University of Central Arkansas

Conway, Arkansas

Basic Financial Statements
and Other Reports

June 30, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE

UNIVERSITY OF CENTRAL ARKANSAS
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JUNE 30, 2017

BASIC FINANCIAL STATEMENTS

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Sen. Jimmy Hickey, Jr.
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Sen. Lance Eads
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Rep. Mary Bentley
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated May 3, 2017. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-14, 68, and 69-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Selected Information for the Last Five Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
June 6, 2018
EDHE16517

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair

Rep. Richard Womack
House Chair
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the 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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated June 6, 2018. Our report includes a reference to other auditors who audited the financial statements of the University of Central Arkansas Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the University of Central Arkansas Foundation, Inc., were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the University in a separate letter dated June 6, 2018.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 6, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

University of Central Arkansas
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2017, 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 2016	Fall Term 2016	Spring Term 2017	Summer I Term 2017
Student Headcount	2,455	11,487	10,475	3,010
Student Semester Credit Hours	9,887	141,848	128,563	13,189

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

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

ARKANSAS LEGISLATIVE AUDIT

Larry W. Hunter

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 6, 2018

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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, 2017. There are three financial statements presented: the *Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*.

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

Statement of Net Position

The *Statement of Net Position* presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University as of June 30, 2017. 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, 2016, through June 30, 2017. This statement also serves as a starting point for transactions that will occur for the next fiscal period. The assets and liabilities are broken down into current and noncurrent sections to provide information relative to the time required in converting noncash assets to cash or to cash equivalents or that may require the use of cash. The net position is the difference between assets and deferred outflows and liabilities and deferred inflows. The *Notes to the Financial Statements* explain the differences between current and noncurrent assets and liabilities.

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

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

Statement of Net Position (continued)

Statement of Net Position
June 30, 2017

	Year Ended June 30			
Assets:	2017	2016	Increase/ Decrease	Percent Change
Current assets	$ 41,547,933	$ 39,120,957	$ 2,426,976	6%
Capital assets, net	203,147,211	207,209,199	(4,061,988)	-2%
Other assets	56,606,449	60,152,198	(3,545,749)	-6%
Total Assets	301,301,593	306,482,354	(5,180,761)	-2%
Deferred Outflows of Resources	11,273,169	6,917,369	4,355,800	63%
Liabilities:				
Current liabilities	18,270,371	18,180,421	89,950	0%
Non-current liabilities	194,585,017	193,509,123	1,075,894	1%
Total Liabilities	212,855,388	211,689,544	1,165,844	1%
Deferred Inflows of Resources	1,685,566	3,553,344	(1,867,778)	-53%
Net Position:				
Invested in capital assets, net	50,522,011	55,327,565	(4,805,554)	-9%
Restricted-nonexpendable	3,849,828	3,956,861	(107,033)	-3%
Restricted-expendable	8,611,869	8,481,537	130,332	2%
Unrestricted	35,050,100	30,390,872	4,659,228	15%
Total Net Position	$ 98,033,808	$ 98,156,835	$ (123,027)	0%

A review of the *Statement of Net Position* reveals that total assets decreased by $5.2 million or about 2%. There are several offsetting changes within this category. Total capital assets decreased by $4.1 million due to capitalization of ongoing and significant projects totaling $10.7 million, net of $0.1 million in disposals and write-offs, and $14.7 million in depreciation. Deposits with trustees, which are primarily related to ongoing construction projects, decreased by $6.2 million during the same period. Meanwhile, cash and cash equivalents increased by $5.5 million, investments increased by $0.5 million, and prepaid expenses increased by $0.2 million, while capital gifts receivable decreased by $0.9 million, and total accounts receivable decreased by $0.2 million. The University maintained consistent or increasing revenues and as a result of cost savings was able to increase its cash reserves, and continued to utilize debt financing for capital asset purchases.

Statement of Net Position (continued)

Total liabilities increased by $1.2 million or 1%. Bonds payable and notes payable decreased by $5.7 million due to regular payments. Offsetting that was an increase of the pension liability by $7.3 million. Funds held for the University's self-funded health plan, which was adopted in 2016, resulted in an increase in payroll liability by $1.5 million. Deposits increased by $0.1 million, and OPEB liability increased by $0.2 million while accounts payable decreased by $1.4 million, compensated absences decreased by $0.5 million, unearned revenue decreased by $0.2 million, and refundable federal advances decrease by $0.1 million.

Total deferred outflows increased by $4.4 million. Costs related to debt refunding decreased by $0.1 million due to amortization, and deferred outflows related to pension costs increased by $4.5 million.

Deferred inflows related to pension costs decreased by $1.9 million.

The aggregate of these changes results in a decrease in Total Net Position of $0.1 million or less than 1%.

While the 2016-17 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an institution's fiscal stability is how operating revenues compare to operating expenses. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations and federal and some state student grants are considered non-operating revenues under accounting principles generally accepted in the United States of America.

Statement of Revenues, Expenses and Changes in Net Position

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

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

Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2017

	Year Ended June 30			
	2017	2016	Increase/ Decrease	Percent Change
Operating revenues	$ 96,684,795	$ 93,127,309	$ 3,557,486	4%
Operating expenses	(186,747,138)	(185,843,864)	(903,274)	0%
Operating loss	(90,062,343)	(92,716,555)	2,654,212	-3%
Nonoperating revenues less expenses	90,726,789	92,933,345	(2,206,556)	-2%
Income (loss) before other revenues, expenses, gains or losses	664,446	216,790	447,656	206%
Other revenues, expenses, gains or losses	(787,473)	3,058,441	(3,845,914)	-126%
Increase(Decrease) in net position	(123,027)	3,275,231	(3,398,258)	-104%
Net position at beginning of year as Originally Reported	98,156,835	106,151,105	(7,994,270)	-8%
Restatement of Prior Year Balance		(11,269,501)		
Net position at beginning of year	98,156,835	94,881,604	3,275,231	3%
Net position at end of year	$ 98,033,808	$ 98,156,835	$ (123,027)	0%

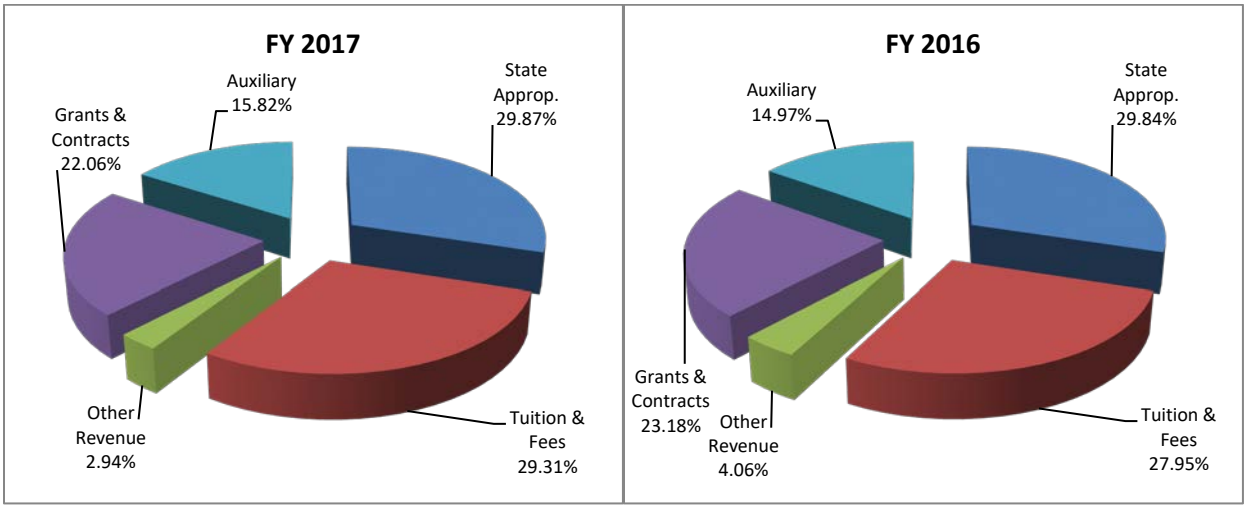
The *Statement of Revenues, Expenses and Changes in Net Position* reflects an decrease in net position at the end of the year of $0.1 million or less than 1%.

Revenue Changes – The financial statement shows an increase in operating revenues of $3.5 million or 4%. This is primarily from a $2.2 million increase in student tuition and fee revenue—mostly due to a slight increase in tuition rates—and a $1.4 million increase in auxiliary revenues—primarily from athletic revenues, which included a small increase in fees as well as increased NCAA revenue. Other operating revenues also increased by $0.5 million, while federal, state, and local grants and contracts decreased by $0.6 million, mostly because of a one-time capital project using grant revenue in the prior year.

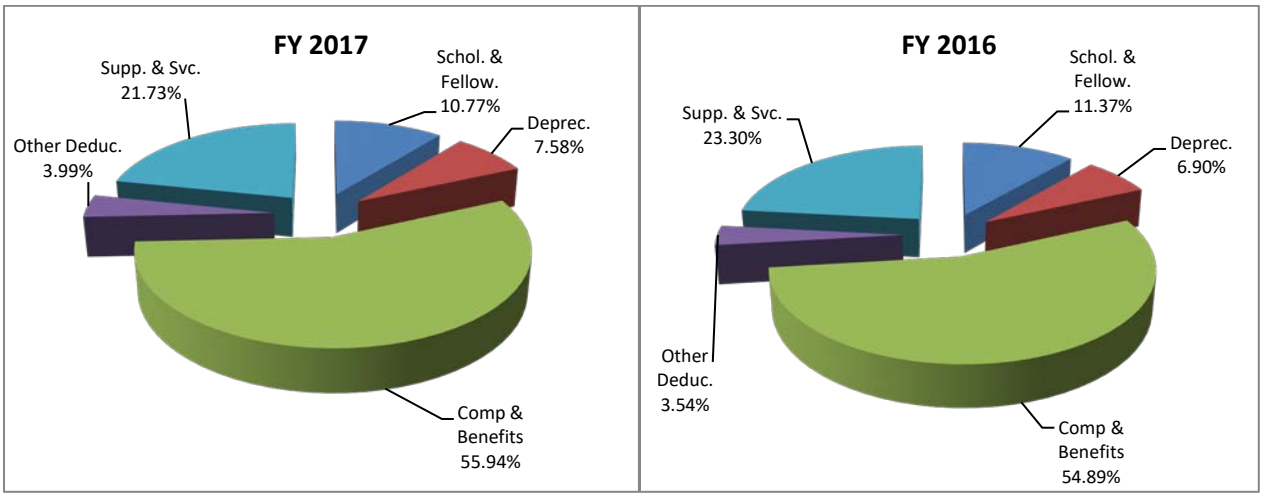
Expense Changes – Operating expenditures increased by $0.9 million or less than 1%. This includes an increase of $3.0 million in compensation and benefits due to a cost of living increase, as well as increases in certain fringe costs. Supplies and services decreased $2.7 million as a result of lower capital expenditures, while depreciation and amortization increased $1.5 million. Additionally, scholarships decreased $0.9 million due to a reduction state funding via Arkansas Challenge scholarships.

