

**University of Central Arkansas**

**Conway, Arkansas**

**Basic Financial Statements  
and Other Reports**

**June 30, 2011**

LEGISLATIVE JOINT AUDITING COMMITTEE

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UNIVERSITY OF CENTRAL ARKANSAS  
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Senate Chair  
**Rep. Tim Summers**  
House Chair  
**Sen. David Wyatt**  
Senate Vice Chair  
**Rep. Toni Bradford**  
House Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas  
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's 2010 financial statements and, in our report dated November 12, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit. We did not audit the financial statements, including the prior year partial comparative information, of the University of Central Arkansas Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Central Arkansas Foundation, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Central Arkansas Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

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

As discussed in Note 25 to the financial statements, the University restated certain prior year (2010) amounts on the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows for presentation purposes. These restatements involved various reclassifications, the proper recognition of interest payable on debt, correction of depreciation expense, correction of the reporting of scholarship allowances, and a change in the presentation of mandatory fees earmarked for student activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas  
November 9, 2011  
EDHE16511

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

University of Central Arkansas  
Legislative Joint Auditing Committee

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 9, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below in the Audit Findings section of this report as item 1 to be a material weakness. 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. We consider the deficiency described below in the Audit Findings section of this report as item 2 to be a significant deficiency.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated November 9, 2011.

## AUDIT FINDINGS

### Material Weakness

1. Financial statements are the responsibility of the University's management and should be presented in conformity with accounting principles generally accepted in the United States of America. The University has policies and procedures to properly record and classify transactions in the financial statements; however, misclassifications were detected. These misclassifications had no effect on the University's reported net assets or cash balance at June 30, 2011, and the financial statements were subsequently corrected by University personnel during audit fieldwork.

A substantial misclassification in the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) and the Statement of Cash Flows was observed in the presentation of scholarship allowances. The Governmental Accounting Standards Board (GASB) stipulates that revenues should be reported by major source, net of discounts and allowances. Such discounts and allowances are to be disclosed on the SRECNA or in a note to the financial statements. Although the University's methodology for calculating the amount of the scholarship allowances was correct, the University reduced the wrong revenue sources and did not disclose scholarship allowances of \$21,672,162. The University netted the scholarship allowances against federal grants and contracts (\$10,751,191) and state and local grants and contracts (\$10,920,971), both non-operating revenues instead of student tuition and fees (operating revenues). As a result of this misclassification, the scholarship allowances were initially reported in the Statement of Cash Flows as offsets to revenues in the Non-capital Financing Activities section instead of offsets to revenues in the Operating Activities section.

A similar finding was reported in the previous three audits.

Management Response: Management acknowledges the misclassification and will continue to evaluate all automated and manual processes by which numbers are determined and fed into the financial statements. Great progress has been made, however. While this misclassification had no effect on the University's reported net assets or cash balance, management understands and agrees this type of mistake must not continue. Plans are being made to bring in an outside reviewer to assist in evaluating the reporting tools and accounting staff members are receiving additional training.

### Significant Deficiency

2. Sound IT management includes establishing controls over access to programs and data, to provide reasonable assurance that unauthorized or erroneous disclosure, modification, or destruction of information will be prevented or detected in a timely manner. The SCT Banner System (Banner System) is a comprehensive software package used by the University to administer student financial aid, finance, human resources, and payroll processes and functions.

The IT Director discovered, and this audit verified, that the Technical Director of Financial and Administrative Services changed records in the Banner System using access rights for which he was not authorized. This employee, who appears to have violated Ark. Code Ann. § 5-41-104 relating to computer trespass, escalated his access privileges by exploiting the security parameters of a user with full, authorized access rights.

Failure to maintain adequate access controls resulted in improper and unauthorized employee access. Although no malicious action occurred as a result of the Banner System security breach, this situation increased the risk for errors or fraud.

Significant Deficiency (Continued)

2. (Continued)

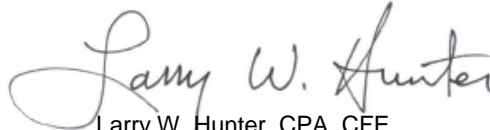
Management Response: Management acknowledges the deficiency and acted immediately to limit access while the situation was further evaluated. After evaluation, the act was determined to be a significant violation. The employee has been terminated.

This action also resulted in a review of the IT structure. Management will be making a determination as to the reporting line of those employees charged primarily with programming duties who reside outside the IT department.

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

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in dark ink, reading "Larry W. Hunter". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 9, 2011

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### MANAGEMENT LETTER

University of Central Arkansas  
Legislative Joint Auditing Committee

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

1. The Disaster Recovery Plan in place is inadequate (both technical and end-user) for restoring from short-term or long-term interruptions of computer processing. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial burden on the entity. A similar finding was reported in the previous audit.
2. Password controls do not meet minimum standards. User accounts are not locked out after three unsuccessful logon attempts. Failure to establish proper password controls increases the likelihood that an unauthorized person could gain access to the system. A similar finding was reported in the previous audit.
3. The University did not comply with Ark. Code Ann. § 19-4-1407 on a construction project involving the installation of artificial turf on the football and softball playing fields, with a total cost of approximately \$1 million. The code states that before any "affirmative action toward the construction" of a project, institutions such as the University must secure approval of a Request for Approval of Method of Finance (MOF) from the Department of Finance and Administration (DFA). On this project, the University incurred costs related to the installation of turf in March 2011; however, the MOF was not approved by DFA until May 25, 2011.

During our audit period the construction of Bear Hall, a new residence hall, was started. Due to the projected cost of this project, in excess of \$18 million, the University could take advantage of Ark. Code Ann. § 19-4-1415, which would relieve the University of complying with several other code sections in the subchapter, including Ark. Code Ann. § 19-4-1407; however, several other code sections would still be applicable to a project undertaken under § 19-4-1415, including Ark. Code Ann. § 22-9-104. The MOF submitted by the University to DFA on or about February 4, 2011 occurred while the General Assembly was in session. Thus, Ark. Code Ann. § 22-9-104(a), (b), and (c) seem to be applicable. An MOF should have been submitted, and no work on the project commenced, pending approval by the General Assembly. The University executed a construction contract for this project on August 13, 2010; however, the MOF was not approved by DFA until February 18, 2011.

4. Financial statements were not completed in a timely manner as requested by the audit staff. We requested the financial statements to be completed by September 1, 2011 but did not receive the final product with prior year restatements until October 11, 2011. As a result, the audit process was delayed.



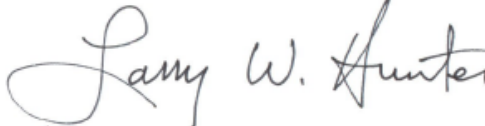
STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2011, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data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

	<u>Summer II Term</u>	<u>Fall Term</u>	<u>Spring Term</u>	<u>Summer I Term</u>
	<u>2010</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
Student Headcount	2,349	12,313	11,486	2,988
Student Semester				
Credit Hours	9,745	144,045	133,447	13,216

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

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

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 9, 2011

# UNIVERSITY OF CENTRAL ARKANSAS

## *Management's Discussion and Analysis*

### *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, 2011. There are three financial statements presented: *The Statement of Net Assets*; the *Statement of Revenues, Expenses, and Changes in Net Assets*; and the *Statement of Cash Flows*.

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

### *Statement of Net Assets*

The *Statement of Net Assets* presents the assets, liabilities, and net assets of the University as of June 30, 2011. 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, 2010, through June 30, 2011. This statement also serves as a starting point for transactions that will occur for the next fiscal period. The assets and liabilities are broken down into current and noncurrent sections to provide information relative to the time required in converting noncash assets to cash or to cash equivalents or that may require the use of cash. The net assets are the difference between assets and liabilities. The *Notes to the Financial Statements* explain the differences between current and noncurrent assets and liabilities.

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

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

***Statement of Net Assets***  
***June 30, 2011***

	Year Ended June 30			
	2011	Restated 2010	Increase/ Decrease	Percent Change
<b>Assets:</b>				
Current assets	\$ 24,786,844	\$ 15,351,885	\$ 9,434,959	61%
Capital assets, net	154,451,313	154,221,675	229,638	0%
Other assets	45,043,040	20,751,179	24,291,861	117%
<b>Total Assets</b>	<b>224,281,197</b>	<b>190,324,739</b>	<b>33,956,458</b>	<b>18%</b>
<b>Liabilities:</b>				
Current liabilities	11,398,940	10,359,327	1,039,613	10%
Non-current liabilities	114,618,672	92,225,687	22,392,985	24%
<b>Total Liabilities</b>	<b>126,017,612</b>	<b>102,585,014</b>	<b>23,432,598</b>	<b>23%</b>
<b>Net Assets:</b>				
Invested in capital assets, net	68,662,242	69,403,383	(741,141)	-1%
Restricted-expendable	6,023,444	5,445,160	578,284	11%
Restricted-nonexpendable	5,417,014	4,991,378	425,636	9%
Unrestricted	18,160,885	7,899,804	10,261,081	130%
<b>Total Net Assets</b>	<b>\$ 98,263,585</b>	<b>\$ 87,739,725</b>	<b>\$10,523,860</b>	<b>12%</b>

A review of the *Statement of Net Assets* reveals that total assets increased by more than \$33.9 million or 18%. While there are several offsetting variances, the significant changes can be found in an increase in cash and investments of \$15.2 million and an increase in trustee deposits of \$19 million. The trustee deposits represent the bond proceeds for the construction of a new residence hall. The increase in cash and investments reflects the budget savings, ARRA funding, and bond refinancing.

Total liabilities for the year increased by more than \$23.4 million or 23%. The most significant change is the increase in bonds payable and capital leases of more than \$21 million.

The aggregate of these changes results in an increase in Total Net Assets of \$10.5 million or 12%.

While the 2010-11 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an institution's fiscal stability is how operating revenues compare to operating expenses. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations and federal and some state student grants are considered non-operating revenues under accounting principles generally accepted in the United States of America.

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

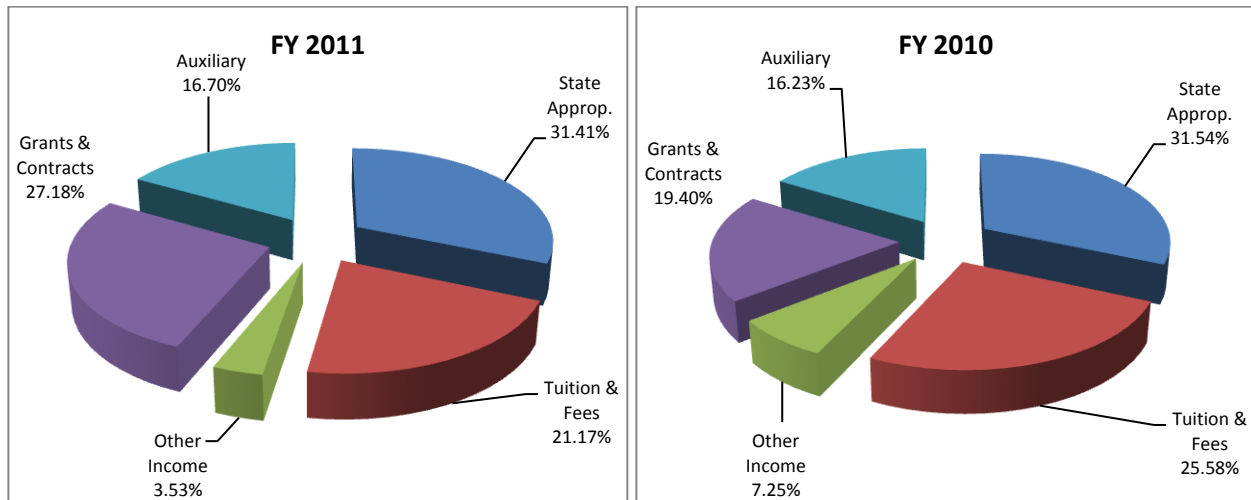
The changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in the *Statement of Revenues, Expenses, and Changes in Net Assets*. The purpose of the statement is to present the revenues received and the expenses paid by the institution, both operating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

