# University of Central Arkansas

## Conway, Arkansas

## Basic Financial Statements
## and Other Reports

## June 30, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE

UNIVERSITY OF CENTRAL ARKANSAS
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**LEGISLATIVE JOINT AUDITING COMMITTEE**
**ARKANSAS LEGISLATIVE AUDIT**

# INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Prior Year Comparative Information*

We have previously audited the University's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated June 9, 2021. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions on pages 6-14, 75-77, and 78-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
May 5, 2022
EDHE16521

Arkansas

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Senate Chair
**Sen. Gary Stubblefield**
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**Rep. Richard Womack**
House Chair
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House Vice Chair

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

**LEGISLATIVE JOINT AUDITING COMMITTEE**
**ARKANSAS LEGISLATIVE AUDIT**

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

## INDEPENDENT AUDITOR'S REPORT

University of Central Arkansas
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the University of Central Arkansas (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 5, 2022. Our report includes a reference to other auditors who audited the financial statements of the University of Central Arkansas Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the University of Central Arkansas Foundation, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the University of Central Arkansas Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of the University of Central Arkansas Foundation, Inc..

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.*

**Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT

Matt Fink

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 5, 2022

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

**LEGISLATIVE JOINT AUDITING COMMITTEE**
**ARKANSAS LEGISLATIVE AUDIT**

MANAGEMENT LETTER

University of Central Arkansas
Legislative Joint Auditing Committee

STUDENT ENROLLMENT DATA – In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2021, as reported to the Arkansas Division of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

| | Summer II Term 2020 | Fall Term 2020 | Spring Term 2021 | Summer I Term 2021 |
|---|---|---|---|---|
| Student Headcount | 2,136 | 10,335 | 9,251 | 2,577 |
| Student Semester Credit Hours | 8,204 | 131,015 | 113,007 | 11,431 |

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

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

ARKANSAS LEGISLATIVE AUDIT
Matt Fink
Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 5, 2022

## *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, 2021. There are three financial statements presented: *The Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*.

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

## *Statement of Net Position*

The *Statement of Net Position* presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University as of June 30, 2021. 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, 2020, through June 30, 2021. This statement also serves as a starting point for transactions that will occur for the next fiscal period. The assets and liabilities are broken down into current and noncurrent sections to provide information relative to the time required in converting noncash assets to cash or to cash equivalents or that may require the use of cash. The net position is the difference between assets and deferred outflows and liabilities and deferred inflows. The *Notes to the Financial Statements* explain the differences between current and noncurrent assets and liabilities.

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

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

## *Statement of Net Position (continued)*

### *Statement of Net Position*
### *June 30, 2021*

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | | Restated | Increase/ | Percent |
| **Assets:** | 2021 | 2020 | Decrease | Change |
| Current assets | $ 72,203,737 | $ 47,835,709 | $ 24,368,028 | 51% |
| Capital assets, net | 231,144,233 | 209,311,569 | 21,832,664 | 10% |
| Other assets | 74,260,483 | 122,416,819 | (48,156,336) | -39% |
| **Total Assets** | 377,608,453 | 379,564,097 | (1,955,644) | -1% |
| **Deferred Outflows of Resources** | 12,162,105 | 7,835,303 | 4,326,802 | 55% |
| **Liabilities:** | | | | |
| Current liabilities | 23,283,506 | 25,374,837 | (2,091,331) | -8% |
| Non-current liabilities | 260,837,254 | 259,051,851 | 1,785,403 | 1% |
| **Total Liabilities** | 284,120,760 | 284,426,688 | (305,928) | 0% |
| **Deferred Inflows of Resources** | 3,984,802 | 4,973,172 | (988,370) | -20% |
| **Net Position:** | | | | |
| Invested in capital assets, net | 26,852,033 | 35,118,616 | (8,266,583) | -24% |
| Restricted-nonexpendable | 3,247,793 | 3,786,162 | (538,369) | -14% |
| Restricted-expendable | 30,089,080 | 24,121,668 | 5,967,412 | 25% |
| Unrestricted | 41,476,090 | 34,973,094 | 6,502,996 | 19% |
| **Total Net Position** | $ 101,664,996 | $ 97,999,540 | $ 3,665,456 | 4% |