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

UNIVERSITY OF CENTRAL ARKANSAS
REVENUE ANALYSIS



UNIVERSITY OF CENTRAL ARKANSAS
EXPENDITURE ANALYSIS



Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the Institution during the year. The statement is divided into the following five sections:

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

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Year Ended June 30			
Cash provided(used) by:	2017	2016	Increase/ Decrease	Percent Change
Operating activities	$ (75,091,137)	$ (79,683,998)	$ 4,592,861	-6%
Non-capital financing activities	94,638,717	96,904,119	(2,265,402)	-2%
Capital and related financing activities	(14,992,589)	(18,430,547)	3,437,958	-19%
Investing activities	919,304	233,868	685,436	293%
Net Change in Cash	5,474,295	(976,558)	6,450,853	-661%
Cash, beginning of year	67,604,027	68,580,585	(976,558)	-1%
Cash, end of year	$ 73,078,322	$ 67,604,027	$ 5,474,295	8%

Capital Assets and Debt Administration

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2016-17. The following are some of the significant additions:

Funded By Bonds, Grants and Other Sources:

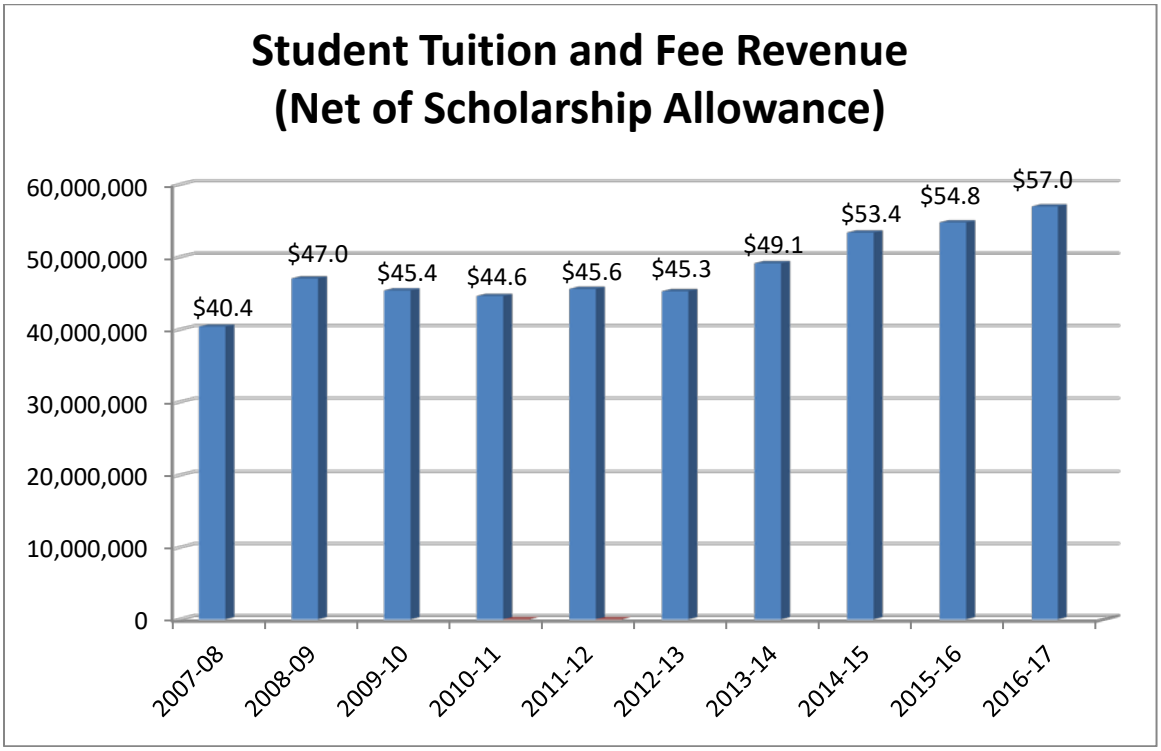
Academic and other E & G projects	$	8,006,524
Housing and other Auxiliaries		4,171,039
Infrastructure/Technology & Property		1,450,565
	$	13,628,128

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

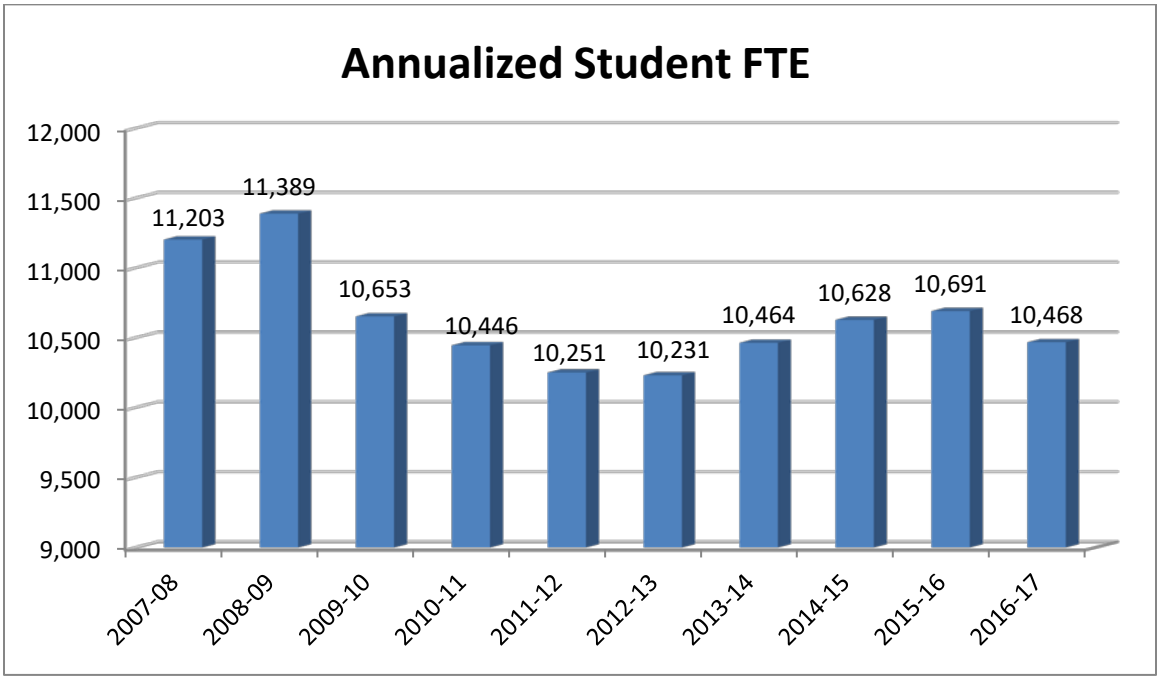
Economic Outlook

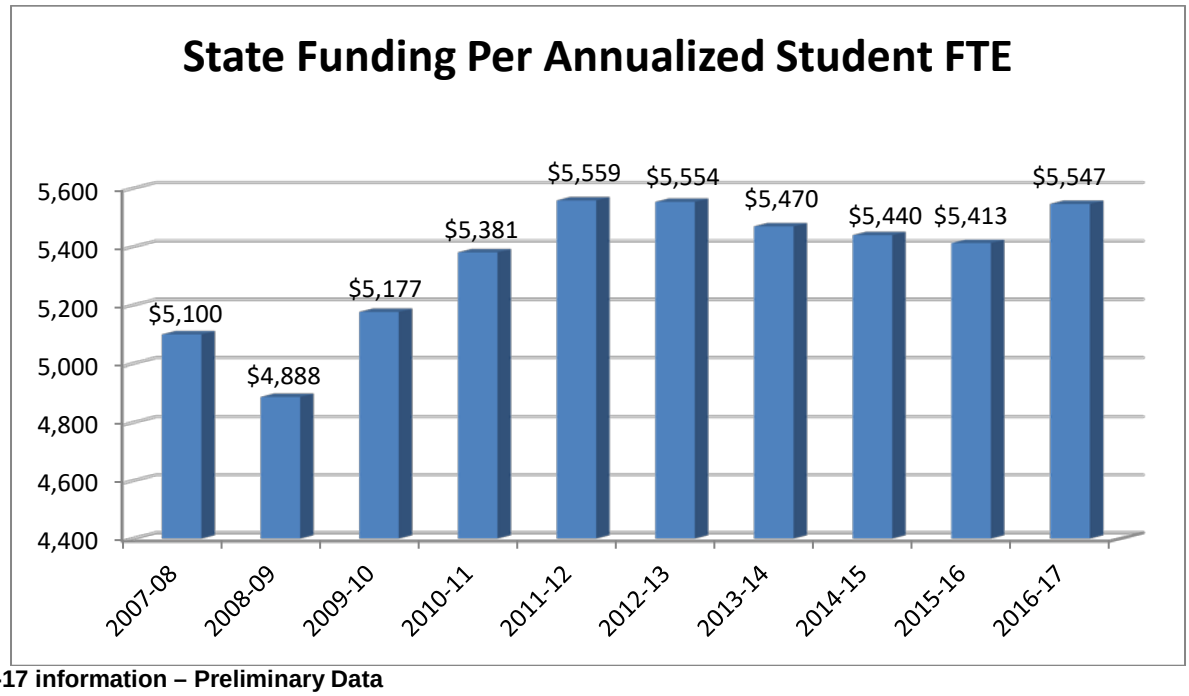
Indicators such as cash reserves, fund balances and ratio analyses all show positive trends and are consistent with the upward movement of net assets.

The following charts provide key trends experienced by the University:



Economic Outlook (continued)





***2016-17 information – Preliminary Data**

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

Economic Outlook (continued)

The overall funding provided by the State remains relatively stable. The University continues to monitor spending in all areas while placing an emphasis on building and maintaining unrestricted cash reserves and operating fund balances. Indicators point to continued optimism in revenue generation. These include stable state funding, stable enrollment, and stable demand for housing and food service.

In 2015, the Arkansas Department of Higher Education began the process of developing a plan to move from enrollment-based funding to outcomes-based funding. On July 29, 2016, Dr. Brett Powell, then Director of the Arkansas Department of Higher Education, issued the following statement:

> *"Outcomes-based funding represents a fundamental shift in the way we think about how the state invests in higher education. Instead of an enrollment-centered formula, this model focuses on program completions and, as a result, it emphasizes success and incentivizes institutional leaders to prioritize the types of activities that lead to successful students."*

In February 2017, the Arkansas General Assembly passed legislation adopting a productivity-based funding model for the state-supported institutions of higher education. The first year under the new formula is 2018-2019. The University of Central Arkansas administration feels it is positioned to perform well under the new model.