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

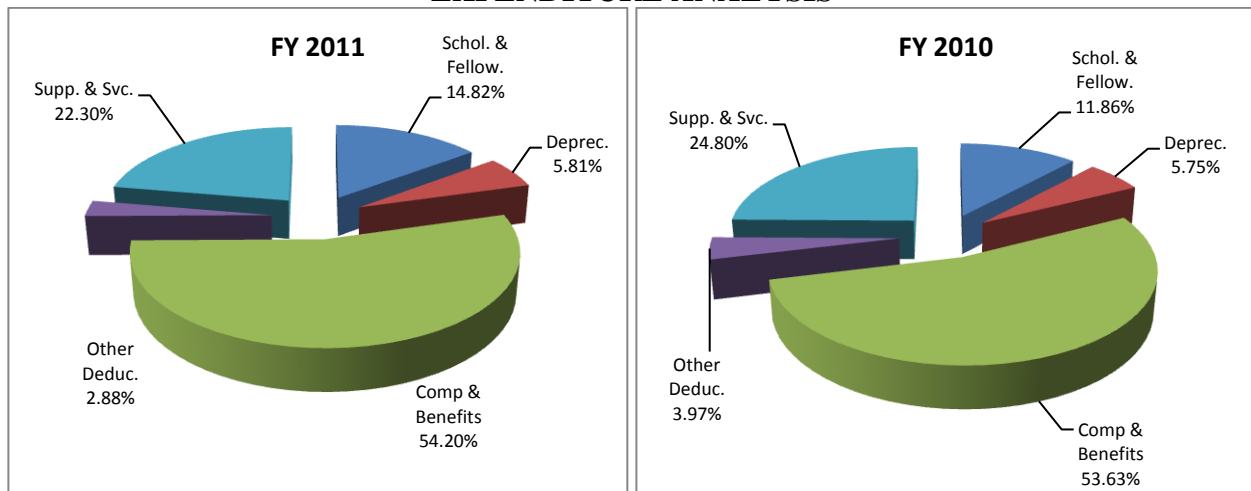
### ***Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Year Ended June 30, 2011***

	Year Ended June 30		Increase/ Decrease	Percent Change
	2011	Restated 2010		
Operating revenues	\$ 79,690,964	\$ 84,096,856	\$ (4,405,892)	-5%
Operating expenses	(164,450,635)	(157,990,349)	(6,460,286)	4%
Operating loss	(84,759,671)	(73,893,493)	(10,866,178)	15%
Nonoperating revenues less expenses	95,273,678	79,796,000	15,477,678	19%
Income (loss) before other revenues, expenses, gains or losses	10,514,007	5,902,507	4,611,500	78%
Other revenues, expenses, gains or losses	9,853	7,040,359	(7,030,506)	-100%
Increase(Decrease) in net assets	10,523,860	12,942,866	(2,419,006)	-19%
Net assets at beginning of year	89,225,985	74,796,859	14,429,126	19%
Restatement of Prior Year Balance	(1,486,260)		(1,486,260)	
Net assets-Beginning of year restated	87,739,725	74,796,859	12,942,866	17%
Net assets at end of year	<u>\$ 98,263,585</u>	<u>\$ 87,739,725</u>	<u>\$ 10,523,860</u>	<u>12%</u>

## UNIVERSITY OF CENTRAL ARKANSAS REVENUE ANALYSIS



## UNIVERSITY OF CENTRAL ARKANSAS EXPENDITURE ANALYSIS



The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects an increase in net assets at the end of the year of slightly more than \$10.5 million.

**Revenue Changes** – The financial statement shows a decrease in operating revenues of \$4.4 million, which is a combination of an increase in tuition and fees and an increase in the scholarship allowance, which reduces the Tuition and Fee revenue line. This decrease is due primarily to the scholarships funded by the new state lottery. The state lottery scholarship funds are also reflected in Net Non-Operating Revenue as part of the \$15.5 million increase. In addition, there were increased investment earnings, a modest increase in state appropriations, and a decrease in interest expense and trustee fees.

**Expense Changes** – Operating expenditures increased by \$6.4 million. In FY11, the University was able to provide a modest cost of living increase which increased the compensation and benefits. In addition, the scholarship line increased due to the implementation of the state lottery scholarships.

## ***Statement of Cash Flows***

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

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

### ***Statement of Cash Flows For the Fiscal Year Ended June 30, 2011***

	Year Ended June 30			
		Restated	Increase/ Decrease	Percent Change
	2011	2010		
Cash provided(used) by:				
Operating activities	\$ (72,567,155)	\$ (66,931,087)	\$ (5,636,068)	8%
Non-capital financing activities	96,536,117	84,023,549	12,512,568	15%
Capital and related financing activities	(10,120,566)	(344,285)	(9,776,281)	2840%
Investing activities	258,047	(1,728,842)	1,986,889	-115%
Net Change in Cash	14,106,443	15,019,335	(912,892)	-6%
Cash, beginning of year	18,659,688	3,640,353	15,019,335	413%
Cash, end of year	<u>\$ 32,766,131</u>	<u>\$ 18,659,688</u>	<u>\$ 14,106,443</u>	<u>76%</u>

## ***Capital Assets and Debt Administration***

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2010-11. The following are some of the significant additions:

Funded By Bonds, ARRA Funds and Other Sources:

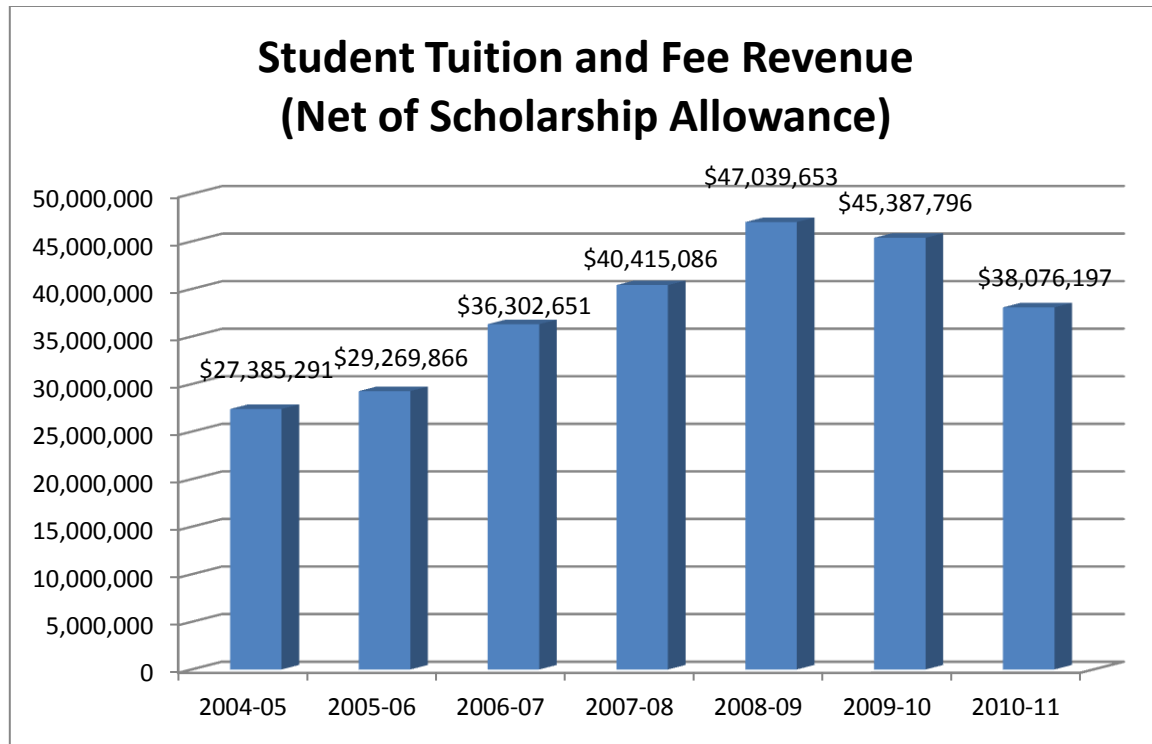
Academic and other E & G projects	\$	1,577,116
Housing and other Auxiliaries		4,907,626
Athletics		1,065,010
Infrastructure/Technology & Property		<u>1,186,073</u>
	\$	<u>8,735,825</u>

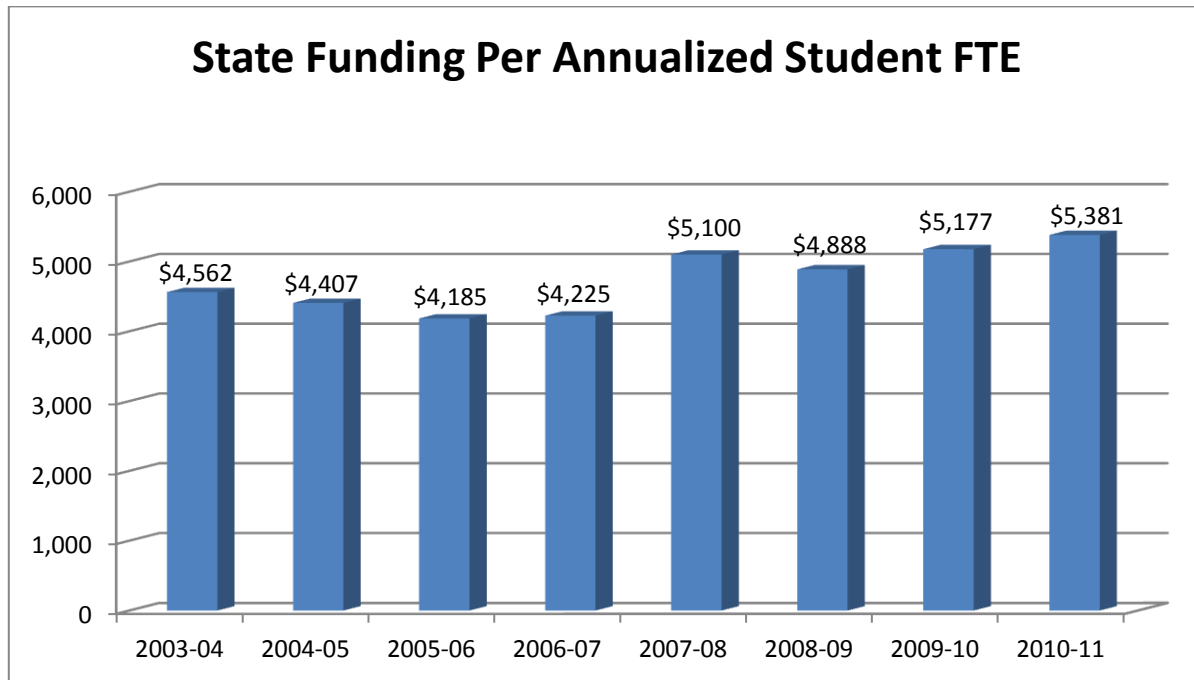
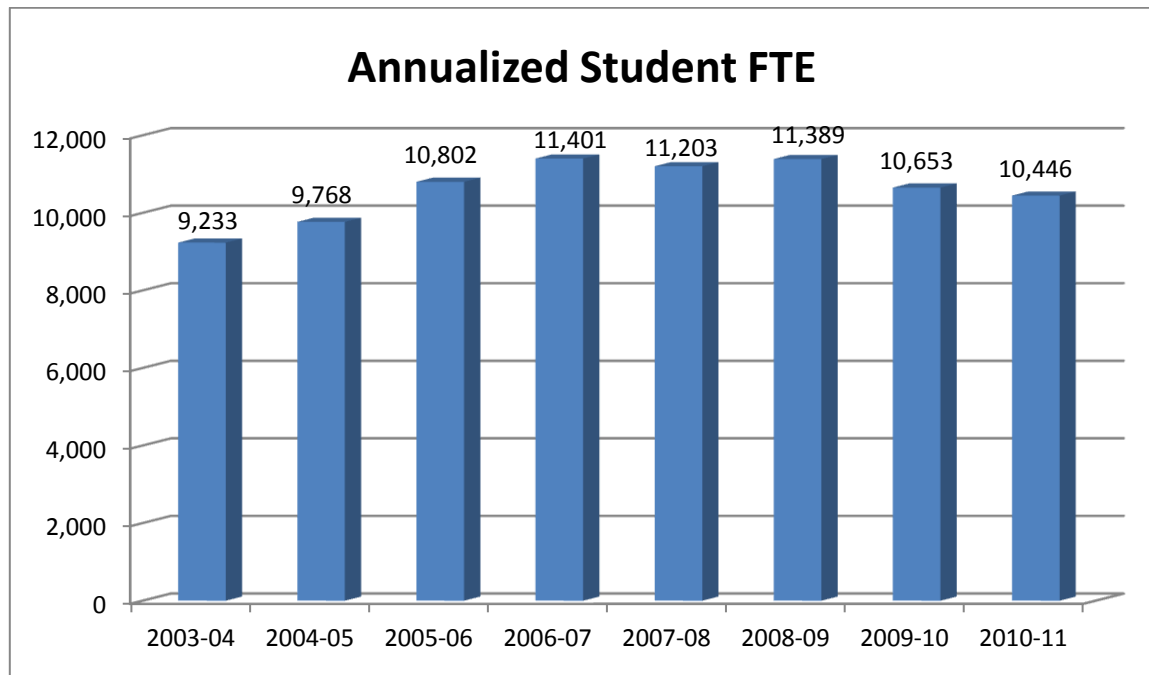
For additional information concerning Capital Assets and Debt Administration, see Notes 6 and 9 in the *Notes to the Financial Statements*.

