing would be $700,000.

The closing was to occur on or before July 1, 2010, but HDR was given the right to extend the closing date until September 1, 2010, if it required the additional time to arrange suitable financing. An additional agreement was approved by the University Board of Trustees and signed by University and HDR representatives that the closing would occur on or before November 1, 2010.

NOTE 18: Risk Management

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

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

NOTE 18: Risk Management (Continued)

The University carries Excess Auto liability coverage on the fleet of vehicles covered under the state policy. The coverage is with Bancorp South. The liability limit is $10,000,000 for each occurrence and $10,000,000 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. This University pays an annual premium for this coverage.

The University carries commercial insurance related to student athletes while participating in a scheduled game. The University pays an annual premium for this coverage.

The University carries a liability policy for Bear Village Apartment Complex. The liability policy is $2,000,000 aggregate limit and $1,000,000 limit for each occurrence. The University also carries an umbrella policy with a limit for each occurrence of $10,000,000 and an aggregate of $10,000,000 where applicable. The University pays an annual premium for this coverage.

NOTE 18: Risk Management (Continued)

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 $1,000 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 19: GASB 48-Sales and Pledges of Receivables and Future Revenues

The University has pledged future student fee revenue to repay $39,722,800 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 2038. Annual principal and interest payments on the bonds are expected to require approximately 5% of gross revenues. The total principal and interest remaining to be paid on the bonds is $64,765,985. Principal and interest paid for the current year and gross revenues were $3,710,204 and $68,479,631, respectively.

The University has pledged future housing systems revenue to repay $31,185,000 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 2034. Annual principal and interest payments on the bonds are expected to require approximately 18% of gross revenues. The total principal and interest remaining to be paid on the bonds is $47,273,164. Principal and interest paid for the current year and gross revenues were $2,539,644 and $14,161,900, respectively.

The University has pledged future other auxiliary revenue to repay $13,572,200 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 2018 to 2038. 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 $19,731,594. Principal and interest paid for the current year and gross revenues were $1,536,984 and $17,255,723, respectively.

NOTE 20: Common Fund

Effective September 29, 2008, Wachovia Bank, N.A., as Trustee of the Common Fund for Short Term Investments (the "Short Term Fund") announced its decision to terminate and liquidate the Short Term Fund. No additional contributions to the Short Term Fund were accepted. Under the liquidation plan, investors in the Short Term Fund were to receive distributions based on their proportional interest in the Short Term Fund as assets matured or were sold.

The University's balances in Short Term Fund as of June 30, 2010 and September 29, 2008 are as follows:

Date	Balance
June 30, 2010	$0
September 29, 2008	$5,500,000

On Friday, March 5, 2010, Law Debenture Trust Company of New York, as Trustee to the Commonfund Short Term Fund, made the final distribution from the fund. With this final distribution, participants have received $1.0069 in cash for every dollar of their September 29, 2008 balances. Actual distribution amounts were based on each participant's pro rata interests in the fund. The University received $35,902 in earnings above the University's investment.

NOTE 21: Prior Year Restatements

The University made several accounting changes that created significant enough changes as to necessitate a restatement of the fiscal 2008-09 comparative column on the statements as though the new procedure had actually been implemented during that time period. The categories of changes along with some presentation corrections are detailed below:

NOTE 21: Prior Year Restatements (Continued)

1. The most extensive change involved that of a long time practice of the method of transferring money between funds. In most cases the fund receiving the allocation was credited with a revenue account and the fund providing the allocation was showing the transaction as an expense. In order to avoid overstating revenue and expenditures in some instances, the new accounting practice is to show the revenue in the location in which it is first recorded. The allocation to other funds will then be accounted for as a transfer out of the initial fund and a transfer into the new fund. The cumulative transfers amount to zero across all funds, thereby having no effect on the financial statements. **There is a zero net effect from this change on the restated Fiscal year 2008-2009.**

Examples of transfers previously shown as revenue in auxiliary funds include college work study, administrative fee, and allowable support from educational and general (E&G) funds. Activities supported by externally funded projects were being shown as revenue in E&G and now are being shown as a transfer of expense.