In August 2017, Moody's Investors Service affirmed the University's bond rating A2 with a stable outlook.

Although the economy is an unknown at this time and could affect state funding, the State of Arkansas is very conservative in its budgeting process and revenue forecast. The administration is closely monitoring state revenues to be ready to take steps to react to any revision state officials might make in the official revenue forecast. A revision in the state's official revenue forecast could result in state agencies, including institutions of higher education, being authorized to spend at a reduced level for the remainder of FY 2018. 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

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A

	2016-2017	2015-2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 32,573,958	$ 30,309,191
Accounts receivable-state	233,843	155,421
Accounts receivable-other, net of allowances of $2,478,077 & $2,471,163, respectively	4,029,762	3,981,489
Student loans receivable	1,016,544	1,035,204
Prepaid expenses	1,761,747	1,559,639
Capital gifts receivable	886,200	986,200
Inventories	353,201	365,676
Bond issuance costs	692,678	728,137
Total Current Assets	**41,547,933**	**39,120,957**
Noncurrent Assets		
Cash and cash equivalents	40,504,364	36,794,836
Cash in state treasury		500,000
Deposits with trustees	379,658	6,584,399
Investments	6,893,852	6,356,718
Capital gifts receivable	1,986,200	2,729,300
Endowment investments in real estate	300,000	300,000
Student loans receivable	6,542,375	6,886,945
Capital assets, net of accum depr & amort of $193,143,504 & $181,016,993, respectively	203,147,211	207,209,199
Total Noncurrent Assets	**259,753,660**	**267,361,397**
TOTAL ASSETS	**301,301,593**	**306,482,354**
DEFERRED OUTFLOWS OF RESOURCES		
Debt refunding costs	1,509,139	1,601,411
Pensions	9,764,030	5,315,958
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**11,273,169**	**6,917,369**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,721,331	4,146,972
Accounts payable-payroll	4,484,845	2,937,489
Accrued interest payable	1,732,627	1,771,886
Bonds, notes, and capital leases payable, current portion-net (Note 10)	5,977,381	5,545,278
Compensated absences	319,154	436,951
Unearned revenue	2,281,021	2,392,631
Annuity payable	62,500	62,500
Deposits and funds held in trust for others	691,512	886,714
Total Current Liabilities	**18,270,371**	**18,180,421**
Noncurrent Liabilities:		
Bonds, notes, and capital leases payable, long term portion-net (Note 10)	151,555,854	157,690,958
Compensated absences	2,816,900	3,249,832
Unearned revenue	497,417	607,696
Annuity payable	345,623	312,551
OPEB liability	1,769,421	1,544,209
Deposits and funds held in trust for others	1,080,513	796,962
Pension liability	29,660,103	22,382,349
Refundable federal advances	6,859,186	6,924,566
Total Noncurrent Liabilities	**194,585,017**	**193,509,123**
TOTAL LIABILITIES	**212,855,388**	**211,689,544**
DEFERRED INFLOWS OF RESOURCES		
Pensions	1,685,566	3,553,344
TOTAL DEFERRED INFLOWS OF RESOURCES	**1,685,566**	**3,553,344**

Exhibit A

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2017

	2016-2017	2015-2016
NET POSITION		
Net investment in capital assets	$ 50,522,011	$ 55,327,565
Restricted for:		
Non-Expendable		
Loans	1,209,358	1,221,654
Other	2,640,470	2,735,207
Expendable	8,611,869	8,481,537
Unrestricted	35,050,100	30,390,872
TOTAL NET POSITION	**$ 98,033,808**	**$ 98,156,835**

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

Exhibit A-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets:		
Cash and cash equivalents	$ 4,787	$ 240,852
Unconditional promises to give, net	1,162,469	607,252
Total Current Assets	1,167,256	848,104
Property, Plant, and Equipment:		
Building - Buffalo Alumni Hall	1,025,290	1,025,290
	1,025,290	1,025,290
Less: accumulated depreciation	(495,679)	(470,046)
Total Property, Plant, and Equipment	529,611	555,244
Other Assets:		
Unconditional promises to give, net	2,795,450	2,932,303
Investments	22,627,162	19,876,963
Cash surrender value of life insurance		424,409
Other assets	104,921	104,921
Total Other Assets	25,527,533	23,338,596
Endowment Investments:		
Cash and cash equivalents	1,274,816	1,441,650
Investments	24,429,032	22,250,026
Total Endowment Investments	25,703,848	23,691,676
Total Assets	$ 52,928,248	$ 48,433,620

Exhibit A-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities:		
Accounts payable	$ 106	$ 286
Current maturities of long-term debt	11,605	45,590
Current maturities of obligations under annuity agreements	6,374	6,374
Total Current Liabilities	18,085	52,250
Long-Term Liabilities:		
Long-Term Debt	11,605	57,288
Less: current maturities above	(11,605)	(45,590)
Obligations under annuity agreements	50,964	57,339
Less: current maturities above	(6,374)	(6,374)
Amount held for UCA - Crow/White	6,314,601	5,802,737
Amount held for UCA - Donna Stephens	107,479	103,479
Amount held for UCA - Firestone Estate	471,772	450,501
Total Long-Term Liabilities	6,938,442	6,419,380
Total Liabilities	6,956,527	6,471,630
Net Assets:		
Unrestricted		
Unrestricted	134,415	127,331
Board designated	235,716	235,716
Temporarily restricted	19,897,742	17,907,266
Permanently restricted	25,703,848	23,691,677
Total Net Assets	45,971,721	41,961,990
Total Liabilities and Net Assets	$ 52,928,248	$ 48,433,620

Exhibit B

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	2016-2017	2015-2016
Operating Revenues:		
Student tuition & fees (net of scholarship allowances $27,969,231 & $27,879,715)	$ 56,973,390	$ 54,775,233
Federal grants and contracts	2,843,164	2,455,543
State and local grants and contracts	1,732,490	2,556,650
Non-governmental grants and contracts	1,314,677	1,463,404
Sales & services of educational departments	1,550,265	1,529,560
Auxiliary Enterprises		
Athletics (net of scholarship allowances $1,743,036 & $1,656,750)	6,801,327	5,616,018
Housing (net of scholarship allowances of $4,934,584 & $4,822,923)	12,570,108	12,042,853
Food Service (net of scholarship allowances of $2,836,334 & $3,028,321)	6,451,564	6,599,583
Student Center (net of scholarship allowances of $394,435 & $414,168)	917,052	925,691
Recreational Facilities (net of scholarship allowances of $884,586 & $888,819)	1,918,301	1,886,773
Other Auxiliary Enterprises (net of scholarship allowances of $677,959 & $708,746)	2,097,361	2,268,199
Other Operating Revenues	1,515,096	1,007,802
Total Operating Revenues	**96,684,795**	**93,127,309**
Operating Expenses:		
Compensation and benefits	108,797,284	105,749,676
Supplies and services	42,268,112	44,899,221
Scholarships and fellowships	20,942,887	21,897,672
Depreciation and Amortization	14,738,855	13,297,295
Total Operating Expenses	**186,747,138**	**185,843,864**
Operating Income (Loss)	**(90,062,343)**	**(92,716,555)**
Non-operating Revenues (Expenses):		
State appropriations	58,068,410	58,475,054
Federal grants and contracts	17,867,175	19,095,083
State and local grants and contracts	14,242,125	15,188,182
Non-governmental grants and contracts	4,871,425	4,653,312
Gifts	507,401	413,519
Investment income (net of investment expense $69,378 & $62,166)	1,672,809	835,206
Interest expense and trustee fees	(6,316,022)	(5,578,114)
Disposal of capital assets (net of accumulated depreciation $1,647,652 & $1,641,250)	(103,551)	(110,594)
Payments to foundation for scholarships	(218,901)	(95,287)
Other income	135,918	56,984
Net Non-operating Revenues (Expenses)	**90,726,789**	**92,933,345**
Income Before Other Revenues, Expenses, Gains or Losses	**664,446**	**216,790**
Other Revenues, Expenses, Gains or Losses		
Capital gifts	325,846	4,103,724
Payments of mandatory fees to agency funds	(1,017,746)	(990,892)
Other deductions, net	(95,573)	(54,391)
Total Other Revenues, Expenses, Gains or Losses	**(787,473)**	**3,058,441**
Increase (Decrease) in Net Position	**(123,027)**	**3,275,231**
Net Position - Beginning of Year as Originally Reported	98,156,835	106,151,105
Restatement of Prior Year Balance - Depreciation		(11,269,501)
Net Position - Beginning of Year	**98,156,835**	**94,881,604**
Net Position - End of Year	**$ 98,033,808**	**$ 98,156,835**

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

Exhibit B-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:								
Contributions	$ 100,583	$ 1,188,792	$ 1,982,156	$ 3,271,531	$ 107,117	$ 1,608,418	$ 1,066,395	$ 2,781,930
Lease income		36,540		36,540		30,000		30,000
Special events	1,323	621,869		623,192	86	839,994		840,080
Interest and dividends		863,745		863,745		811,523		811,523
Membership dues and sponsorships		877,055	28,191	905,246		719,622	19,132	738,754
Grants		1,381,787		1,381,787	5,000	659,800	2,000	666,800
Royalty income		54,078		54,078		52,939		52,939
Realized gain (loss) on sale of investments	28	425,134		425,162	1	260,410		260,411
Unrealized gain (loss) on investments		2,627,701	1,824	2,629,525		(987,959)	(1,303)	(989,262)
Net assets released from restrictions:								
Satisfaction of program restrictions	6,086,225	(6,086,225)			5,488,115	(5,488,115)		
Total Revenues, Gains, and Other Support	6,188,159	1,990,476	2,012,171	10,190,806	5,600,319	(1,493,368)	1,086,224	5,193,175
Expenses:								
Programs								
Scholarships	996,172			996,172	943,422			943,422
Grants and University programs - UCA	4,432,672			4,432,672	4,043,184			4,043,184
Total Programs	5,428,844			5,428,844	4,986,606			4,986,606
Administration	224,967			224,967	212,713			212,713
Investment fees	339,389			339,389	297,873			297,873
Fundraising	142,683			142,683	177,245			177,245
Interest	19,559			19,559	26,132			26,132
Depreciation	25,633			25,633	25,632			25,632
Total Expenses	6,181,075			6,181,075	5,726,201			5,726,201

Exhibit B-1

UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in Net Assets	$ 7,084	$ 1,990,476	$ 2,012,171	$ 4,009,731	$ (125,882)	$ (1,493,368)	$ 1,086,224	$ (533,026)
Net Assets at Beginning of Year	363,047	17,907,266	23,691,677	41,961,990	488,929	19,400,634	22,605,453	42,495,016
Net Assets at End of Year	$ 370,131	$ 19,897,742	$ 25,703,848	$ 45,971,721	$ 363,047	$ 17,907,266	$ 23,691,677	$ 41,961,990