## ***Economic Outlook***

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

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





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



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

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

The University continues to closely monitor spending in all areas while placing an emphasis on building unrestricted cash reserves and operating fund balances. Several indicators point to continued optimism in revenue generation. These include stable state funding, steady increases in freshmen enrollment and an increased demand for housing and food service. A new Vice President for Enrollment Management is in place, one who is seasoned and brings knowledge, experience and a plan to the overall recruiting and retention efforts.

In June 2011, Moody’s Investors Service upgraded the University’s bond rating from A3 to A2 with a stable outlook. The June 3, 2011 report noted this rating “reflects the University’s healthy size, relatively strong state support, return to healthy operations and progress in building liquid reserves.”

Although the economy is an unknown at this time and could affect state funding, the State of Arkansas is very conservative in its budgeting process and revenue forecast. The administration is closely monitoring state revenues to be ready to take steps to react to any revision state officials might make in the official revenue forecast. A revision in the state’s official revenue forecast could result in state agencies, including institutions of higher education, being authorized to spend at a reduced level for the remainder of FY 2012. This is the same challenge faced by all public institutions and agencies, as well as all private colleges and universities in the nation.

The University’s president, Dr. Allen C. Meadors, resigned on September 2, 2011. The Board has named General Counsel, Mr. Tom Courtway as interim president. This is the second time President Courtway has filled this role. For the remainder of this academic year, the administration intends to focus on accreditation, strategic planning, strategic enrollment management and continuing to build reserves. The University is encouraged by continued increases in freshman enrollment, stable ACT scores while the State is seeing a decline, campus housing at capacity, increased food service participation and systematic improvements to the facilities.

*Diane D. Newton*

Diane D. Newton

Vice President for Finance and Administration

**UNIVERSITY OF CENTRAL ARKANSAS**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Exhibit A

	<b>2010-2011</b>	<b>2009-2010</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20,020,295	\$ 9,629,370
Cash in state treasury		542,895
Accounts receivable-state	212,938	348,267
Accounts receivable-other, net of allowances of \$3,972,567 and \$4,961,120, respectively	3,065,865	3,794,702
Student loans receivable	232,477	82,101
Prepaid expenses	845,702	549,728
Inventories	375,709	404,822
Bond issuance cost	33,858	
<b>Total Current Assets</b>	<b>24,786,844</b>	<b>15,351,885</b>
<b>Noncurrent Assets</b>		
Cash and cash equivalents	12,745,836	8,487,423
Deposits with trustees	19,008,850	27
Investments	4,867,927	4,331,782
Endowment investments in real estate, net of accum depr of \$440,000 and \$538,200, respectively	300,000	227,800
Student loans receivable	7,321,295	7,704,147
Capital assets, net of accum depr & amort of \$126,464,405 and \$120,560,796, respectively	154,451,313	154,221,675
Bond issuance cost	799,132	
<b>Total Noncurrent Assets</b>	<b>199,494,353</b>	<b>174,972,854</b>
<b>TOTAL ASSETS</b>	<b>224,281,197</b>	<b>190,324,739</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	2,726,238	1,972,214
Accounts payable-payroll	1,575,260	1,257,059
Accrued interest payable	1,051,459	706,985
Bonds and capital leases payable, current portion-net (Note 9)	3,297,626	3,852,273
Compensated absences	296,333	281,874
Deferred revenue	1,824,460	1,672,095
Annuity payable	62,500	62,500
Deposits and funds held in trust for others	565,064	554,327
<b>Total Current Liabilities</b>	<b>11,398,940</b>	<b>10,359,327</b>
<b>Noncurrent Liabilities:</b>		
Bonds and capital leases payable, long term portion-net (Note 9)	102,724,206	80,966,019
Compensated absences	3,044,320	2,550,091
Annuity payable	416,678	417,480
OPEB liability	569,937	426,266
Deposits and funds held in trust for others	688,879	591,593
Refundable federal advances	7,174,652	7,274,238
<b>Total Noncurrent Liabilities</b>	<b>114,618,672</b>	<b>92,225,687</b>
<b>TOTAL LIABILITIES</b>	<b>126,017,612</b>	<b>102,585,014</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of debt	68,662,242	69,403,383
Restricted for:		
Non-Expendable	5,417,014	4,991,378
Expendable	6,023,444	5,445,160
Unrestricted	18,160,885	7,899,804
<b>Total Net Assets</b>	<b>\$ 98,263,585</b>	<b>\$ 87,739,725</b>

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

**UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.**

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2011 AND 2010****ASSETS**

	<u>2011</u>	<u>2010</u>
<b><u>Current Assets:</u></b>		
Cash and cash equivalents	\$ 259,552	\$ 1,169,460
Unconditional promises to give - net	1,537,676	1,982,672
Royalty receivable	2,990	2,468
Total Current Assets	<u>1,800,218</u>	<u>3,154,600</u>
<b><u>Property, Plant, and Equipment:</u></b>		
Land	881,000	1,141,000
Building-Buffalo Alumni Hall	1,025,289	1,025,289
Apartment complex	11,579,667	11,579,667
	<u>13,485,956</u>	<u>13,745,956</u>
Less: accumulated depreciation	<u>(2,866,086)</u>	<u>(2,419,376)</u>
Total Property, Plant, and Equipment	<u>10,619,870</u>	<u>11,326,580</u>
<b><u>Other Assets:</u></b>		
Cash - bond funds	797,042	796,842
Unconditional promises to give - net	2,273,904	2,104,582
Investments	11,105,415	7,921,790
Cash surrender value of life insurance	301,803	277,941
Unamortized bond debt expense	238,624	248,567
Prepaid insurance	222,091	231,345
Other assets	104,921	104,921
Total Other Assets	<u>15,043,800</u>	<u>11,685,988</u>
<b><u>Endowment Investments:</u></b>		
Cash and cash equivalents	1,296,598	1,143,522
Investments	15,491,506	15,253,529
Total Endowment Investments	<u>16,788,104</u>	<u>16,397,051</u>
Total Assets	<u><u>\$ 44,251,992</u></u>	<u><u>\$ 42,564,219</u></u>

**UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.**

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2011 AND 2010****LIABILITIES AND NET ASSETS**

	2011	2010
<u>Current Liabilities:</u>		
Accrued interest payable	\$ 175,044	\$ 180,040
Current maturities of long-term debt	303,383	260,000
Current maturities of obligations under annuity agreements	6,374	6,374
Total Current Liabilities	484,801	446,414
<u>Long-Term Liabilities:</u>		
Long-Term Debt	12,092,685	12,264,246
Less: current maturities above	(303,383)	(260,000)
Obligations under annuity agreements	89,211	95,585
Less: current maturities above	(6,374)	(6,374)
Amount held for UCA - Crow/White	4,508,726	3,995,364
Total Long-Term Liabilities	16,380,865	16,088,821
Total Liabilities	16,865,666	16,535,235
<u>Net Assets:</u>		
Unrestricted		
Board designated	235,715	435,715
Unrestricted	329,959	323,294
Temporarily restricted	10,032,548	8,872,924
Permanently restricted	16,788,104	16,397,051
Total Net Assets	27,386,326	26,028,984
Total Liabilities and Net Assets	\$ 44,251,992	\$ 42,564,219

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

Exhibit B

	<b>2010-2011</b>	<b>2009-2010</b>
<b>Operating Revenues:</b>		
Student tuition & fees (net of scholarship allowances \$31,726,357 & \$24,022,961)	\$ 38,076,197	\$ 45,387,796
Federal grants and contracts	5,142,602	3,090,202
State and local grants and contracts	741,279	963,658
Non-governmental grants and contracts	2,532,824	2,599,523
Sales & services of educational departments	1,556,992	1,643,932
Auxiliary Enterprises		
Athletics (net of scholarship allowances \$2,696,233 & \$2,606,595)	3,516,609	2,480,973
Housing	13,889,538	14,161,900
Food Service	7,038,882	6,918,510
Student Center	1,334,428	1,277,718
Recreational Facilities (net of scholarship allowances of \$10,870 & \$7,000)	1,360,304	1,268,810
Other Auxiliary Enterprises	2,902,285	2,702,200
Other Operating Revenues	1,599,024	1,601,634
<b>Total Operating Revenues</b>	<b>79,690,964</b>	<b>84,096,856</b>
<b>Operating Expenses:</b>		
Compensation and benefits	91,773,764	88,230,449
Supplies and services	37,756,568	40,795,340
Scholarships and fellowships	25,085,850	19,512,432
Depreciation	9,834,453	9,452,128
<b>Total Operating Expenses</b>	<b>164,450,635</b>	<b>157,990,349</b>
<b>Operating Loss</b>	<b>(84,759,671)</b>	<b>(73,893,493)</b>
<b>Non-operating Revenues (Expenses):</b>		
State appropriations	56,494,604	55,976,707
Federal grants and contracts	20,422,447	20,498,337
State and local grants and contracts	18,318,443	5,227,056
Non-governmental grants and contracts	1,720,091	2,040,919
Gifts	238,610	718,890
Investment income (net of investment expense \$38,426 & \$43,066)	851,262	215,056
Interest expense and trustee fees	(3,553,140)	(4,850,753)
Disposal of capital assets (net of accumulated depreciation \$4,029,045 & \$645,419)	(106,026)	(849,104)
Gain on disposal of capital assets	829,374	781,020
Payments by foundation for scholarships	(79,365)	(65,015)
Other income	137,378	102,887
<b>Net Non-operating Revenues</b>	<b>95,273,678</b>	<b>79,796,000</b>
<b>Income before other revenues &amp; expenses</b>	<b>10,514,007</b>	<b>5,902,507</b>
<b>Other Changes in Net Assets</b>		
Bond proceeds from Act 1282 of 2005		7,190,896
Capital grants		543,766
Capital gifts	798,789	71,420
Payments of mandatory fees to agency funds	(727,236)	(722,840)
Other deductions, net	(61,700)	(42,883)
<b>Increase (decrease) in Net Assets</b>	<b>10,523,860</b>	<b>12,942,866</b>
<b>Net Assets - Beginning of Year as Originally Reported</b>	<b>89,225,985</b>	<b>74,796,859</b>
<b>Restatement of Prior Year Balance</b>	<b>(1,486,260)</b>	
<b>Net Assets - Beginning of Year - Restated</b>	<b>87,739,725</b>	<b>74,796,859</b>
<b>Net Assets - End of Year</b>	<b>\$ 98,263,585</b>	<b>\$ 87,739,725</b>