2. A presentation change was made to move the revenue from the Strategic Growth Institute (SGI) from Tuition and Fee revenue to Sales and Services. **There is a zero net effect from this change on the restated Fiscal year 2008-2009.**

3. A presentation change was made to move Federal College Work Study revenue from Sales and Services to Federal Grants. **There is a zero net effect from this change on the restated Fiscal year 2008-2009.**

4. A presentation change was made to move loan deductions and non-capitalized expenditures of unexpended plant from non-operating to operating in accordance with GASB standards. **There is a zero net effect from this change on the restated Fiscal year 2008-2009.**

NOTE 21: Prior Year Restatements (Continued)

5. Property received as a gift late in fiscal year 2008-09 was placed on the statements at the tax value of $6,376, as that was the only information available at the time. An appraisal was made subsequent to the issuance of the statements which significantly increased the amount of the gift by $183,518. This is a combination of an increase in Land value of $93,624 and Timber of $89,894. This action increased Capital assets, net of accumulated depreciation and Invested in capital assets, net of debt by $183,518. **This restatement increased ending Net Assets for June 30, 2009 by $183,518.**

NOTE 22: 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 assets at June 30, 2010 were $5,305,428. Of this amount, $582,976 represented funds functioning as endowments and reported as unrestricted net assets, $3,676,856 was reported as restricted – nonexpendable and the remaining $1,045,596 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 23: Bank Line of Credit

At the May 7, 2010 meeting of the UCA Board of Trustees, approval was given to renew the University's line of credit with First Security Bank for the period of July 1, 2010 – October 28, 2011. The previous line of credit expired on June 30, 2010.

NOTE 23: Bank Line of Credit (Continued)

The University, for short term operating needs, is allowed on an "as needed" basis to borrow up to $6 million on the line of credit. The estimated annual interest rate would be 4.96 percent. The University did not utilize the Line of Credit during the fiscal year ended June 30, 2010.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2010

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2008	$367,337	$238,365	64.9%
June 30, 2009	$410,908	$218,537	53.2%
June 30, 2010	$296,761	$191,838	64.6%

[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, 2008	$0	$2,446,008	$2,446,008	0%	$47,660,304	5.13%
June 30, 2009	$0	$3,032,988	$3,032,988	0%	$62,441,472	4.86%
June 30, 2010	$0	$2,695,507	$2,695,507	0%	$62,713,367	4.30%

[4] Estimated payroll as of July 1, 2007 for FY ended June 30, 2008, as of June 30, 2009 for FY ended June 30, 2009, and as of June 30, 2010 for FY ended June 30, 2010 includes only plan participants.

Note

The annual required contribution (ARC) of $303,516 for fiscal year 2009-2010 and accrual of $426,266 as of June 30, 2010, are based on the assumption of no funding in a segregated GASB qualified trust.

Schedule 1

UNIVERSITY OF CENTRAL ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Total Assets	$ 191,105,626	$ 183,360,424	$ 181,495,144	$ 180,553,707	$ 164,534,176
Total Liabilities	101,879,641	108,563,565	108,910,103	113,944,325	91,185,736
Total Net Assets	89,225,985	74,796,859	72,585,041	66,609,382	73,348,440
Total Operating Revenues	97,786,489	100,883,328	93,032,314	88,227,689	75,112,802
Total Operating Expenses	157,403,014	154,410,056	150,782,708	144,191,777	127,234,695
Total Net Non-Operating Revenues	66,396,615	59,153,974	64,833,345	52,398,177	48,148,915
Total Other Revenues, Expenses, Gains, or Losses	7,649,036	3,962,449	(1,107,292)	(3,173,147)	(711,394)