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C

	2016-2017	2015-2016
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	$ 56,820,162	$ 55,088,699
Grants and contracts	5,984,519	6,156,069
Collection of loans & interest to students	506,408	200,596
Auxiliary Enterprise revenues:		
Athletics	6,765,018	5,517,982
Housing	12,707,058	12,007,602
Food Service	6,460,442	6,554,443
Student Center	911,429	928,012
Recreational Facilities	1,914,189	1,892,847
Other auxiliary enterprises	2,066,427	2,234,625
Other receipts	2,559,968	1,901,906
Payments to employees/benefits	(106,613,542)	(105,334,912)
Payments to suppliers	(44,230,328)	(44,934,195)
Payments for scholarships and fellowships	(20,942,887)	(21,897,672)
Net cash provided (used) by operating activities	**(75,091,137)**	**(79,683,998)**
Cash Flows from Non-capital Financing Activities		
State appropriations	58,070,836	58,481,228
Private gifts	492,401	413,519
Federal grants and contracts	17,882,227	19,100,190
State, local, and private grants and contracts	19,113,550	19,841,494
Direct lending receipts	53,550,615	53,363,478
Direct lending payments	(53,550,615)	(53,363,478)
Other agency funds - net	159,949	121,080
Annuity payments	(62,500)	(62,500)
Payment of mandatory fees to agency funds	(1,017,746)	(990,892)
Net cash provided (used) by non-capital financing activities	**94,638,717**	**96,904,119**
Cash Flows from Capital and Related Financing Activities		
Distributions from trustee of bond proceeds and interest earnings	6,205,320	25,422,407
Capital grants and gifts	843,100	123,323
Proceeds from sale of capital assets	35,600	43,170
Purchases of capital assets	(9,963,552)	(33,039,754)
Payments to debt holders for principal other than for bonds	(336,298)	(324,803)
Payments to trustee for bond principal	(5,335,000)	(4,450,000)
Payments to trustee for interest and fees	(6,345,828)	(6,097,505)
Payments to debt holders for interest and fees other than for bonds	(95,931)	(107,385)
Net cash provided (used) by capital and related financing activities	**(14,992,589)**	**(18,430,547)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	100,111	252,614
Purchase of investments	(854,745)	(852,671)
Interest on investments (net of fees)	1,673,938	833,925
Net cash provided (used) by investing activities	**919,304**	**233,868**
Net increase (decrease) in cash	**5,474,295**	**(976,558)**
Cash - Beginning of Year	**67,604,027**	**68,580,585**
Cash - End of Year	**$ 73,078,322**	**$ 67,604,027**

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

UNIVERSITY OF CENTRAL ARKANSAS
COMPARATIVE STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C

	2016-2017	2015-2016
Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (90,062,343)	$ (92,716,555)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	14,738,855	13,297,295
Change in assets and liabilities:		
Receivables, net	149,356	(810,886)
Inventories	12,475	922
Deposits with others	12,458	6,637
Prepaid expenses and other assets	(202,108)	(504,233)
Accounts payable	(169,328)	1,526,349
Unearned revenue	(206,889)	165,801
Compensated absences	(550,729)	162,436
Pension liability	961,904	(1,021,771)
Other postemployment benefits liability	225,212	210,007
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (75,091,137)**	**$ (79,683,998)**
Noncash Transactions		
Capital gifts	$ 325,846	$ 264,901
Amortization of bond premium	39,477	39,477
Amortization of bond discount	7,776	7,776
Amortization of bond refunding gain/loss	92,271	102,130
Amortization of bond issuance costs	35,459	35,459
Interest earned on reserve accounts held by trustee	83	84
Value of trade-in of equipment	100,323	13,814
Loss on disposal of certain capital assets	103,551	110,594
Payments by Foundation for scholarships	218,901	91,287
Unearned revenue from skybox purchase	85,000	85,000

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

NOTE 1: Reporting Entity:

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

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

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

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

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

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

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

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

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

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

NOTE 2: Summary of Significant Accounting Policies:

Financial Statement Presentation: In June 1999, GASB issued Statement no. 34*, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed by GASB Statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* in November 1999. As an institution of higher education of the state of Arkansas, the University is also required to adopt GASB Statements no. 34 and no. 35. This was amended by GASB Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement no. 65, *Items Previously Reported as Assets or Liabilities.* These statements require a comprehensive, entity-wide perspective of the University's assets, liabilities, deferred outflows/inflows, net position, revenues, expenses, changes in net position, and cash flows, and replace the fund-group perspective previously required.

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

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

The University adopted GASB Statement no. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-2008. This statement requires governmental entities to recognize and match other postretirement benefit ("OPEB") costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. Please refer to note 21 for a detailed explanation of the impact on the University's financial statements.

The University adopted GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2014-15. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. Please refer to note 17 for additional information.

The University adopted GASB Statement no. 72, *Fair Value Measurement and Application*, during fiscal year 2015-16. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. Please refer to note 3 for additional information.

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.

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

In March 2009 issued GASB Statement no. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* In December 2010, GASB issued Statement no. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* These statements brought the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary. GASB Statement no. 56 was effective upon issuance and GASB Statement no. 62 was effective for the year ended June 30, 2013. In June 2015, GASB issued Statement no. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement was effective for the year ended June 30, 2016 and established the order of priority of pronouncements and other sources of accounting and financial reporting guidance that should be applied. 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 Position.*

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

GASB Statement no. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued in June 2008. The requirements of this statement are effective for financial statements for periods after June 15, 2009. This statement requires that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are to be reported at fair value instead of the typical historical prices. This statement was further amended by GASB Statement no. 64 *Derivative Instruments*: *Application of Hedge Accounting Termination Provisions.* As of June 30, 2017, the University had no funds invested in derivative instruments.

GASB Statement no. 72, *Fair Value Measurement and Application*, was issued in February 2015. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. This statement requires investments to be measured at fair value, and specifically defines an investment "as security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash." The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The University has adopted this policy and applicable investments are reported at their fair value.

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

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and of auxiliary enterprise services provided to the students, faculty, and staff. Accounts receivable also include amounts due from federal, state and local governments, and/or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable were reduced by an allowance of $2,478,077 at June 30, 2017.

Capital Gifts Receivable: Capital gifts receivable are valued at amount pledged.

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

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

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

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

Capitalized Interest: The University capitalizes interest involving qualifying assets, if material. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred and capitalized for the year ending June 30, 2017 was $6,492,638 and $181,928, respectively.

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

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

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

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

*Patents are amortized over 20 years.

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

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

*Note: Prior to fiscal year 2014-15, library holdings were depreciated over 15 years. A change to depreciate these items over 10 years was made in 2014-2015 fiscal year for items purchased in current and future fiscal periods. Items added prior to the 2014-15 year will continue to be depreciated over 15 years.

Deferred Outflows of Resources: Deferred outflows include the deferred gains and losses on debt refinancing (debt refunding) and certain transactions related to pensions.

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

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

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

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

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

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

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Arkansas Teacher Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS) Plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

See Note 17 for additional information regarding Pensions.

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

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

Deferred Inflows of Resources: Deferred inflows include certain transactions related to pensions.

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

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

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

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

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

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

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) other receipts, which include sales and services of educational activities.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating by GASB Statement no. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement no. 34, such as state appropriations, investment income, and grants received for student financial assistance.

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

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

Refundable Federal Advances: For reporting purposes, the University has shown the federal portion of the Perkins Loan Program fund balance as a noncurrent liability on the Statement of Net Position. The amount refundable to the Federal government upon cessation of the program was $6,859,186 as of June 30, 2017.

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, 2017 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, 2017.

At June 30, 2017, the University's deposits with trustees totaled $379,658 and were invested as follows:

- Federated Government Obligations Fund 395, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service consisting of U.S. Treasuries, government agency securities and repurchase agreements. The weighted average maturity was 34 days.
- Federated Treasury Obligations Fund 068, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service consisting of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 31 days.
- Bank of the Ozarks Interest Bearing Business Account. The funds are insured up to $250,000 with the remaining funds collateralized with a pledge of government securities marked to market on a daily basis. The interest rate is 0.037%

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

The commercial bank deposits noted below do not include cash on hand in the amount of $18,854.

Statement of Cash/Invested Assets

TOTAL PLAN	JUNE 30, 2017
Cash Equivalent/Investment Type	**Fair Value**
Commercial Bank Deposits	**$ 73,059,468**
Insured (FDIC)	276,556
Uninsured, Collateralized	72,782,912
Deposits with Trustees*	**$ 379,658**
Bank of the Ozarks	
Federated Government Obligations Fund 395	49
Federated Treasury Obligation IS Fund 68	379,444
Interest Bearing Business Account-FDIC Insured	165
UCA Foundation, Inc.	**$ 6,893,852**
Simmons Trust	267,265
Simmons Trust-Equities	4,335,812
Simmons Trust-Fixed Income	2,290,775

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

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

DEPOSITS WITH TRUSTEES		June 30, 2017	
Fund Name	**Fair Value**	**Moody's**	**S & P**
Federated Government Obligations #395	49	Aaa-mf	AAAm
Federated Treasury Obligations Fund #068	379,444	Aaa-mf	AAAm
Interest Bearing Business Account	165	N/A	N/A

Note: The Effective Average Maturity was 34 and 31 Days, respectively

The Federated Government Obligations Fund #395 and Federated Treasury Obligations Fund #068 were valued using quoted market prices (Level 1 inputs).