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

**UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

Exhibit B-1

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support:</b>								
Contributions	\$ 113,328	\$ 1,241,073	\$ 338,590	\$ 1,692,991	\$ 201,543	\$ 2,133,715	\$ 604,242	\$ 2,939,500
Lease income		843,989		843,989		819,367		819,367
Special events		576,062		576,062	1,531	636,705	1,339	639,575
Interest and dividends	15,390	555,566	33,933	604,889	26,659	238,049	174,050	438,758
Membership dues and sponsorships		383,730	18,530	402,260		243,187	10,300	253,487
Grants		342,113		342,113		221,592		221,592
Royalty income		20,679		20,679		13,814		13,814
Realized gain (loss) on sale of assets		(69,445)		(69,445)				
Realized gain (loss) on sale of investments		(1,262)		(1,262)		(45,793)		(45,793)
Unrealized gain (loss) on investments	143,432	3,020,970		3,164,402	28,705	1,164,597		1,193,302
Net assets released from restrictions:								
Satisfaction of program restrictions	5,753,851	(5,753,851)			4,142,180	(4,142,180)		
<b>Total Revenues, Gains, and Other Support</b>	<b>6,026,001</b>	<b>1,159,624</b>	<b>391,053</b>	<b>7,576,678</b>	<b>4,400,618</b>	<b>1,283,053</b>	<b>789,931</b>	<b>6,473,602</b>
<b>Expenses:</b>								
<b>Programs:</b>								
Scholarships	359,101			359,101	426,924			426,924
Grants and University programs - UCA	3,268,476			3,268,476	1,624,598			1,624,598
Grants and University programs - Other	1,063,284			1,063,284	785,812			785,812
<b>Total Programs</b>	<b>4,690,861</b>			<b>4,690,861</b>	<b>2,837,334</b>			<b>2,837,334</b>
Administration	132,191			132,191	121,819			121,819
Investment fees	244,790			244,790	138,748			138,748
Fund raising	140,960			140,960	170,494			170,494
Interest	553,881			553,881	561,810			561,810
Amortization	9,942			9,942	9,942			9,942
Depreciation	446,711			446,711	446,711			446,711
<b>Total Expenses</b>	<b>6,219,336</b>			<b>6,219,336</b>	<b>4,286,858</b>			<b>4,286,858</b>
<b>Change in Net Assets</b>	<b>(193,335)</b>	<b>1,159,624</b>	<b>391,053</b>	<b>1,357,342</b>	<b>113,760</b>	<b>1,283,053</b>	<b>789,931</b>	<b>2,186,744</b>
<b>Net Assets at Beginning of Year</b>	<b>759,009</b>	<b>8,872,924</b>	<b>16,397,051</b>	<b>26,028,984</b>	<b>645,249</b>	<b>7,589,871</b>	<b>15,607,120</b>	<b>23,842,240</b>
<b>Net Assets at End of Year</b>	<b>\$ 565,674</b>	<b>\$ 10,032,548</b>	<b>\$ 16,788,104</b>	<b>\$ 27,386,326</b>	<b>\$ 759,009</b>	<b>\$ 8,872,924</b>	<b>\$ 16,397,051</b>	<b>\$ 26,028,984</b>

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

Exhibit C

	<u>2010-2011</u>	<u>2009-2010</u>
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees (net of scholarships)	\$ 35,384,250	\$ 42,540,126
Grants and contracts	8,713,286	6,092,766
Collection of loans & interest to students	322,428	243,941
Auxiliary Enterprise revenues:		
Athletics	6,485,765	4,936,611
Housing	13,790,038	14,060,024
Food Service	7,012,454	6,910,653
Student Center	1,336,015	1,276,561
Recreational Facilities	1,372,308	1,273,585
Other Auxiliary Enterprises	2,924,181	2,704,781
Other receipts	3,390,045	3,448,391
Payments to employees/benefits	(90,803,204)	(88,060,765)
Payments to suppliers	(37,408,871)	(42,845,329)
Payments for scholarships and fellowships	(25,085,850)	(19,512,432)
<b>Net cash provided (used) by operating activities</b>	<u><b>(72,567,155)</b></u>	<u><b>(66,931,087)</b></u>
<b>Cash Flows from Non-capital Financing Activities</b>		
State appropriations	56,644,937	57,101,714
Private gifts	63,610	6,526
Federal grants and contracts	20,454,576	20,458,720
State, local, & private grants and contracts	20,008,889	7,267,633
Direct lending and FFEL Loan receipts	50,444,460	51,944,933
Direct lending and FFEL Loan payments	(50,444,460)	(51,944,933)
Other agency funds - net	55,136	(102,282)
Grain proceeds	98,705	93,977
Annuity payments	(62,500)	(62,500)
Payment of mandatory fees to agency funds	(727,236)	(722,840)
Payment of expenses for endowment investments in real estate		(17,399)
<b>Net cash provided (used) by non-capital financing activities</b>	<u><b>96,536,117</b></u>	<u><b>84,023,549</b></u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Bond Proceeds from Act 1282 of 2005	5,102	2,565,214
Distributions from trustee of current year bond proceeds and interest earnings	2,475,485	
Distributions from trustee of prior year bond proceeds and interest earnings		8,861,381
Capital grants and gifts	175,000	1,240,130
Proceeds from sale of capital assets	721,887	2,590,930
Purchases of capital assets	(7,383,698)	(7,410,713)
Payments to debt holders for principal other than for bonds	(100,600)	(939,006)
Payments to trustee for bond principal	(2,215,000)	(3,680,000)
Payments to trustee for interest and fees	(3,777,250)	(3,547,443)
Payments to debt holders for interest and fees other than for bonds	(21,492)	(24,778)
<b>Net cash provided (used) by capital &amp; related financing activities</b>	<u><b>(10,120,566)</b></u>	<u><b>(344,285)</b></u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	207,684	671,623
Purchase of investments	(743,829)	(2,540,052)
Interest on investments (net of fees)	794,192	139,587
<b>Net cash provided (used) by investing activities</b>	<u><b>258,047</b></u>	<u><b>(1,728,842)</b></u>
<b>Net increase (decrease) in cash</b>	<b>14,106,443</b>	<b>15,019,335</b>
<b>Cash - Beginning of Year</b>	<u><b>18,659,688</b></u>	<u><b>3,640,353</b></u>
<b>Cash - End of Year</b>	<u><u><b>\$ 32,766,131</b></u></u>	<u><u><b>\$ 18,659,688</b></u></u>

**UNIVERSITY OF CENTRAL ARKANSAS**  
**COMPARATIVE STATEMENT OF CASH FLOWS - Continued**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit C

	<u>2010-2011</u>	<u>2009-2010</u>
<b>Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:</b>		
Operating Income (Loss)	\$ (84,759,671)	\$ (73,893,493)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	9,834,453	9,452,128
Change in assets and liabilities:		
Receivables, net	882,514	(311,919)
Inventories	29,112	(12,134)
Deposits with others	24,370	(46,920)
Prepaid expenses and other assets	(295,974)	(261,268)
Accounts payable	913,316	(1,850,724)
Deferred revenue	152,366	(271,884)
Compensated absences	508,688	160,204
Other postemployment benefits liability	143,671	104,923
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ (72,567,155)</u></b>	<b><u>\$ (66,931,087)</u></b>
<b>Noncash Transactions</b>		
Capital gifts	\$ 798,789	\$ 71,420
Archives		16,000
Fixed assets acquired by incurring capital lease obligations	1,159,355	
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund	40,576,070	
Bond issuance costs and discounts paid directly from bond proceeds	858,383	
Amortization of bond premium	(16,256)	(28,205)
Amortization of bond discount	6,837	5,932
Amortization of deferred refunding gain/loss	28,454	
Amortization of bond issuance costs	25,393	
Interest earned on reserve accounts held by trustee	2,153	8,790
Valuation adjustments to capital assets	(26,000)	
Value of trade-in of equipment	106,563	24,471
Gain (Loss) on disposal of capital assets	133,574	
Payments by Foundation for scholarships	(79,365)	(65,015)
Capital outlay paid directly from bond proceeds from Act 1282 of 2005		(6,524,317)
Bond proceeds from Act 1282 of 2005		6,524,317

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 1:**            Reporting Entity:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011



NOTE 1: Reporting Entity (continued):

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

*Fiscal Dependence* - the Foundation has total autonomy with respect to the assets held, the ability to issue bonded debt, and the ability to determine its budget without the approval of the state and/or the University.

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

NOTE 2: Summary of Significant Accounting Policies:

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 2:                    Summary of Significant Accounting Policies (continued):**

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 19 for a detailed explanation of the impact on the University's financial statements.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 2:            Summary of Significant Accounting Policies (continued):**

Investments: The University states its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

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

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued in June 2008. The requirements of this statement are effective for financial statements for periods after June 15, 2009. This statement requires that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are to be reported at fair value instead of the typical historical prices. As of June 30, 2011, the University had no funds invested in derivative instruments.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and of auxiliary enterprise services provided to the students, faculty, and staff. Accounts receivable also include amounts due from federal, state and local governments, and/or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable were reduced by an allowance of \$3,972,567.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 2:            Summary of Significant Accounting Policies (continued):**

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

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

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

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

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 amount of interest capitalized for the year ending June 30, 2011 was \$635,853.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 2: Summary of Significant Accounting Policies (continued):**

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

<b>Intangible Asset</b>	<b>Capitalization Threshold</b>	<b>Amortization (years)</b>
Internally developed Software	\$ 1,000,000	10
Purchased Software	500,000	5
Easements, land use, trademarks, copyrights & patents	250,000	15-20*
*Patents will be amortized over 20 years.		

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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

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

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

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

In 2007, GASB issued Statement No. 50, *Pension Disclosures - an Amendment of GASB Statements No. 25 and 27*. This statement requires defined benefit pension plans and sole and agent employers to present additional note disclosures on the funded status of the plan, the aggregate actuarial cost method, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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

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

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

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

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 2:      Summary of Significant Accounting Policies (continued):**

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

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

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

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

Refundable Federal Advances: For reporting purposes, the University has shown the federal portion of the Perkins Loan Program fund balance as a noncurrent liability on the Statement of Net Assets. The amount refundable to the Federal government upon cessation of the program was \$7,174,652 as of June 30, 2011.

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, 2011 and therefore, there was no impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**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, 2011.

At June 30, 2011, the University's deposits with trustees totaled \$19,008,850 and were invested as follows:

- Federated Government Obligations Fund, a money market treasury fund rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service and consisted of U.S. Treasuries, government agency securities, and repurchase agreements. The weighted average maturity was 44 days.
- Federated Treasury Obligations Fund, a money market treasury fund rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 37 days.

Investments are recorded at fair value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 3:      Cash, Cash Equivalents, and Investments (continued):**

The commercial bank deposits noted below do not include cash on hand in the amount of \$24,255.