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:

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

Credit Risk – S & P Quality Ratings

TOTAL PLAN					JUNE 30, 2017
Investment Type	**Fair Value**	**No Rating**	**Aaf**	**A-f**	**BBB+f**
Simmons Trust-Fixed Income	**2,290,775**				
Ishares 1-3 years Treasury Bond ETF	642,546		642,546		
Ishares Intermediate Credit	1,050,595	1,050,595			
Ishares 1-3 Year Credit Bond Fund	597,634				597,634

Credit Risk Concentration

TOTAL PLAN			JUNE 30, 2017
Issuer Name	**Fair Value**	**% of Assets**	
NONE			

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

Interest Rate Risk
Effective Duration (yrs)

TOTAL PLAN				JUNE 30, 2017
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**
Simmons Trust-Fixed Income	2,290,775		2,290,775	

Investments are recorded at fair value. The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The University has the following recurring fair value measurements as of June 30, 2017:

- Corporate securities of $5,930,494 are valued using quoted market prices (Level 1 inputs).
- The valuation method for investments measured at the net asset value (NAV) per share, totaling $963,358, is presented on the following table:

Investment Type	Fair Value	Redemption Frequency
Money Market Funds	$267,265	N/A
Mutual equity	339,506	Monthly; Quarterly
Mutal bond	356,587	Monthly
Total investments at NAV	**$963,358**	

NOTE 4: Disaggregation of Receivable and Payable Balances:

Accounts receivable consisted of the following at June 30, 2017:

Student tuition and fees	$ 2,485,322
Auxiliary enterprises	304,656
Loans	7,558,919
State of Arkansas	233,843
Federal and private grants and contracts	578,019
Other	3,534,165
Totals	$ 14,694,924

Accounts payable consisted of the following at June 30, 2017:

Vendor accounts	$ 2,721,331
Payroll	4,484,845
Accrued interest	1,732,627
Totals	$ 8,938,803

NOTE 5: Inventories:

Inventories consisted of the following at June 30, 2017:

Maintenance	$ 286,008
Postage	29,798
Housing	24,400
Central Duplicating	5,742
Technology Learning Center	7,253
Totals	$ 353,201

NOTE 6: Capital Assets:

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

INVESTMENT IN CAPITAL ASSETS

	July 1, 2016 Balance	Additions	Deductions	June 30, 2017 Balance
Capital Assets not Being Depreciated				
Land	$ 15,738,868	$ 369,086		$ 16,107,954
Construction in Progress	30,705,519	63,551	$ 30,496,749	272,321
Archives	779,732		2,500	777,232
Total Capital Assets not Being Depreciated	47,224,119	432,637	30,499,249	17,157,507
Other Capital Assets				
Infrastructure	31,697,912	1,889,456		33,587,368
Buildings	260,936,205	35,355,734	33,028	296,258,911
Furniture and Equipment	19,645,476	2,413,739	1,050,060	21,009,155
Intangibles-computer software	5,290,741			5,290,741
Library Holdings	23,731,739	1,185,606	1,630,312	23,287,033
Total Other Capital Assets	341,302,073	40,844,535	2,713,400	379,433,208
Less Accumulated Depr & Amort for:				
Intangibles-computer software	2,530,625	264,537		2,795,162
Infrastructure	17,283,117	1,271,944		18,555,061
Buildings	131,454,914	10,375,748	17,340	141,813,322
Furniture and equipment	13,728,898	1,682,317	964,692	14,446,523
Library holdings	16,019,439	1,144,309	1,630,312	15,533,436
Total Accumulated Depreciation	181,016,993	14,738,855	2,612,344	193,143,504
Total Other Capital Assets, net	160,285,080	26,105,680	101,056	186,289,704
Capital Assets Summary:				
Capital Assets not being depreciated	47,224,119	432,637	30,499,249	17,157,507
Other capital assets, at cost	341,302,073	40,844,535	2,713,400	379,433,208
Less: Accumulated Depreciation	181,016,993	14,738,855	2,612,344	193,143,504
Total Other Capital Assets, net	160,285,080	26,105,680	101,056	186,289,704
Capital Assets, net	$ 207,509,199	$ 26,538,317	$ 30,600,305	$ 203,447,211

NOTE 7: Student Loans Receivable:

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2017. Under this program, the federal government provides a federal capital contribution to the University which the University matches at 33%. A capital contribution is not necessarily received every year. The University has not received a federal capital contribution since 2006.

The University then provides low interest (5%) loans to eligible students. Under certain conditions the loans can be forgiven at annual rates of 15% to 30% of the original balance up to the maximum of 50% to 100%. On forgiven loans, the University receives a percentage of the original forgiven loan as reimbursement from the federal government. The Perkins funds are distributed from the revolving fund as loans are paid. The last reimbursement the University received from this fund was during the 2009-2010 fiscal year.

NOTE 7: Student Loans Receivable: (Continued)

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

NOTE 8: Deferred Outflows and Inflows of Resources:

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

Deferred outflows of resources consists of unamortized debt refunding costs of $1,509,139 and outflows related to pensions of $9,764,030 at June 30, 2017.

Deferred inflows of resources consists of inflows related to pensions of $1,685,566 at June 30, 2017.

NOTE 9: Unearned Revenue:

Unearned revenue consists of the following at June 30, 2017:

Prepaid tuition and fees	$ 1,659,977
Academic Outreach fees	150,583
Other deferred income	967,878
Totals	$ 2,778,438

NOTE 10: Noncurrent Liabilities:

A summary of noncurrent liabilities as of June 30, 2017, follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts due within one year
Bonds, Notes and Capital Lease					
Bonds	$ 159,965,000		$ 5,335,000	$ 154,630,000	$ 5,885,000
Bond Premium	818,324		39,478	778,846	39,477
Bond Discount	(144,293)		(7,776)	(136,517)	(7,776)
Capital lease payable	239,257		178,577	60,680	60,680
Note Payable	2,357,948		157,722	2,200,226	
Total bonds and capital lease	163,236,236		5,703,001	157,533,235	5,977,381
Other Liabilities:					
Annuity agreement	375,051	$ 95,572	62,500	408,123	62,500
Accrued compensated absences	3,686,783	83,921	634,650	3,136,054	319,154
OPEB liability	1,544,209	225,212		1,769,421	
Refundable federal advances	6,924,566		65,380	6,859,186	
Unearned revenue	3,000,327	2,170,742	2,392,631	2,778,438	2,281,021
Deposits and funds held in trust	1,683,676	301,362,499	301,274,150	1,772,025	691,512
Pension Liability	22,382,349	7,277,754		29,660,103	
Total other liabilities	39,596,961	311,215,700	304,429,311	46,383,350	3,354,187
Total Long Term Liabilities	$ 202,833,197	$ 311,215,700	$ 310,132,312	$ 203,916,585	$ 9,331,568

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

NOTE 11: Bonds Payable:

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

Fiscal Year	Total Principal	Interest	Total Payments
2018	$ 5,885,000	$ 6,119,893	$ 12,004,893
2019	6,065,000	5,927,763	11,992,763
2020	6,255,000	5,712,834	11,967,834
2021	6,595,000	5,479,512	12,074,512
2022	6,270,000	5,234,342	11,504,342
2023-2027	33,125,000	22,401,453	55,526,453
2028-2032	29,750,000	16,022,817	45,772,817
2033-2037	28,925,000	9,785,945	38,710,945
2038-2042	22,940,000	4,229,384	27,169,384
2043-2045	8,820,000	597,608	9,417,608
Total Bonds	154,630,000	81,511,551	236,141,551
Net prem/disc	**642,329**		**642,329**
Totals	$ 155,272,329	$ 81,511,551	$ 236,783,880

The amount of interest due for fiscal year 2017 includes a total accrued interest payable of $1,729,000.

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

Date of Issue	Date of Maturity	Interest Rate	Amount Issued	Debt O/S June 30, 2017	Maturities as of June 30, 2017
2006A	2021	5.40-6.00	$ 4,625,000	$ 1,640,000	$ 2,985,000
2006B	2026	5.40-6.125	4,180,000	2,475,000	1,705,000
2006C	2026	5.40-6.125	4,180,000	2,475,000	1,705,000
2006F	2030	4.00-5.00	8,100,000	5,495,000	2,605,000
2007C	2034	4.00-4.50	21,400,000	14,880,000	6,520,000
2010A	2023	2.00-3.25	4,065,000	2,355,000	1,710,000
2010B	2033	2.00-4.5	15,210,000	12,210,000	3,000,000
2010C	2040	2.00-4.5	22,000,000	21,415,000	585,000
2012A	2041	1.00-4.00	15,500,000	14,140,000	1,360,000
2012B	2035	2.00-3.5	11,910,000	10,320,000	1,590,000
2013A	2043	1.10-5.70	12,300,000	11,930,000	370,000
2013B	2043	1.05-5.0	1,500,000	1,445,000	55,000
2014	2043	2.00-4.50	13,500,000	12,980,000	520,000
2015A	2044	2.50-4.00	14,000,000	14,000,000	
2015B	2025	3.00-3.50	3,500,000	3,500,000	
2015 AuxRef	2034	2.95	6,915,000	6,345,000	570,000
2015 StuRef	2036	2.00-4.00	18,245,000	17,025,000	1,220,000
Total Bonds			181,130,000	154,630,000	26,500,000
Net unamortized premium/discount			**738,283**	**642,329**	**95,954**
Totals			$ 181,868,283	$ 155,272,329	$ 26,595,954

The University did maintain Housing System Reserves as required by bond covenants aggregating $4,966,600 in 2017.

NOTE 11: Bonds Payable (Continued):

The 2007 Series A, that was refunded by the 2015 auxiliary fee revenue refunding, had a balance of uncalled bonds at June 30, 2017 of $1,650,000. These will be called by the trustee on November 1, 2017. The escrow account held by the trustee, Bank of the Ozarks, had a balance of $1,681,822 on June 30, 2017.

The 2007 Series B, that was refunded by the 2015 student fee revenue refunding, had a balance of uncalled bonds at June 30, 2017 of $13,275,000. These will be called by the trustee on November 1, 2017. The escrow account held by the trustee, Bank of the Ozarks, had a balance of $13,537,152 on June 30, 2017.

See Note 27: Subsequent Events for additional bond information that occurred after 6/30/17.

NOTE 12: Sales and Pledges of Receivables and Future Revenues:

The University has pledged future student fee revenue to repay $43,567,754 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 2024 to 2043. Annual principal and interest payments on the bonds are expected to require approximately 4.1% of gross revenues. The total principal and interest remaining to be paid on the bonds is $62,545,964, including $436,804 in accrued interest as of June 30, 2017. Principal and interest paid for the current year and gross revenues were $3,487,380 and $84,973,132 respectively.

The University has pledged future housing systems revenue to repay $84,625,000 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 2044. Annual principal and interest payments on the bonds are expected to require approximately 33.58% of gross revenues. The total principal and interest remaining to be paid on the bonds is $135,905,769 including $1,015,803 in accrued interest as of June 30, 2017. Principal and interest paid for the current year and gross revenues were $5,877,381 and $17,504,692 respectively.

The University has pledged future other auxiliary revenue to repay $26,437,246 in other auxiliary revenue bonds. Proceeds from the bonds provided financing for construction and renovation of other auxiliary facilities and the refunding of existing other auxiliary debt issues. The bonds are payable from other auxiliary revenues and are payable through 2023 to 2041. Annual principal and interest payments on the bonds are expected to require approximately 9.02% of gross revenues. The total principal and interest remaining to be paid on the bonds is $37,689,818 including $276,393 in accrued interest as of June 30, 2017. Principal and interest paid for the current year and gross revenues were $2,266,986 and $25,142,651 respectively.

NOTE 13: Capital Lease Payable:

On October 27, 2010 the University entered into an agreement with Suntrust Equipment Finance & Leasing Corp. to lease an Enterasys Network System. The lease term is 7 years with payments made from Current Unrestricted Funds and the total present value of net minimum lease payments at June 30, 2017 was $60,680. The equipment was capitalized at a cost of $1,159,355 in fiscal year 2010-11. The accumulated depreciation on June 30, 2017 was $1,076,544, with this fiscal year's amount of $165,622.