**Statement of Cash/Invested Assets**

TOTAL PLAN		JUNE 30, 2011
<b>Cash Equivalent/Investment Type</b>		<b>Fair Value</b>
<b>Commercial Bank Deposits</b>		<b>\$ 32,741,876</b>
Insured (FDIC)		529,410
Insured (SIPC)		891
Uninsured, Collateralized		32,211,575
<b>Deposits with Trustees</b>		<b>19,008,850</b>
Federated Government Obligations Fund 395		22,582
Federated Treasury Obligation IS Fund 68		18,986,268
<b>UCA Foundation, Inc.</b>		<b>4,508,727</b>
Stephens, Inc.		268,274
Stephens, Inc.-Equities*		1,589,210
Stephens, Inc.-Fixed Income		2,651,243
<b>Fixed Income</b>		<b>143,264</b>
Common Fund:		
Multi-Strategy Bond		141,238
Intermediate		2,026
<b>Equity Funds*</b>		<b>215,936</b>
Common Fund:		
Multi-Strategy Equity Fund		215,936

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 3: Cash, Cash Equivalents, and Investments (continued):**

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

**Credit Risk – S & P Quality Ratings**

TOTAL PLAN					JUNE 30, 2011
Investment Type	Fair Value	No Rating	AAAf	AA	BBB+f
Multi-Strategy Bond	\$ 141,238			\$ 141,238	
Intermediate Term	2,026			2,026	
Stephens, Inc.	2,651,243	\$ 410,877	\$ 1,220,194		\$ 1,020,172

**Credit Risk Concentration**

TOTAL PLAN			JUNE 30, 2011
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, 2011
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	
Multi-Strategy Bond	\$ 141,238		\$ 141,238		
Intermediate Term	2,026		2,026		
Stephens, Inc.	2,651,243		2,438,434	\$ 212,809	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 4: Disaggregation of Receivable and Payable Balances:**

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

Student tuition and fees	\$ 1,766,702
Auxiliary enterprises	451,914
Loans	7,553,772
State of Arkansas	212,938
Federal and private grants and contracts	516,022
Other	331,227
	<hr/>
Totals	<u>\$ 10,832,575</u>

Accounts payable consisted of the following at June 30, 2011:

Vendor accounts	\$ 2,726,238
Payroll	1,575,260
Accrued interest	1,051,459
	<hr/>
Totals	<u>\$ 5,352,957</u>

**NOTE 5: Inventories:**

Inventories consisted of the following at June 30, 2011:

Storeroom	\$ 8,777
Maintenance	263,225
Postage	41,064
Housing	36,402
Other	26,241
	<hr/>
Totals	<u>\$ 375,709</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 6: Capital Assets:**

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

**INVESTMENT IN CAPITAL ASSETS**

	<b>July 1, 2010</b>			<b>June 30, 2011</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 10,766,230	\$ 167,948	\$ 361,926	\$ 10,572,252
Timber	89,894			89,894
Construction in Progress	4,449,149	3,878,088	4,449,149	3,878,088
Archives	704,732			704,732
<b>Total Capital Assets not Being Depreciated</b>	<b>\$ 16,010,005</b>	<b>\$ 4,046,036</b>	<b>\$ 4,811,075</b>	<b>\$ 15,244,966</b>
<b>Other Capital Assets</b>				
Infrastructure	\$ 20,415,712	\$ 4,320,879		\$ 24,736,591
Buildings	189,506,096	2,307,390	\$ 939,523	190,873,963
Furniture and Equipment	21,215,177	3,469,392	1,693,281	22,991,288
Intangibles-computer software	5,290,741			5,290,741
Library Holdings	23,110,740	1,050,396	1,642,967	22,518,169
<b>Total Other Capital Assets</b>	<b>259,538,466</b>	<b>11,148,057</b>	<b>4,275,771</b>	<b>266,410,752</b>
<b>Less Accumulated Depr &amp; Amort for:</b>				
Intangibles-computer software	950,671	257,269		1,207,940
Infrastructure	10,089,044	1,045,794		11,134,838
Buildings	79,195,721	6,002,407	880,520	84,317,608
Furniture and equipment	13,632,779	1,736,359	1,603,758	13,765,380
Library holdings	17,230,781	890,825	1,642,967	16,478,639
<b>Total Accumulated Depreciation</b>	<b>121,098,996</b>	<b>9,932,654</b>	<b>4,127,245</b>	<b>126,904,405</b>
<b>Total Other Capital Assets, net</b>	<b>\$ 138,439,470</b>	<b>\$ 1,215,403</b>	<b>\$ 148,526</b>	<b>\$ 139,506,347</b>
<b>Capital Assets Summary:</b>				
Capital Assets not being depreciated	\$ 16,010,005	\$ 4,046,036	\$ 4,811,075	\$ 15,244,966
Other capital assets, at cost	259,538,466	11,148,057	4,275,771	266,410,752
Less: Accumulated Depreciation	121,098,996	9,932,654	4,127,245	126,904,405
<b>Total Other Capital Assets, net</b>	<b>138,439,470</b>	<b>1,215,403</b>	<b>148,526</b>	<b>139,506,347</b>
<b>Capital Assets, net</b>	<b>\$ 154,449,475</b>	<b>\$ 5,261,439</b>	<b>\$ 4,959,601</b>	<b>\$ 154,751,313</b>

Note: Above table includes endowment investments in real estate and capital assets.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 7:**        Student Loans Receivable:

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2011. Under this program, the federal government provides a federal capital contribution to the University which the University matches by 33%. A capital contribution is not necessarily received every year. The University then provides low interest (5%) loans to eligible students. Under certain conditions the loans can be forgiven at annual rates of 15% to 30% of the original balance up to the maximum of 50% to 100%. On forgiven loans, the University receives a percentage of the original forgiven loan as reimbursement from the federal government.

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

**NOTE 8:**        Deferred Revenue:

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

Prepaid tuition and fees	\$ 1,508,966
Academic Outreach fees	79,568
Other deferred income	<u>235,926</u>
Totals	<u>\$ 1,824,460</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 9:            Noncurrent Liabilities:**

A summary of noncurrent liabilities as of June 30, 2011, follows:

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2011</b>	<b>Amounts due within one year</b>
<b>Bonds, Capital Lease, and Annuity Payable:</b>					
Bonds	\$ 84,480,000	\$ 41,275,000	\$ 20,930,000	\$ 104,825,000	\$ 3,170,000
Bond Premium	444,831	159,453	173,560	430,724	18,125
Bond Discount	(106,539)	(36,202)	(6,837)	(135,904)	(7,138)
Capital lease payable		1,159,355	100,600	1,058,755	154,577
Def. amt of refunding gain/(loss)		(185,197)	(28,454)	(156,743)	(37,938)
<b>Total bonds and capital lease</b>	<b>84,818,292</b>	<b>42,372,409</b>	<b>21,168,869</b>	<b>106,021,832</b>	<b>3,297,626</b>
<b>Other Liabilities:</b>					
Annuity agreement	479,980		802	\$ 479,178	62,500
Accrued compensated absences	2,831,965	3,345,012	2,836,324	3,340,653	296,333
OPEB liability	426,266	143,671		569,937	
Refundable federal advances	7,274,238		99,586	7,174,652	
Deposits and funds held in trust	1,145,920	256,848,058	256,740,035	1,253,943	565,064
<b>Total other liabilities</b>	<b>12,158,369</b>	<b>260,336,741</b>	<b>259,676,747</b>	<b>12,818,363</b>	<b>923,897</b>
<b>Total Long Term Liabilities</b>	<b>\$ 96,976,661</b>	<b>\$ 302,709,150</b>	<b>\$ 280,845,616</b>	<b>\$ 118,840,195</b>	<b>\$ 4,221,523</b>

Additional information regarding bonds payable is included in note 10.

Additional information regarding capital lease payable is included in note 12.

Additional information regarding the annuity agreement is included in note 13.

**NOTE 10:            Bonds Payable:**

On September 29, 2010, the University issued \$19,275,000 in revenue refunding bonds collectively referred to as Series 2010A and Series 2010B. An additional \$22,000,000 in capital improvement bonds referred to as the Series 2010C was also issued. The Bank of the Ozarks was appointed as the trustee for the 2010 series bond issues.

The Series A bond proceeds of \$4,065,000 were used to refinance the Parking Facilities Revenue Bonds, 1997 Series B and Auxiliary Revenue Capital Improvement and Refunding Bonds, 2003 Series B in order to recognize certain savings from more favorable interest rates. The total present value cost savings to the University on the 2010A refunding issue is \$261,424. In addition, bond issuance costs of \$73,940 were recorded on the University's books as an asset, and the amount amortized in fiscal year 2011 was \$3,961. The bonds were called on October 1, 2010.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 10: Bonds Payable (continued):**

The Series B bond proceeds of \$15,210,000 were used to refinance the Recreation Facilities Allocated Revenue Bonds, 1997 Series C, Student Fee Refunding and Construction Bond, Series 1998, Student Fee Revenue Capital Improvement and Refunding Bonds, 2003 Series A, and Student Fee Revenue Capital Improvement Bonds, Series 2004A in order to recognize certain savings from more favorable interest rates. The total present value cost savings to the University on the 2010B refunding issue is \$1,209,443. In addition, bond issuance costs of \$291,383 were recorded on the University's books as an asset, and the amount amortized in fiscal year 2011 was \$9,106. The bonds were called on October 1, 2010.

The Series C bond proceeds of \$22,000,000 will be used for construction and furnishing of a new residence hall on campus, and the updating of additional housing facilities on campus. Bond issuance costs of \$493,060 were recorded on the University's books as an asset, and the amount amortized in fiscal year 2011 was \$12,326.

A summary of the principal and interest payments due follows:

<b>Fiscal Year</b>	<b>Total Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2012	\$ 3,170,000	\$ 4,533,282	\$ 7,703,282
2013	3,290,000	4,407,869	7,697,869
2014	3,430,000	4,278,169	7,708,169
2015	3,560,000	4,141,674	7,701,674
2016	3,630,000	4,003,523	7,633,523
2017-2021	20,595,000	17,575,020	38,170,020
2022-2026	22,635,000	12,784,192	35,419,192
2027-2031	15,980,000	8,132,660	24,112,660
2032-2036	15,700,000	4,563,451	20,263,451
2037-2041	12,835,000	1,280,844	14,115,844
Total Bonds	104,825,000	65,700,684	170,525,684
Net prem/disc	<b>294,820</b>		<b>294,820</b>
Net def. amt. of ref gain/(loss)	<b>(156,743)</b>		<b>(156,743)</b>
<b>Totals</b>	<b>\$ 104,963,077</b>	<b>\$ 65,700,684</b>	<b>\$ 170,663,761</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 10: Bonds Payable (continued):**

The amount of interest due for fiscal year 2012 includes a total accrued interest payable of \$1,051,164.

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

<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Debt O/S June 30, 2011</b>	<b>Maturities as of June 30, 2011</b>
1997B	2028	5.2-7.0	\$ 550,000		\$ 550,000
1997C	2028	5.2-7.0	2,000,000		2,000,000
1998	2029	4.1-7.0	6,170,000		6,170,000
2003A	2033	2.0-5.0	8,015,000		8,015,000
2003B	2023	2.0-4.5	8,205,000		8,205,000
2004A	2014	3.5-5.0	3,900,000		3,900,000
2004B	2014	4.75-5.75	600,000	\$ 280,000	320,000
2006A	2021	5.40-6.00	4,625,000	3,490,000	1,135,000
2006B	2026	5.40-6.125	4,180,000	3,535,000	645,000
2006C	2026	5.40-6.125	4,180,000	3,535,000	645,000
2006D	2026	4.00-5.00	7,200,000	5,920,000	1,280,000
2006E	2026	4.00-5.00	3,800,000	3,125,000	675,000
2006F	2030	4.00-5.00	8,100,000	7,080,000	1,020,000
2007A	2037	4.00-5.00	2,000,000	1,895,000	105,000
2007B	2037	4.00-5.00	16,000,000	15,205,000	795,000
2007C	2034	4.00-4.50	21,400,000	19,485,000	1,915,000
2010A	2023	2.00-3.25	4,065,000	4,065,000	
2010B	2033	2.00-4.5	15,210,000	15,210,000	
2010C	2040	2.00-4.5	22,000,000	22,000,000	
<b>Total Bonds</b>			<b>142,200,000</b>	<b>104,825,000</b>	<b>37,375,000</b>
<b>Net unamortized premium/discount</b>			<b>338,292</b>	<b>294,820</b>	<b>43,472</b>
<b>Net unamortized def amt of ref gain/(loss)</b>			<b>(185,197)</b>	<b>(156,743)</b>	<b>(28,454)</b>
<b>Totals</b>			<b>\$ 142,353,095</b>	<b>\$ 104,963,077</b>	<b>\$ 37,390,018</b>

The University is no longer required to maintain certain renewal and replacement reserves, but it did maintain a debt service reserve aggregating \$2,962,536 in 2011.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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

The University has pledged future student fee revenue to repay \$37,601,500 in student fee revenue bonds. Proceeds from the bonds provided financing for construction, renovation, and implementation of educational and general facilities and projects, and the refunding of existing student fee debt issues. The bonds are payable from student fee revenues and are payable through 2014 to 2038. Annual principal and interest payments on the bonds are expected to require approximately 3% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$60,837,289, including \$382,268 in accrued interest as of June 30, 2011. Principal and interest paid for the current year and gross revenues were \$2,129,321 and \$69,802,554, respectively. Principal and interest on defeased bond issues totaled \$15,390,499 which was paid from bond proceeds of the 2010B refunding bond issue.

The University has pledged future housing systems revenue to repay \$52,055,000 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 2041. Annual principal and interest payments on the bonds are expected to require approximately 21% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$88,153,628 including \$539,117 in accrued interest as of June 30, 2011. Principal and interest paid for the current year and gross revenues were \$2,911,861 and \$13,889,538, respectively.

The University has pledged future other auxiliary revenue to repay \$15,168,500 in other auxiliary revenue bonds. Proceeds from the bonds provided financing for construction and renovation of other auxiliary facilities and the refunding of existing other auxiliary debt issues. The bonds are payable from other auxiliary revenues and are payable through 2018 to 2038. Annual principal and interest payments on the bonds are expected to require approximately 5% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$21,534,767 including \$129,779 in accrued interest as of June 30, 2011. Principal and interest paid for the current year and gross revenues were \$928,570 and \$18,859,611, respectively. Principal and interest on defeased bond issues totaled \$3,666,999 which was paid from bond proceeds of the 2010A and 2010B refunding bond issue.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 12:      Capital Lease Payable:**

On October 27, 2010, the University entered into an agreement with Suntrust Equipment Finance & Leasing Corp. to lease an Enterasys Network System. The lease term is 7 years with payments made from Current Unrestricted Funds and the total present value of net minimum lease payments at June 30, 2011 was \$1,058,755. The equipment was capitalized at a cost of \$1,159,355.

The capital lease principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 154,577	\$ 28,561	\$ 183,138
2013	159,104	24,034	183,138
2014	163,763	19,375	183,138
2015	168,559	14,579	183,138
2016	173,496	9,642	183,138
2017	178,577	4,561	183,138
2018	60,680	366	61,046
<b>Totals</b>	<b>\$ 1,058,755</b>	<b>\$ 101,119</b>	<b>\$ 1,159,874</b>

**NOTE 13:      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. Baldrige. The property consists of apartments located at 229 and 232 Elizabeth and 2003 and 2005 Bruce, and land adjacent to the buildings. The total acreage is approximately 2.09. The property was appraised at \$766,000. The property was appraised again in fiscal year 2011 and the current value is \$740,000. The life annuity to be received annually by the Baldriges is \$62,500. The University has estimated that there should be adequate income from the apartments to pay this annuity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 13:**      Annuity Payable (continued):

The annuity payable at June 30, 2011, was \$479,178 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 14:**      Commitments: The University was contractually obligated for the following at June 30, 2011:

<b>Project Name</b>	<b>Estimated Completion Date</b>	<b>Contract Balance</b>
Baseball Field	September 2009*	
Estes Stadium Lighting	August 2011	\$ 205,622
Ark/State Hall Showers	August 2011	127,769
Irby Ceiling Tile	August 2011	20,000
McCastlain A/C	August 2011	316,745
South Schichtl Parking Lot	August 2011	34,700
Phys. Plt/Thompson Park Lots	August 2011	43,900
Windows/President's Home	July 2011	9,729
Stamped Concrete/Emma, Ross	August 2011	36,649
Carpet in Mashburn	July 2011	20,724
Stamped Concrete/Student Ctr	August 2011	42,825
Phys Plant Parking Lot	August 2011	89,665
Ark Hall Fan Coil Installation	July 2011	74,998
Sprinkler Sys/Conway & State	August 2011	83,495
Artificial Turf	September 2011	332,997
Bear Hall	August 2012	17,074,630
Architect Fees-Bear Hall		233,244
Architect Fees-Amphitheater		27,000
		<u>\$ 18,774,692</u>

\*On July 26, 2011 the balance of \$6,379 was paid to the Faulkner County Circuit Court who will decide if the builder, Ross Sparks Construction, or Conway Corporation is entitled to the payment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 15:            Retirement Plans:**

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

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

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

Funding Policy: The Alternate Plan is a contributory plan in which members must contribute at least 6% of their earnings to the plan. The University contributes an amount equal to 10% of earnings for members. The University's and the participants' contributions for the year ended June 30, 2011 were \$4,265,089 and \$3,174,543, respectively.

*Arkansas Teacher Retirement System- Plan Description:* The University contributes to the Arkansas Teacher Retirement (ATRS), a cost-sharing multiple-employer defined benefit pension plan. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 15:            Retirement Plans (continued):**

Funding Policy: ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The fiscal year 2011 employer rate was 14%. The University's contributions to ATRS for the years ended June 30, 2011, 2010, and 2009 were \$1,638,514, \$1,501,188, and \$1,410,292, respectively, equal to the required contributions for each year.

The University contributes 14% for the ATRS T-Drop Plan members and for any ATRS retirees that have returned to work. The FY 2011 and FY 2010 total amount of employer contributions were \$223,154 and \$222,105, respectively.

*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, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current statutory employer rate is 12.46% of annual covered payroll. For the 2011-2012 fiscal year, the rate is changing to 13.47% of the annual covered payroll. The University's contributions to APERS for the years ended June 30, 2011, 2010, and 2009, were \$1,051,914, \$963,236, and \$961,656, respectively, equal to the required contributions for each year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 15:        Retirement Plans (continued):**

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

Funding Policy: Participants' contributions are tax-sheltered, except for the TIAA-CREF Roth plan, and contribution limits are based upon annual pre-tax calculations. The University makes no contributions to supplemental accounts. Participants' contributions for the year ended June 30, 2011, were \$794,853 in TIAA-CREF, \$101,485 in Valic, and \$19,547 in the TIAA-CREF Roth plan.

**NOTE 16:        Claims and Judgments/Contingencies:**

The following claims and potential judgments/contingencies existed as of June 30, 2011, and subsequently.

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 16:**            Claims and Judgments/Contingencies (continued):

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

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

Currently, a trial date has not been set.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 16:**        Claims and Judgments/Contingencies (continued):

The University has denied liability and does not believe that any additional repairs or work should be performed, nor are the Masseys entitled to any sums under the lease.

No further discussions have been held, nor have any additional claims or letters been received from the Masseys. No claim has been filed with the Arkansas State Claims Commission, nor has suit been filed by the Masseys as of the date of this report.

University of Central Arkansas v. Conway Corporation and Ross Sparks Builders, Inc. (Circuit Court of Faulkner County, Arkansas, 2<sup>nd</sup> Division, Case No. CV-11-717 - filed July 28, 2011)

This is an action in interpleader brought by the University against Conway Corporation and Ross Sparks Builders, Inc. It involves \$6,379.37. Those funds are owed by the University to either Ross Sparks or Conway Corporation as a result of the construction project for the UCA Baseball Facility in 2008. The amount paid into the registry of the Court is the remaining amount due under a contract between the University and Ross Sparks.

The University should be dismissed as a party in the near future, and the other parties will litigate which party should receive the funds held by the Circuit Clerk. The case involves alleged damages and repairs to water lines and sewer lines maintained by Conway Corporation in the area of the UCA Baseball Facility.

No trial date has been set.

UCA Softball Facility Bleachers (Evaluated Recreation and Sports Construction, Inc. and JMA Seating)

This matter deals with the installation of new bleachers at the UCA Softball Facility. In July of 2010, the UCA Athletic Department contracted with a general contractor, Evaluated Recreation and Sports Construction, Inc. ("ERSC") of North Little Rock, AR, to construct new bleachers for \$134,085.75. The project was to be paid for with private funds contributed to the University of Central Arkansas Foundation, Inc. Under the contract, ERSC was to receive three installment payments of \$44,695.25 each, payable in 2010, 2011 and 2012.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 16:**        Claims and Judgments/Contingencies (continued):

ERSC ordered materials from JMA Seating, Inc. of South Carolina. The new bleachers were installed in the summer of 2010. The University (using private funds) has paid the first two installments to ERSC, and owes the balance of approximately \$44,695.25 on the contract with ERSC. ERSC, however, has not paid its material supplier (JMA Seating). The University has been contacted by counsel for JMA Seating. Although no claim has been made against the University, and the University's liability should be fixed at \$44,695.25 (the amount remaining on the contract), there is a dispute between the parties (ERSC and JMA Seating) over payments for materials used on the softball field bleachers, and the failure of ERSC to make payment to JMA Seating.

The University does not believe it has any liability other than the remaining installment payment (of approximately \$44,000 to be paid from private funds) and will withhold final payment until the matter is resolved.

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

This is an action to collect unpaid rent and for unlawful detainer involving a house at 955 South Donaghey, Conway, AR 72034, owned by the University. The past-due rent and other charges is \$2,699.74. As of the date of this report, the defendant has vacated the premises.

No trial date has been set on the University's claim for the charges owed.

Amanda Sellers: On July 20, 2010, a check in the amount of \$1,000.00 was sent in error to Amanda Sellers. Another individual named Amanda Sellers was the proper party to receive the check. The University has made several attempts to collect the debt; however, Ms. Sellers has still not made arrangements to pay back the money owed to the University. Therefore, in the next few weeks, the University plans to initiate legal action to collect this debt.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 16:**        Claims and Judgments/Contingencies (continued):

William “Hud” Jackson: Mr. Jackson, a non-classified employee of UCA, left the employment of the University in December of 2010. Subsequently, he began employment with the University of Arkansas at Monticello (“UAM”), another institution of higher education in Arkansas. Apparently prior to leaving the University’s employment, Mr. Jackson requested a lump-sum payment of his unused vacation pay, and was told by an employee of the University’s Human Resources Department that it could be paid to him. However, based upon the University’s informal review of the matter, it was not determined that Mr. Jackson was going to work for another state institution, nor did the University employee inquire as to Mr. Jackson’s new employer.

Once it was determined that Mr. Jackson’s new employer was another state institution of higher education, the University sought an opinion from the Attorney General’s office to determine whether or not a lump sum payment was appropriate under Arkansas law.

In Opinion No. 2011-040, the Attorney General stated that UCA must make a lump-sum payment to the former employee for his annual leave, but that UCA is only obligated to pay the amount that corresponds to the number of days that intervened between the two state agency jobs. Upon information and belief, Mr. Jackson began employment with UAM the day after his employment with UCA terminated. Therefore, UCA has transferred 192.5 hours of vacation time to UAM on behalf of Mr. Jackson. The total monetary value of his vacation time is \$4,777.85. While nothing further has happened in connection with this matter, it is being disclosed as a potential claim.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 16:**            Claims and Judgments/Contingencies (continued):

The review is examining the radiography program and the contractual agreement the University has had for many years with St. Vincent Hospital in Little Rock to deliver a portion of the educational program. The issues involved are whether more than the requisite number of credit hours were taught off-campus and in a program which was not separately accredited. The University has responded to all requests for information from the DOE, and it is unknown at this time what, if any, liabilities may be proposed by the DOE. The estimated contingent liability is what the University believes would be the maximum amount owed based on the amount of federal funds received by the students in the program over an 11-year period of time. The liability is unknown and contingent, and, in the reasonable opinion of officials of the University, could range from zero to approximately \$1.2 million.