The capital lease principal and interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 60,680	$ 366	$ 61,046

The amount of interest due for fiscal year 2018 includes a total accrued interest payable of $15 for fiscal year 2017.

NOTE 14: Note Payable:

On May 28, 2013, the University entered into an agreement with First Security Bank for a loan of $2,810,072. The proceeds were used to purchase the 5th Floor Sky Boxes at Bear Hall and the Weight Room addition on the indoor practice facility from the UCA Foundation, Inc. The term of the loan is fifteen years with interest-only due on a monthly basis, based upon the debt outstanding at a fixed rate of 3.94%. No principal payments are required until the end of the loan. Voluntary principal payments of $157,722 and interest of $91,329 were paid as of June 30, 2017. The principal outstanding at June 30, 2017 was $2,200,226. The total principal and interest remaining to be paid on the note is $3,164,158, including $3,612 in accrued interest as of June 30, 2017.

Fiscal Year	Total Principal	Interest	Total Payments
2018		$ 87,893	$ 87,893
2019		87,893	87,893
2020		88,134	88,134
2021		87,893	87,893
2022		87,893	87,893
2023-2027		439,705	439,705
2028	$ 2,200,226	84,521	2,284,747
Totals	$ 2,200,226	$ 963,932	$ 3,164,158

NOTE 15: Annuity Payable:

The University entered into a trust agreement for land and housing facilities located in Conway, Arkansas, on September 1, 1992, with Doyle W. and Eleanor F. Baldridge. The property consists of apartments located at 229 and 232 Elizabeth and 2003 and 2005 Bruce, and land adjacent to the buildings. The total acreage is approximately 2.09. The property was appraised at $766,000. The property was appraised again in fiscal year 2011 and the current value is $740,000. The apartments and buildings were demolished in 2015. The annuity payment terms remain the same. The life annuity to be received annually by the Baldridges is $62,500.

The annuity payable at June 30, 2017, was $408,123 based on the longer life expectancy of the two. Adjustments to the annuity payable will be made yearly to reflect the present value of expected future payments to the Baldridges based upon their life expectancy and expected earnings rate of fund investments.

NOTE 16: Commitments:

The University was contractually obligated for the following at June 30, 2017:

Project Name	Estimated Completion Date	Contract Balance
McAlister Hall	August 2017	$ 77,362
Lewis Science Center	August 2017	135,869
Estes Stadium	July 2017	76,625
Harding Plaza Fountain	August 2017	60,374
Cooling Tower Replacement	August 2017	84,216
Hughes Hall	June 2018	46,933
Post Tables/Bike Racks	November 2017	10,393
Donaghey Hall	August 2017	3,737
Old Main Generator	August 2017	62,567
Mashburn Roof	November 2017	315,353
McAlister Food Lab	August 2017	36,973
Torreyson Library Lab	August 2017	57,477
Mashburn Remodel	October 2017	8,500
SFAC, Bernard, and Old Main Waterproof	August 2017	9,321
LSC- P1	August 2017	114,432
Nursing and Communication Design	On Hold	777,438
LSC-P1B, P2C	August 2017	74,503
Waterproof Old Maintenance	October 2017	44,618
Card Access/Electronic Lock Replacement	August 2017	7,900
		$ 2,004,591

NOTE 17: Retirement and Pension Plans:

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

Alternate Retirement Plan: The plan is administered by Teachers' Insurance and Annuity Association (TIAA).

Plan Description: The University's Alternate Plan through TIAA 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 and a variable annuity. Arkansas Code Annotated authorized participation in the plan.

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

Schedule of Employer and Employee Contributions

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2015	$5,088,430	$3,646,122
June 30, 2016	5,291,439	3,724,986
June 30, 2017	5,410,471	3,761,830

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.

Benefits Provided: ATRS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory, as follows:

Contributory	2.15%
Non-Contributory	1.39%

NOTE 17: Retirement and Pension Plans (Continued):

Benefits Provided (Continued)
Members are eligible to retire with a full benefit under the following conditions: (1) at age 60 with five years of credited service, or (2) at any age with 28 years credited service. Members with 25 years of credited service who have not attained age 60 may retire with a reduced benefit.

Members are eligible for disability benefits with five years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Survivor benefits are payable to qualified survivors upon the death of an active member with five years of service. The monthly benefit paid to eligible spouse survivors is computed as if the member had retired and elected the 100% Survivor Annuity option. Minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for non-contributory members. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2011, new employees of the University are no longer eligible to participate in ATRS unless the new employee has 5 years of vested service with ATRS prior to becoming hired at the University. Existing University employees which enrolled in ATRS are allowed to continue participation.

Funding Policy: ATRS has contributory and non-contributory plans. The contributory plan has been in effect since the beginning of ATRS. The non-contributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or non-contributory. Act 93 of 2007 allows any non-contributory member to make an irrevocable election to become contributory on July 1 of each fiscal year.

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 2017 employer rate was 14%.

Schedule of Employer Contributions for ATRS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2015	$1,342,936	$ 546,049
June 30, 2016	1,296,007	526,935
June 30, 2017	1,185,697	480,718

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

NOTE 17: Retirement and Pension Plans (Continued):

Schedule of Employer Contributions for ATRS T-Drop

Fiscal Year Ended	Employer Annual Contributions
June 30, 2015	$ 68,795
June 30, 2016	53,585
June 30, 2017	54,049

At June 30, 2017, the University reported a liability of $14,509,308 for its proportionate share of ATRS's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was based on the University's contributions received by ATRS during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of ATRS's participating employers. At June 30, 2016, the University's proportion was 0.329%.

For the year ended June 30, 2017, the University recognized pension expense of $1,380,591.

At June 30, 2017, the University reported its proportionate share of ATRS's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 263,163	$ 201,237
Difference between employer contributions and proportionate share		933,464
Difference between projected and actual investment earnings	2,223,581	
Total	**$ 2,486,744**	**$ 1,134,701**

The $1,239,745 reported as deferred outflows of resources related to pensions resulting from University contributions to ATRS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to ATRS pensions will be recognized in pension expense as follows:

NOTE 17: Retirement and Pension Plans (Continued):

Year ended June 30:	Pension Expense Amount
2018	$ (45,919)
2019	(45,919)
2020	901,259
2021	606,314
2022	(63,693)
Thereafter	0
Total	**$ 1,352,043**

Actuarial Assumptions

The total liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Wage Inflation Rate	3.25%
Salary increases	3.25-9.10%, including inflation
Investment rate of return	8.00%

Mortality rates were based on the RP-2000 Mortality Table for Males and Females projected 25 years with Scale AA (95% for men and 87% for women.)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	50.00%	5.0%
Fixed Income	20.00%	0.8%
Alternatives	5.00%	4.4%
Real Assets	15.00%	3.4%
Private Equity	10.00%	6.3%
Cash Equivalents	0.00%	-0.2%
Total	**100.00%**	

NOTE 17: Retirement and Pension Plans (Continued):

Discount Rate
A single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability using a discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

Sensitivity of the Net Pension Liability to the Single Discount Rate		
1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
$21,800,260	$14,509,308	$8,396,486

Arkansas Public Employees Retirement System:

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

Benefits Provided: APERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/01	2.11%
Contributory, on or after 7/1/01 but prior to 7/1/05	2.07%
Contributory, on or after 7/1/05	2.03%
Non-Contributory, prior to 7/1/07	1.75%
Non-Contributory,on or after 7/1/07	1.72%

NOTE 17: Retirement and Pension Plans (Continued):

Benefits Provided (Continued)

Members are eligible to retire with a full benefit under the following conditions: (1) at age 65 with five years of service; (2) at any age with 28 years actual service; (3) at age 60 with 20 years of actual service, if under the old contributory plan (prior to July 1, 2005); or (4) at age 55 with 35 years of credited service for elected or public safety officials. Members may retire with a reduced benefit at age 55 with at least five years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with five years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had five years of service and the monthly benefit is computed as if the member had retired and elected the 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective September 1, 2016, the University eliminated the option for benefits-eligible employees who start work on or after September 1, 2016, to select the Arkansas Public Retirement System (APERS) as part of the University's retirement program.

Funding Policy: APERS has contributory and non-contributory plans. Members who began service prior to July 1, 2005 are not required to make contributions. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of APERS, based on the annual actuarial valuation. For the fiscal year 2017, the current statutory employer rate was 14.5% of the annual covered payroll.

Schedule of Employer Contributions for APERS

Fiscal Year Ended	Employer Annual Contributions	Employee Annual Contributions
June 30, 2015	$1,555,540	$ 274,378
June 30, 2016	1,623,945	318,955
June 30, 2017	1,585,826	321,747

The University contributes 14.5% for the APERS Drop Plan members.

Schedule of Employer Contributions for APERS Drop

Fiscal Year Ended	Employer Annual Contributions
June 30, 2015	$ 33,079
June 30, 2016	40,694
June 30, 2017	40,443

NOTE 17: Retirement and Pension Plans (Continued):

At June 30, 2017, the University reported a liability of $15,150,795 for its proportionate share of APERS's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was based on the University's contributions received by APERS during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of APERS's participating employers. At June 30, 2016, the University's proportion was 0.634%.

For the year ended June 30, 2017, the University recognized pension expense of $2,447,326.

At June 30, 2017, the University reported its proportionate share of APERS's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 14,305	$ 543,491
Changes in actuarial assumptions	1,161,029	
Difference between employer contributions and proportionate share	590,728	7,374
Difference between projected and actual investment earnings	2,645,210	
Total	**$ 4,411,272**	**$ 550,865**

The $1,626,269 reported as deferred outflows of resources related to pensions resulting from University contributions to APERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to APERS pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2018	$ 882,500
2019	776,049
2020	1,437,918
2021	763,940
2022	0
Thereafter	0
Total	**$ 3,860,407**

NOTE 17: Retirement and Pension Plans (Continued):

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Salary Increases	3.25-9.85%
Inflation Rate	3.25% wage inflation, 2.50% price inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward two years for males and one year for females
Average Service Life of All Members	4.4487

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the table below:

NOTE 17: Retirement and Pension Plans (Continued):

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38.00%	6.82%
International Equity	24.00%	6.88%
Real Assets	16.00%	3.07%
Absolute Return	5.00%	3.35%
Domestic Fixed	17.00%	0.83%
Total	**100.00%**	

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability using a discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

Sensitivity of the Net Pension Liability to the Single Discount Rate		
1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
$22,934,510	$15,150,795	$8,672,873

Supplemental Retirement Accounts-

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

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

NOTE 17: Retirement and Pension Plans (Continued):

Schedule of Annual Employee Contributions for Supplemental Retirement Accounts:

Fiscal Year Ended	TIAA	TIAA ROTH	VALIC
June 30, 2015	$ 734,701	$ 103,454	$ 102,834
June 30, 2016	811,337	106,196	83,184
June 30, 2017	955,869	129,628	48,390

NOTE 18: Claims and Judgments/Contingencies:

The following claims and potential judgments/contingencies existed as of June 30, 2017, and subsequently.

Linda Bessette:

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

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

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

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

NOTE 18: Claims and Judgments/Contingencies (Continued):

Linda Bessette (Continued)

On May 14, 2013, Ms. Bessette emailed Mr. Shane Broadway, Interim Director of the Arkansas Department of Higher Education, stating that she recently became aware that many students were successfully completing all their coursework and reading list and yet failing the comprehensive exam and denied their degrees. She further claims that the exam was arbitrary and subjective. She also notes in her email that this issue is "ripe for a civil rights lawsuit." Therefore, the University is including this matter as a potential contingency. However, to our knowledge, no claim has been filed with the Arkansas State Claims Commission, nor has suit been filed as of the date of June 30, 2017.

The following matters are included because they existed on June 30, 2016 or June 30, 2015, and were disposed of in a fiscal year included in the financial statements.

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

Mark Lowery filed a lawsuit against the University on May 12, 2014, in Faulkner County Circuit Court. The lawsuit did not name any members of the Board of Trustees or any employees as individual defendants.

Mr. Lowery was employed as a visiting lecturer at the time of the lawsuit. His complaint is primarily based upon a faculty grievance that he filed in September 2013 regarding the process followed and the decision not to convert his position to that of Lecturer I.

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

Mr. Lowery seeks in part an order that (1) the University be required to provide him with a grievance hearing, (2) the University rule on his request for advancement, (3) the University reconsider its decision not to convert his position, (4) a declaration that the University breached his contract, and (5) a declaration that the University violated his right to procedural due process. The University was served on May 14, 2014. Mr. Lowery subsequently filed three amended complaints. The University is contesting the allegations, and the Office of the Attorney General is representing the University. A hearing on a motion to dismiss filed by the Attorney General was held on May 19, 2015, and the Court ruled at the hearing that it was dismissing the case. The order of dismissal was entered on June 10, 2015.

NOTE 19: Related Party Transactions:

UCA/CRHS Healthcare Education Foundation, Inc.

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

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

Wideworld

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

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

Lease of 1105 Oak

At the meeting of the UCA Board of Trustees on August 21, 2015, approval was given to lease space owned by Robert Adcock, Jr. for the purpose of establishing a physical presence for the University in downtown Conway, Arkansas. The lease term is for three years beginning December 1, 2015, starting at $2,500 per month for the first year and increasing by 2% annually. The Arkansas Department of Finance & Administration prepared the lease and signed as agent for UCA.

On December 23, 2015, the Governor of Arkansas, Mr. Asa Hutchinson, appointed Mr. Adcock to the UCA Board of Trustees. His term began January 15, 2016.

NOTE 19: Related Party Transactions (Continued):

Conductor

On July 28, 2015, the University of Central Arkansas entered into a contract with Startup Junkie Consulting, for the period August 24, 2015 to June 30, 2016, with an option for extensions to June 30, 2020, to evaluate University programs in innovation and entrepreneurship and to develop start-up opportunities for the UCA community via an initiative called Conductor. The contract was later amended, in September 2016, to run from October 1, 2016 to September 30, 2019, at a contracted amount of $1.378 million.

The contract is part of a larger public-private partnership between the University, Startup Junkie Consulting, and the Community Venture Foundation (collectively, the Central Arkansas Venture Team) to deliver mentoring, counseling, training, capital readiness, and technical assistance to startups, small business, and emerging investors in Central Arkansas, via an initiative called Conductor. The initiative was announced November 26, 2016.

NOTE 20: Natural Classifications with Functional Classifications:

The University operating expenses by functional classification were as follows:

Year Ended June 30, 2017
Natural Classification

Functional Classification	Personal Services	Scholarships	Supplies	Depreciation	TOTAL
Instruction	$ 59,454,025		$ 6,775,553		$ 66,229,578
Research	2,353,370		1,077,336		3,430,706
Public service	1,406,199		2,062,411		3,468,610
Academic support	8,225,506		4,888,140		13,113,646
Student services	5,165,793		1,954,256		7,120,049
Institutional support	11,096,812		2,300,883		13,397,695
Operation of plant	9,513,697		7,896,132		17,409,829
Scholarships		$ 16,743,138			16,743,138
Auxiliary enterprises	11,581,882	4,199,749	15,313,401		31,095,032
Depreciation				$ 14,738,855	14,738,855
Total Expenses	$ 108,797,284	$ 20,942,887	$ 42,268,112	$ 14,738,855	$ 186,747,138

NOTE 21: Other Postemployment Benefits (OPEB):

The University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-2008. This statement requires governmental entities to recognize and match other postretirement benefit ("OPEB") costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. Note that GASB Statement 75 replaces GASB Statement 45 for employers that sponsor OPEB plans with fiscal years beginning after June 15, 2017.

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

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

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

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

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

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

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

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 to retiree. At age 65, coverage is reduced to 65% at no cost to retiree. At age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At age 80, life insurance coverage for retirees will cease.

Participants included in the actuarial valuation include active employees and retirees who are eligible to participate in the Plan upon retirement and their spouses, if spousal coverage is currently elected. Expenditures for the Plan are recognized monthly and financed on a pay-as-you-go basis. During fiscal year 2016-2017, the University's annual OPEB cost was $293,978. The University paid retiree premiums for the benefits described above in the amount of $68,766. The University accrued an additional increase of $225,212 in the net OPEB expense resulting in a net OPEB obligation of $1,769,421 at FY ending June 30, 2017.

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

Determination of Annual Required Contribution (ARC) and End of Year Accrual Under GASB 45

Cost Element	Fiscal Year Ending June 30, 2017	
	Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at July 1, 2016	$2,724,363	3.64%
Annual Required Contribution (ARC) for Fiscal Year ending June 30, 2017		
2. Service cost (1 year cost for active participants)	$181,981	
3. Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$134,947	
4. Interest to end-of-year on above 2 items	$ 9,508	
5. Annual Required Contribution (ARC = 2 + 3 + 4)	$326,436	0.44%

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

OPEB Expense for Fiscal Year ending June 30, 2017

6.	Annual Required Contribution (ARC)	$326,436	
7.	Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	$(78,784)	
8.	Interest on beginning of year accrual	$ 46,326	
9.	Fiscal 2016-2017 OPEB cost (6 + 7 + 8)	$293,978	0.39%

[1] Annual payroll for the 1,554 plan participants as of June 30, 2017 is $74,799,657.

End of Year CAFR Accrual (Net OPEB Obligation)

10.	Beginning of year accrual	$1,544,209	
11.	Annual OPEB cost	$ 293,978	
12.	Employer contribution (benefit payments) [2]	$ 68,766	
13.	End of year accrual (10 + 11 - 12)	$1,769,421	2.37%

[2] Actual contributions and administrative fees paid in fiscal year 2016-2017 of $252,815 less participant contributions of $184,049.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2015	$296,962	$102,060	34.4%
June 30, 2016	297,597	87,590	29.4%
June 30, 2017	293,978	68,766	23.4%

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

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

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, 2015	$0	$2,593,475	$2,593,475	0%	$72,345,210	3.59%
June 30, 2016	0	2,798,031	2,798,031	0%	74,349,191	3.76%
June 30, 2017	0	2,724,363	2,724,363	0%	74,799,657	3.64%

[4] Estimated payroll as of June 30, 2015 for FY ending June 30, 2015, as of June 30, 2016 for FY ending June 30, 2016, and as of June 30, 2017 for FY ending June 30, 2017 includes only plan participants.

Note:
The annual required contribution (ARC) of $326,436 for fiscal year 2016-2017 and accrual of $1,769,421 as of June 30, 2017, is based on the assumption of no funding in a segregated GASB qualified trust.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$296,962	34.4%	$1,334,202
June 30, 2016	297,597	29.4%	1,544,209
June 30, 2017	293,978	23.4%	1,769,421

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2016 – June 30, 2017
Actuarial cost method	Projected Unit Credit funding method
Amortization method	30 years, level dollar open amortization[5]
Asset valuation method	Market Value

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

Actuarial assumptions:

Discount rate	3.0% per annum. The plan is not funded in an irrevocable trust maintained by the University, as plan sponsor.

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

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

General Overview of the Valuation Methodology

The estimation of the retiree benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per participant premiums for 2017. The amounts contributed by the University will not change in future years.

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

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

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

Valuation Year	July 1, 2016 – June 30, 2017
Census Data	Census data was provided as of June 2017. 1,267 active participants with an average age of 47.2 and average service of 9.6 years were valued. 150 retired participants with an average age of 68.2 were valued.
Actuarial Cost Method	Entry Age Normal, unfunded.
Plan Funding	The University will not fund the plan and costs will be paid using the “pay-as-you-go” method.

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

Plan Eligibility	Full-time employees who have completed 10 or more years of continuous benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency and who are age 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Medical and dental coverage ceases at the members' age 65. Supplemental medical insurance stipend ceases at the members' age 70. Life insurance coverage ceases at the members' age 80.
Health Costs	The University's total monthly cost is capped at $150 for retirees who retire after December 31, 2008. This employer cost is not increased with trend rates. The University's total monthly cost for retirees who retired before January 1, 2009 is capped at $283 for single coverage and $400 for coverage different than single coverage.
Dental Costs	The retiree pays 100% of the costs for coverage for retirement dates after December 31, 2009. This employer cost is not increased with trend rates. The University's total monthly cost for retirees who retired before January 1, 2010 is capped at $25.
Life Insurance Costs	Retiree life insurance has two classifications, Class 4 and Class 5. For Class 4, the retiree pays 100% of the costs for coverage if the retirement date is after 2008. The University's total monthly cost for retirees who retired before January 1, 2009 is capped at $10. This employer cost is not increased with trend rates. For Class 5, the University pays 100% of monthly premium until retiree reaches age 70. The retiree pays 100% of the costs for coverage between the ages of 70 and 80.
Mortality	RP-2014 Mortality Table with Improvement Scale MP-2016
Marriage Assumptions	Husbands are assumed to be three years older than wives for current and future retirees who currently elect spousal coverage.

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

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

Annual Medical Trend Rate*

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

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

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

Age	Terminaton	
	Male	Female
25	46.0	48.4
30	39.4	44.0
35	32.0	31.0
40	27.0	22.0
45	20.8	20.0
50	16.2	17.0
55	15.0	15.0
60	15.0	15.0
65	15.0	15.0
70	15.0	15.0
75	n/a	n/a
80	n/a	n/a

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

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

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

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

NOTE 22: Gap Plan-Self Insured:

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

The University offers two group health insurance plans, the Point of Service (POS) and the High Deductible plan, to all benefits-eligible employees. The annual deductible for the POS plan increased in January 2017 from $1000 to $1500 for individual coverage. The POS plan has a cap of 2 deductibles per calendar year for coverage tiers different than individual coverage. The annual deductible for the High Deductible plan remains $2000 for individual coverage. The High Deductible plan has a $4000 annual deductible per calendar year for coverage tiers different than individual coverage. The deductible is the employee's financial responsibility to medical providers. Employee's with single coverage gap and two-party or family coverage gap are eligible for a reimbursement of no more than $500 and $1000 respectively per calendar year after the full deductible has been applied to the health insurance claims.