*The following matter is included because it existed on June 30, 2010, and was disposed of in the last fiscal year. (It was not included in last year's report in that the University of Central Arkansas was not a defendant.)*

Anthony Thomas v. Justin Tapley and Preston Grumbles (United States District Court, Eastern District of Arkansas, Western Division, Case No. 4:09-CV-00902 BSM/HLJ).

This case was commenced on December 3, 2009, when the plaintiff, an inmate in the Arkansas Department of Correction filed suit, *pro se*, against several defendants, including two employees of the University of Central Arkansas Police Department in their personal capacities. His claim was based upon an arrest made on November 8, 2006, and the allegations in his complaint were for false imprisonment. He requested damages of \$1,500 per day for all days spent in jail, for a total of \$231,000. The plaintiff later amended his complaint to assert a cause of action for defamation of character.

The University of Central Arkansas was not named as a defendant, but in his initial complaint the plaintiff named the "University of Central Arkansas Police Department" as a defendant. The UCA Police Department was dismissed by order of the court on April 22, 2010, even before any service of process occurred. No official of the University was ever served with the complaint.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 16:**            Claims and Judgments/Contingencies (continued):

In May of 2010, the plaintiff served the two individual officers, who are employees of the UCA Police Department, Justin Tapley and Preston Grumbles, and as stated previously he sued them in their individual capacities. The case was defended by Colin Jorgensen, Assistant Attorney General. Mr. Jorgensen filed appropriate motions in the case, including a motion to dismiss with supporting exhibits.

By order of U.S. District Judge Brian S. Miller, dated March 24, 2011, this case was dismissed.

**NOTE 17:**            Related Party Transactions:

On June 29, 2005 the University through the Arkansas State Building Authority entered into a lease agreement with the University of Central Arkansas Foundation, Inc. to lease a student apartment complex for student housing. The term of the lease began on June 1, 2005 for a maximum period of thirty years. The University paid \$813,989 to the UCA Foundation, Inc. for this lease in 2011.

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

Bear Hall Skyboxes: At the May 6, 2011 UCA Board of Trustees Meeting, approval was given to enter into a contract with the UCA Foundation, Inc. for the lease of the fifth floor of Bear Hall which will house 12 skybox suites with a view of First Security Field at Estes Stadium. The estimated construction costs for the fifth floor of Bear Hall is \$2,250,000. These costs will be paid for with private funds. The University will lease the fifth floor from the University of Central Arkansas Foundation, Inc.

Wideworld: It was discovered that the University had been paying amounts due to Wideworld, a graphic designs company, owned by the spouse of a University employee. Polly Walter is an assistant professor in the department of Mass Communication/Theatre, and is also 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. There is a state policy against this type of related party transaction. The University has discontinued business with Wideworld, and further action is pending an official report from the Office of Internal Audit.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 18: Natural Classifications with Functional Classifications:**

The University operating expenses by functional classification were as follows:

**Year Ended June 30, 2011  
Natural Classification**

<b>Functional Classification</b>	<b>Personal Services</b>	<b>Scholarships</b>	<b>Supplies</b>	<b>Depreciation</b>	<b>TOTAL</b>
Instruction	\$ 51,683,972		\$ 6,916,011		\$ 58,599,983
Research	2,132,699		990,808		3,123,507
Public service	2,047,770		2,295,573		4,343,343
Academic support	6,717,539		2,613,384		9,330,923
Student services	4,380,535		1,916,008		6,296,543
Institutional support	8,227,570		1,843,231		10,070,801
Operation of plant	7,857,590		7,263,903		15,121,493
Scholarships		\$ 22,378,747			22,378,747
Auxiliary enterprises	8,726,089	2,707,103	13,917,650		25,350,842
Depreciation				\$ 9,834,453	9,834,453
Total Expenses	\$ 91,773,764	\$ 25,085,850	\$ 37,756,568	\$ 9,834,453	\$ 164,450,635

**NOTE 19: Other Postemployment Benefits (OPEB):**

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

The University offers postemployment benefits through the University's Retiree Benefits Plan (the Plan) to all employees who officially retire from the University and meet certain requirements. Full-time employees who have completed 10 or more years of continuous benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency and who are 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Employees who have 30 or more years of service in the Arkansas Teacher Retirement System, who are at least 60 years of age and who have at least 20 years of service at UCA will be allowed to retire under the University's early retirement plan.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 19:            Other Postemployment Benefits (OPEB) (Continued):**

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 inquiries relating to the Plan, please contact the University of Central Arkansas Human Resources Department, Wingo Hall, Suite 106, 201 Donaghey Avenue, Conway, Arkansas, 72035.

Retirees may purchase health insurance for themselves and their eligible dependents. The retiree will pay the difference between the University's contribution and the cost of the plan as selected by the retiree. For those employees retiring prior to January 1, 2009, the University's maximum monthly contribution for a single plan is \$283.00 and the University's maximum monthly contribution for a family plan is \$400.00. For those employees retiring after December 31, 2008, the retiree will pay the difference between the University's contribution of \$150.00 per month and the cost of the full premium based on their enrollment status (single, family, etc.). At the members' age 65, health insurance coverage for retirees and their dependents will cease.

Current retirees or those in phased retirement as of June 30, 2008 who reach age 65 after December 31, 2008 are granted a stipend for supplemental medical insurance of \$73.00 per month from members' age 65 to 70.

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 19:            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 the members' age 65, coverage is reduced to 65% at no cost to retiree. At the members' age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At the members' age 80, life insurance coverage for retirees will cease.

Participants included in the actuarial valuation include active employees and retirees who are eligible to participate in the Plan upon retirement and their spouses, if spousal coverage is currently elected. Expenditures for the Plan are recognized monthly and financed on a pay-as-you-go basis. During fiscal year 2010-2011, the University's annual OPEB cost was \$304,011. The University paid retiree premiums for the benefits described above in the amount of \$160,340. The University accrued an additional increase of \$143,671 in the net OPEB expense resulting in a net OPEB obligation of \$569,937 at FY ending June 30, 2011.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



NOTE 19: Other Postemployment Benefits (OPEB) (Continued):

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

Cost Element	Fiscal Year Ending June 30, 2011	
	Amount	Percent of Payroll <sup>1</sup>
1. Unfunded actuarial accrued liability at July 1, 2010	\$2,682,702	4.17%
<u>Annual Required Contribution (ARC)</u>		
2. Normal cost	\$176,102	
3. Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	<u>\$136,869</u>	
4. Annual Required Contribution (ARC = 2 + 3)	\$312,971	0.49%
<u>Annual OPEB Cost (Expense)</u>		
5. Normal cost	\$312,971	
6. Amortization of the unfunded actuarial accrued liability over 30 years using level dollar amortization	\$(21,748)	
7. Interest on beginning of year accrual	<u>\$ 12,788</u>	
8. Fiscal 2010-2011 OPEB cost (5 + 6 + 7)	\$304,011	0.47%

**End of Year Accrual (Net OPEB Obligation)**

9. Beginning of year accrual	\$426,266	
10. Annual OPEB cost	\$304,011	
11. Employer contribution (benefit payments) <sup>2</sup>	<u>\$160,340</u>	
12. End of year accrual (9 + 10 – 11)	\$569,937	0.89%

<sup>1</sup> Annual payroll for the 1,328 plan participants as of June 30, 2011 is \$64,339,275.

<sup>2</sup> Actual contributions and administrative fees paid in fiscal year 2010-2011 of \$287,583 less participant contributions of \$127,243.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



NOTE 19: Other Postemployment Benefits (OPEB) (Continued):

**Schedule of Employer Contributions**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions<sup>3</sup></b>	<b>Percentage Contributed</b>
June 30, 2009	\$410,908	\$218,537	53.2%
June 30, 2010	\$296,761	\$191,838	64.6%
June 30, 2011	\$304,011	\$160,340	52.7%

<sup>3</sup> 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.

<b>Fiscal Year Ending</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll<sup>4</sup> (c)</b>	<b>UAAL as a Percentage Of Covered Payroll [(b)-(a)/ (c)]</b>
June 30, 2009	\$0	\$3,032,988	\$3,032,988	0%	\$62,441,472	4.86%
June 30, 2010	\$0	\$2,695,507	\$2,695,507	0%	\$62,713,367	4.30%
June 30, 2011	\$0	\$2,682,702	\$2,682,702	0%	\$64,339,275	4.17%

<sup>4</sup> Estimated payroll as of June 30, 2009 for FY ended June 30, 2009 as of June 30, 2010 for FY ended June 30, 2010, and as of June 30, 2011 for FY ending June 30, 2011 includes only plan participants.

The annual required contribution (ARC) of \$312,971 for fiscal year 2010-2011 and accrual of \$569,937 as of June 30, 2011, are based on the assumption of no funding in a segregated GASB qualified trust.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



NOTE 19: Other Postemployment Benefits (OPEB) (Continued):

**Schedule of Percentage of OPEB Cost Contributed**

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$410,908	53.2%	\$321,343
June 30, 2010	\$296,761	64.6%	\$426,266
June 30, 2011	\$304,011	52.7%	\$569,937

**Summary of Key Actuarial Methods and Assumptions**

<b>Valuation year</b>	July 1, 2009 – June 30, 2010
<b>Actuarial cost method</b>	Unit Credit, level dollar
<b>Amortization method</b>	30 years, level dollar open amortization <sup>5</sup>
<b>Asset valuation method</b>	N/A

<sup>5</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

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

**General Overview of the Valuation Methodology**

The estimation of the retiree benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per participant premiums for 2010. The amounts contributed by the University will not change in future years.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 19:      Other Postemployment Benefits (OPEB) (Continued):**

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.

<b>Valuation Year</b>	July 1, 2009 – June 30, 2010 (Financial information updated for FY11)
<b>Census Data</b>	Census data was provided as of February 1, 2010. 1,117 active participants with an average age of 45.9 and average service of 8.7 years were valued. 45 retired participants with an average age of 61.9 were valued.
<b>Actuarial Cost Method</b>	Projected Unit Credit actuarial cost method with 30-year open, level dollar amortization; unfunded.
<b>Plan Funding</b>	The University will not fund the plan and costs will be paid using the “pay-as-you-go” method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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NOTE 19: Other Postemployment Benefits (OPEB) (Continued):

**Plan Eligibility**

Full-time employees who have completed 10 or more years of continuous benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency and who are 59 ½ or older or full-time employees who have completed 28 or more years of benefits-eligible employment at UCA or at an Arkansas public higher education institution or state agency at any age shall be eligible for basic benefits-eligible retirement. As an additional requirement, the last five years of employment must be completed at UCA. Employees who have 30 or more years of service in the Arkansas Teacher Retirement System, who are at least 60 years of age and who have at least 20 years of service at UCA will be allowed to retire under the University's early retirement plan. Medical and dental coverage ceases at the members' age 65. Supplemental medical insurance stipend ceases at the members' age 70. Life insurance coverage ceases at the members' age 80.

**Health Costs**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 19:     Other Postemployment Benefits (OPEB) (Continued):**

**Dental Costs**

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

**Life Insurance Costs**

Retirees may purchase life insurance through the University plan if they are in one of the two following classifications. Class 4 contains retired employees hired prior to January 1, 1999. These retirees are provided with \$15,000 of life insurance. For those who retired prior to January 1, 2009, the retiree will pay the difference between the University's contribution of \$10.00 and the cost of the plan. For those who retired after December 31, 2008, the retiree will pay the full cost of the plan. Class 5 is a closed class of retirees who had already retired or met certain requirements as of December 31, 1998. These retirees are provided with coverage equal to the coverage provided when the retiree retired at no cost to retiree. At the members' age 65, coverage is reduced to 65% at no cost to retiree. At the member's age 70, coverage remains at 65% and is provided at 100% cost to the retiree. At the members' age 80, life insurance coverage for retirees will cease.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



NOTE 19: Other Postemployment Benefits (OPEB) (Continued):

**Annual Health Care Trend Rate\***

<u>Fiscal Year</u>	<u>Health and Dental Rate</u>
2008	9.0%
2009	8.0%
2010	7.5%
2011	7.0%
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%
2016+	4.5%

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

**Discount Rate**  
**Spouse Age Difference**

3.00% discount rate  
Husbands are assumed to be three years older than wives for current and future retirees who currently elect spousal coverage.

**Mortality**

RP-2000 Combined Mortality Table (without projection, combined active and retiree, sex distinct tables)

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 19: Other Postemployment Benefits (OPEB) (Continued):**

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

**Participation Rates**

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

**Retirement Rates**

Percentage of eligible members who retire during the year.

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 20: Gap Plan-Self Insured:**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 20:     Gap Plan-Self Insured: (Continued)**

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

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

The employee contributes \$10.00 monthly to the Gap Plan for two-party and family coverage.

During fiscal year 2010-2011, the University and the employees contributed a total of \$252,695 and \$36,497, respectively. A total of \$89,096 was submitted and reimbursed to the employees during fiscal year 2010-2011 for eligible medical expenses.

As of June 30, 2011, 1,108 employees have elected Gap Plan coverage.

**NOTE 21:     Property Exchange with HDR Properties, LLC:**

At the May 7, 2010 Board of Trustees meeting, a proposed property exchange agreement between the University and HDR Properties, LLC was approved. The transaction closed on June 15, 2011.

Under the exchange agreement, the softball house and 4.76 acres owned by the University on the east side of Donaghey Avenue were exchanged for four houses owned by HDR Properties, LLC. In addition, HDR paid the University \$695,800 in cash at closing.

The four houses acquired by the University are located at 410 Western, 418 Western, 430 Western, and 419 Augusta. These properties were appraised in January of 2010 at \$538,000. The University received property and cash totaling \$1,233,800. The gain to the University on the exchange was \$829,374.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 22:        Risk Management:**

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

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

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

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

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

The University pays an individual Professional Liability policy for one Nurse Practitioner with liability limits of \$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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 22:**            Risk Management (continued):

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

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

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

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

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

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums are contributed annually.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 23:        Endowment and Annuity Funds:**

The University has donor-restricted endowment and annuity funds. Such funds include investments reported at fair value. The endowment and annuity net assets at June 30, 2011 were \$5,205,562. Of this amount, \$4,128,125 was reported as restricted – nonexpendable and the remaining \$1,077,437 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 24:        Bank Line of Credit:**

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

The University, for short term operating needs, is allowed on an "as needed" basis to borrow up to \$6 million on the line of credit. The estimated annual interest rate would be 4.96 percent. The University did not utilize the line of credit during the fiscal year ended June 30, 2011.

**NOTE 25:        Prior Year Restatements:**

For presentation purposes the University elected to restate certain prior year amounts on the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. Descriptions of certain significant restatements are discussed below, while the remaining restatements not detailed below consisted primarily of other reclassifications not affecting total net assets or total changes in net assets:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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NOTE 25: Prior Year Restatements: (Continued)

**Statement of Net Assets**

In order to accurately present prior year depreciation on fixed assets, total assets were decreased \$780,887. Total liabilities were increased by \$705,373 to correctly recognize accrued interest payable. A presentation change was also made to move the Baldrige real estate holdings from Capital Assets to Endowment investments in real estate. The net effect of these restatements decreased Total Net Assets by \$1,486,260.

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

For the same reason that UCA made changes on the Statement of Net Assets as explained above, there were corrections made to recognize the additional expenses incurred in depreciation of \$780,887 and interest of \$705,373. These adjustments increased operating and non-operating expenses by the respective amounts.

The private student aid income of \$2,040,919 was moved from operating revenues to non-operating revenues. There is a zero net effect from this change on the restated financial statement.

A significant change involved the recalculation of the scholarship methodology allowance by not including direct loans and federal work study. In addition, the application of the recalculated allowance was taken entirely against operating revenues instead of partially to non-operating revenues.

This correction in the reporting of scholarship allowances primarily resulted in a reclassification of \$12,616,758 from student tuition and fees (operating revenues) to federal and state grants and contracts (non-operating revenues). This correction did not affect the increase in net assets.

A presentation change was made involving \$722,840 in mandatory fees charged to students for SGA, publications, and student radio. These fees had been shown as a reduction in total student fees, and the restatement caused an increase to student tuition and fees in operating, and the transfers of the fees were placed on a line entitled Payments of mandatory fees to agency funds in the other changes in net assets section.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 25: Prior Year Restatements (continued):**

**Statement of Cash Flows**

The change in treatment of direct loan income and private student aid explained above (\$2,040,919) reclassified these revenues to non-capital financing activities from operating activities.

As explained above, a significant change in the reporting of scholarship allowances caused \$12,616,758 to be reclassified from student tuition and fees (operating activities) to non-capital financing activities. This change did not affect the total increase in cash.

Transactions of \$6,524,317 (inflows and outflows) in purchases made electronically to vendors directly from Bond proceeds from Act 1282 of 2005 were reclassified from the Capital and Related Financing Activities section of the statement to the noncash transactions section. There is a zero net effect from this change.

A presentation change was made involving \$722,840 in mandatory fees charged to students for SGA, publications, and student radio. These fees had been shown as a reduction in total student fees, and the restatement caused an increase to student tuition and fees in operating, and the transfers of the fees were placed on a line entitled Payments of mandatory fees to agency funds in non-capital financing activities.

**NOTE 26: Subsequent Events:**

HPER Center Expansion: At the May 6, 2011 UCA Board of Trustees meeting, approval was given to increase the student fee for the HPER center in order to begin the initial planning and preparation for expansion of the HPER center. At a teleconference meeting of the Board on September 9, 2011 approval was given to commence all necessary preparations for issuance of capital improvement bonds to finance the expansion project. The bond issuance is not to exceed \$18,000,000 with a term not exceeding 30 years, and will be serviced by the designated revenue from the three phase HPER student fee increase.

Joint Venture with Conway Regional Health System: At the February 25, 2011 Board of Trustees Meeting, approval was granted to use the UCA property at Western Avenue and College for construction of a healthcare education center. This building will be designed for shared use by the University and Conway Regional Health System (CRHS). The purpose of the facility will be to address the healthcare education needs of CRHS staff, academic programs at the University, the citizens of Conway, and the region.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



**NOTE 26:**            Subsequent Events (continued):

As part of the agreement, a new and separate non-profit corporation has been created called the "UCA/CRHS Healthcare Education Foundation, Inc." This corporation will solicit funds for, oversee construction of, and operate the facility. An eight member board of directors will be chosen to oversee the corporation, with each party selecting 4 members.

A ground lease will be signed in October for a lease term of 50 years beginning January 1, 2012. The UCA Foundation will lease the ground to the UCA/CRHS Healthcare Education Foundation for \$100.00 per year. This ground lease can be renewed twice for an additional 25 years each.

Construction Costs of Bear Hall – Due to some changes in the design of Bear Hall, a new residence hall being constructed behind the east stands of Estes Stadium, our contract with Nabholz will be increased by a total of \$2,237,820. The items causing the overage are \$743,768 additional for the first three floors, and shelling on the fourth floor, \$528,000 for constructing athletic office space on the fourth floor, and \$966,052 to finish construction of student housing rooms on the fourth floor. Considerable time was spent reducing additional overages of an estimated \$1,500,000.

Fraternity Lease Agreements/Greek Village: The University has come to an agreement with two fraternities on the lease of real property for a temporary period of time pending the final approval and construction of the proposed Greek Village.

At the June 27, 2011 teleconference meeting of the UCA Board of Trustees, transactions were approved for the purchase of two properties owned by the Sigma Nu fraternity. These properties are located at 232 Donaghey and 240 Donaghey. The combined appraised value of the two properties is \$209,000. In addition, the University would lease to the Sigma Nu fraternity the property at 411 Western with a term of August 1, 2011 through July 31, 2012, with two, one-year renewal options. The lease term gives the University sufficient time to make a final determination regarding a proposed construction plan for Greek Village to house all of the University's fraternities and sororities.

In addition, at the meeting of the UCA Board of Trustees on August 26, 2011, an agreement was reached with the Sigma Tau Gamma fraternity for the lease of real property located at 440 Western. The lease term is August 1, 2011 through July 31, 2012, with two, one-year renewal options. The reason for the renewal options is to match the lease with the Sigma Nu Fraternity for 411 Western so that the University will have three years to develop Greek Village.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**



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**NOTE 26:**            Subsequent Events (continued):

Contract Buyout: At a called meeting of the Board of Trustees on September 2, 2011, an agreement was reached to buy out the contract of former president Dr. Allen Meadors. Dr. Meadors will continue to receive his annual salary of \$225,325 through June 30, 2012. From July 1, 2012 through December 31, 2013, Dr. Meadors will receive an additional \$337,988 which will be funded with private funds. In addition, insurance benefits will continue through June 30, 2012.

Stone Dam Creek Pedestrian/Bicycle Trail: At the August 26, 2011 Board of Trustees meeting, the Board pledged full support of a joint project with the Arkansas State Highway and Transportation Department to construct a pedestrian walkway/bicycle trail along Stone Dam Creek. The majority of the project would be funded by a Federal Transportation Enhancement grant of \$234,000. The total estimated cost of the project is \$320,225, which includes a 1% administrative fee to Arkansas State Highway and Transportation Department and also a design fee. The total of the University's portion is \$86,225.

Purchase of 401 Augusta: At the August 26, 2011 Board of Trustees meeting, approval was given to purchase the lot and home located at 401 Augusta in Conway. The closing occurred on September 2, 2011 and the purchase price was \$118,700.

UNIVERSITY OF CENTRAL ARKANSAS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2011

**Schedule of Employer Contributions**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions<sup>3</sup></b>	<b>Percentage Contributed</b>
June 30, 2009	\$410,908	\$218,537	53.2%
June 30, 2010	\$296,761	\$191,838	64.6%
June 30, 2011	\$304,011	\$160,340	52.7%

<sup>3</sup> 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.

<b>Fiscal Year Ending</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll<sup>4</sup> (c)</b>	<b>UAAL as a Percentage Of Covered Payroll [(b)-(a)/ (c)]</b>
June 30, 2009	\$0	\$3,032,988	\$3,032,988	0%	\$62,441,472	4.86%
June 30, 2010	\$0	\$2,695,507	\$2,695,507	0%	\$62,713,367	4.30%
June 30, 2011	\$0	\$2,682,702	\$2,682,702	0%	\$64,339,275	4.17%

<sup>4</sup> Estimated payroll as of June 30, 2009 for FY ended June 30, 2009 as of June 30, 2010 for FY ended June 30, 2010, and as of June 30, 2011 for FY ending June 30, 2011 includes only plan participants.

**Note:**

The annual required contribution (ARC) of \$312,971 for fiscal year 2010-2011 and accrual of \$569,937 as of June 30, 2011, are based on the assumption of no funding in a segregated GASB qualified trust.

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

Schedule 1

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Total Assets	\$ 224,281,197	\$ 190,324,739	\$ 183,360,424	\$ 181,495,144	\$ 180,553,707
Total Liabilities	126,017,612	102,585,014	108,563,565	108,910,103	113,944,325
Total Net Assets	98,263,585	87,739,725	74,796,859	72,585,041	66,609,382
Total Operating Revenues	79,690,964	84,096,856	100,883,328	93,032,314	88,227,689
Total Operating Expenses	164,450,635	157,990,349	154,410,056	150,782,708	144,191,777
Total Net Non-Operating Revenues	95,273,678	79,796,000	59,153,974	64,833,345	52,398,177
Total Other Revenues, Expenses, Gains or Losses	9,853	7,040,359	3,962,449	(1,107,292)	(3,173,147)