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

NOTE 22: Gap Plan-Self Insured (Continued):

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

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

Schedule of Contributions

Fiscal Year Ended	Employer Contributions	Employee Contributions
June 30, 2015	$264,349	$ 40,657
June 30, 2016	279,165	44,351
June 30, 2017	287,169	45,995

Schedule of Claims

Fiscal Year Ended	Claims Reimbursed
June 30, 2015	$ 80,161
June 30, 2016	102,668
June 30, 2017	91,091

As of June 30, 2017, 1245 employees elected gap plan coverage during FY 2016-2017.

NOTE 23: Risk Management:

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

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

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

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

NOTE 23: Risk Management (Continued):

The University pays individual Professional Liability policies for Nurse Practitioners. The liability limits for full time Nurse Practitioners $1,000,000 each claim and $6,000,000 aggregate. The liability limits for part-time Nurse Practitioners are $1,000,000 each claim and $3,000,000 aggregate. The University pays an annual premium for this coverage.

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

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

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

The University is self-insured for all athletic medical claims. The University has an agreement with Occunet which contracts with Medical providers for services. A third party administrator pays all claims up to $90,000. The University pays a premium for services to Occunet.

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

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

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

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

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to $300,000 with a $2,500 deductible. Premiums are contributed annually.

NOTE 23: Risk Management (Continued):

The University carries a liability insurance policy on 1107 Oak Street UCA Downtown. The liability limits are $1,000,000 each occurrence and $2,000,000 aggregate. The University pays an annual premium for this coverage.

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

NOTE 24: Endowment and Annuity Funds:

The University has donor-restricted endowment and annuity funds. Such funds include investments reported at fair value. The endowment and annuity net position at June 30, 2017 were $7,014,061. Of this amount, $2,640,470 was reported as restricted – nonexpendable other and the remaining $4,373,591 was reported as restricted – expendable.

State law allows a governing board to expend a portion of the net appreciation in the fair value of the assets over the historic dollar value of the fund unless the applicable gift document states otherwise. State law stipulates that such expenses are to be for the purpose for which the endowment funds were established.

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

NOTE 25: Oxford American:

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

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

A memorandum of understanding was signed on October 12, 2012, between the University and Oxford American. The agreement obligates the University to continue providing two offices to house the editorial staff with reasonable accommodations and an approximate $50,000 annual operating budget for purchases in compliance with University purchasing requirements and periodic University review.

The memorandum also re-affirmed the amount previously advanced of $700,000 and that the OA agrees to repay those sums given an OA positive cash flow or with funds advanced to the OA specifically designated for repayment to the University. In October of 2012, the University received the first payment of $69,000 towards this debt. A second payment was made on August 28, 2013 in the amount of $69,000. The third payment of $69,000 was made on September 19, 2014. On September 17, 2015 and June 16, 2016, additional payments were made for $69,000 each. The remaining outstanding receivable of $355,000 and allowance of $355,000 at June 30, 2017 are included in Accounts Receivable-Other on the *Statement of Net Position*.

NOTE 26: Prior Year Restatement

Statement of Revenues, Expenses, and Changes in Net Position

Beginning net position at July 1, 2015, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to a correction of accumulated depreciation and related depreciation expense. The error was due to incorrect useful lives on certain assets used for depreciation in prior years, in accordance with the University's depreciation policy (see note 2). As a result, Net Position – beginning of the year was reduced by $11,269,501 to reflect the net effect of correcting accumulated depreciation through the year ended June 30, 2015.

NOTE 27: Subsequent Events:

Centennial Bank / Investment Contract

On July 1, 2017, the University began a contract with Centennial Bank to provide a short term investment vehicle for University funds. Centennial Bank is owned by Home Bancshares, Inc. The contract is for one year, with an option to renew annually for up to seven years total. A Request for Proposals was issued related to this contract on February 21, 2017, and an evaluation committee recommended Centennial Bank out of four proposals submitted. The Board of Trustees authorized the contract at its May 12, 2017 meeting, with trustees Robert Adcock, Jr., Kay Hinkle, and Brad Lacy abstaining from the vote.

Mr. Adcock is the Vice Chairman on the Home Bancshares Board of Directors and holds a minority ownership stake. Mrs. Hinkle's spouse, James Hinkle, is on the Home Bancshares board of directors and holds a minority ownership stake. Mr. Lacy is a shareholder in Home Bancshares.

In addition, former University Board of Trustees member Randy Sims is a Bank Officer for Centennial Bank, with a minority ownership stake.

Bond Issuance and Refunding

At the meeting of the UCA Board of Trustees on August 18, 2017, the Board authorized the issuance of Housing System Revenue bonds in an amount not to exceed $8,500,000 at a rate not to exceed 5.50%. The bond funds will be used to finance the design and renovation of two residence halls, Conway Hall and Hughes Hall.

The Board also authorized the refunding and reissuance of the 2006F, 2007C, and a portion of the 2012A Series bonds. The total outstanding principal for the refunding is $24,415,000. The refunding and reissuance will be made in order to recognize certain savings from more favorable interest rates and maturity dates.

On September 27, 2017, the University issued $27,460,000 in housing revenue bonds referred to as 2017 Series A. The bond proceeds were used to finance the design and renovation of the two residence halls; and to refinance the 2006F Series and 2007C Series bonds in order to recognize certain savings from more favorable interest rates. The total present value cost savings to the University on the refunding issue is $2,281,693. The all-inclusive rate for the new bonds is 2.99%.

NOTE 27: Subsequent Events (Continued):

Also on September 27, 2017, the University issued $3,795,000 in auxiliary revenue bonds referred to as 2017 Series B. The bond proceeds were used to refinance the 2012 Series bonds in order to recognize certain savings from more favorable interest rates. The total present value cost savings to the University on the refunding issue is $520,341. The all-inclusive rate for the new bonds is 2.87%.

Purchase of 120 Baridon

At the meeting of the UCA Board of Trustees on August 18, 2017, approval was given to purchase property at 120 Baridon Street in Conway, Arkansas, for the sum of $120,000. The closing occurred on September 29, 2017 for a total purchase price of $119,823.

Purchase of 204 South Donaghey

At the meeting of the UCA Board of Trustees on October 6, 2017, approval was given to purchase property at 204 South Donaghey Avenue in Conway, Arkansas, for the sum of $290,000. The closing occurred on November 8, 2017 for a total purchase price of $289,593.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
JUNE 30, 2017

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions[3]	Percentage Contributed
June 30, 2015	$296,962	$102,060	34.4%
June 30, 2016	297,597	87,590	29.4%
June 30, 2017	293,978	68,766	23.4%

[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, 2015	$0	$2,593,475	$2,593,475	0%	$72,345,210	3.59%
June 30, 2016	0	2,798,031	2,798,031	0%	74,349,191	3.76%
June 30, 2017	0	2,724,363	2,724,363	0%	74,799,657	3.64%

[4] Estimated payroll as of June 30, 2015 for FY ending June 30, 2015, as of June 30, 2016 for FY ending June 30, 2016, and as of June 30, 2017 for FY ending June 30, 2017 includes only plan participants.

Note:
The annual required contribution (ARC) of $326,436 for fiscal year 2016-2017 and accrual of $1,769,421 as of June 30, 2017, is based on the assumption of no funding in a segregated GASB qualified trust.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
JUNE 30, 2017

Prepared for Arkansas Teacher Retirement System (ATRS), a Cost Sharing Defined Benefit Pension Plan, As of June 30, 2017
Last 10 Years*

Schedule of the University's Proportionate Share of the Net Pension Liability

	2017**	2016**	2015**
Proportion of the net pension liability	0.329%	0.344%	0.363%
Proportionate share of the net pension liability	$14,509,308	$11,209,952	$9,537,668
Covered payroll	$9,499,973	$9,892,297	$10,357,175
Proportionate share of the net pension liability as a percentage of covered payroll	152.73%	113.32%	92.08%
Plan fiduciary net position as a percentage of the total pension liability	76.75%	82.20%	84.98%

**The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Schedule of University Contributions

	2017	2016	2015
Contractually required contribution (actuarially determined)	$1,239,745	$1,349,592	$1,411,731
Contributions in relation to the actuarially determined contributions	(1,239,745)	(1,349,592)	(1,411,731)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$8,855,321	$9,639,942	$10,083,793
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%

*Fiscal year 2017 was the 3rd year of implementation, therefore only three years are shown.

UNIVERSITY OF CENTRAL ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
JUNE 30, 2017

Prepared for Arkansas Public Employees Retirement System (APERS), a Cost Sharing Defined Benefit Pension Plan, As of June 30, 2017
Last 10 Years*

Schedule of the University's Proportionate Share of the Net Pension Liability

	2017**	2016**	2015**
Proportion of the net pension liability	0.634%	0.607%	0.585%
Proportionate share of the net pension liability	$15,150,795	$11,172,397	$8,307,056
Covered payroll	$11,373,616	$10,658,650	$10,417,763
Proportionate share of the net pension liability as a percentage of covered payroll	133.21%	104.82%	79.74%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%	84.15%

**The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Schedule of University Contributions

	2017	2016	2015
Contractually required contribution (actuarially determined)	$1,626,269	$1,664,639	$1,589,035
Contributions in relation to the actuarially determined contributions	(1,626,269)	(1,664,639)	(1,589,035)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$11,215,648	$11,480,269	$10,765,820
Contributions as a percentage of covered payroll	14.50%	14.50%	14.76%

*Fiscal year 2017 was the 3rd year of implementation, therefore only three years are shown.

Schedule 1

UNIVERSITY OF CENTRAL ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets and Deferred Outflows	$ 312,574,762	$ 313,399,723	$ 312,276,781	$ 287,133,153	$ 264,090,544
Total Liabilities and Deferred Inflows	214,540,954	215,242,888	217,395,177	161,484,189	150,449,050
Total Net Position	98,033,808	98,156,835	94,881,604	125,648,964	113,641,494
Total Operating Revenues	96,684,795	93,127,309	89,848,063	84,343,443	78,239,244
Total Operating Expenses	186,747,138	185,843,864	178,074,275	167,788,972	164,640,738
Total Net Non-Operating Revenues	90,726,789	92,933,345	92,244,576	96,253,292	93,709,814
Total Other Revenues, Expenses, Gains or Losses	(787,473)	3,058,441	(966,526)	(800,293)	(2,126,593)