A review of the *Statement of Net Position* reveals that total assets decreased by $1.95 million or 1%. Funds held in trust related to bonded capital projects decreased $30.97 million, offset by increased capital assets of $21.83 million, net $9.14 million. In addition, accounts receivable decreased $4.55 million primarily due to collections on student loans and student accounts and wind-down of the Perkins loan program. Meanwhile, cash increased $8.64 million due to positive net operations and revenue recovery via Higher Education Emergency Relief Funds (HEERF), and investments increased $1.63 million due to strong returns on endowment investments. Capital gifts receivable increased by $1.06 million, primarily related to the Windgate Performing Arts Center. Other assets increased $0.40 million. The University maintained consistent or increasing revenues and was able to increase its cash reserves, and continued to utilize debt financing for capital asset purchases.

## *Statement of Net Position (continued)*

Total liabilities decreased by $0.31 million or >1%. Bonds and notes payable decreased by $5.45 million due to the payment of principal via regular payments, and interest payable decreased $0.25 million. Refundable federal advances decreased $3.19 million due to wind-down of the Perkins loan program. Accounts payable decreased by $3.07 million primarily due to timing of invoicing during ongoing construction projects and payment of certain liabilities related to voluntary early retirement incentive programs. Meanwhile, capital leases payable increased $6.83 million. Pension and other postemployment benefit liabilities increased $4.39 million due to changes in actuarial valuations. Other various liabilities increased by a total of $0.43 million.

Total deferred outflows increased by $4.33 million or 55%. Costs related to debt refunding increased by $2.23 million due to refunding of multiple bond issues, net of amortization of debt defeasance costs during the current year. Deferred outflows related to pension costs increased by $2.13 million, while deferred outflows related to OPEB decreased by $0.03 million, both due to changes in actuarial valuations.

Total deferred inflows decreased by $0.99 million or 20%. Inflows related to pension costs decreased by $1.03 million, and inflows related to OPEB increased by $0.4 million, both due to changes in actuarial valuations.

The aggregate of all changes results in an increase in Total Net Position of $3.67 million or 4%.

While the 2020-21 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and non-operating categories over time. One of the important measures of an institution's fiscal stability is how operating revenues compare to operating expenses. Public institutions will normally not have an excess of operating revenues over operating expenses because state appropriations and federal and some state student grants are considered non-operating revenues under accounting principles generally accepted in the United States of America.

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

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

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

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

### *Statement of Revenues, Expenses and Changes in Net Position*
### *For the Fiscal Year Ended June 30, 2021*

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | | Restated | Increase/ | Percent |
| | 2021 | 2020 | Decrease | Change |
| Operating revenues | $ 86,650,566 | $ 92,169,861 | $ (5,519,295) | -6% |
| Operating expenses | (195,742,327) | (194,624,188) | (1,118,139) | 1% |
| Operating loss | (109,091,761) | (102,454,327) | (6,637,434) | 6% |
| Nonoperating revenues less expenses | 110,830,204 | 98,418,563 | 12,411,641 | 13% |
| Income (loss) before other revenues, expenses, gains or losses | 1,738,443 | (4,035,764) | 5,774,207 | -143% |
| Other revenues, expenses, gains or losses | 1,927,013 | 20,219,662 | (18,292,649) | -90% |
| Increase(Decrease) in net position | 3,665,456 | 16,183,898 | (12,518,442) | -77% |
| Net position at beginning of year | 97,999,540 | 81,815,642 | 16,183,898 | 20% |
| Net position at end of year | $ 101,664,996 | $ 97,999,540 | $ 3,665,456 | 4% |

The *Statement of Revenues, Expenses and Changes in Net Position* reflects an increase in net position at the end of the year of $3.67 million or 4%.

The financial statement shows that operating revenues decreased by $5.52 million, or 6%. The University's small increase in tuition and fee rates was offset by decreased annualized FTE (see charts on page 13), as well as certain adjusted fee structures due to the COVID-19 pandemic, resulting in a decrease of $4.09 million. Total auxiliary revenue also decreased by $2.94 million and other sales and services decreased $0.85 million for similar reasons. Meanwhile, operating grants increased $1.07 million and other operating revenues, primarily related to wind-down of the Perkins loan program, increased $1.29 million.

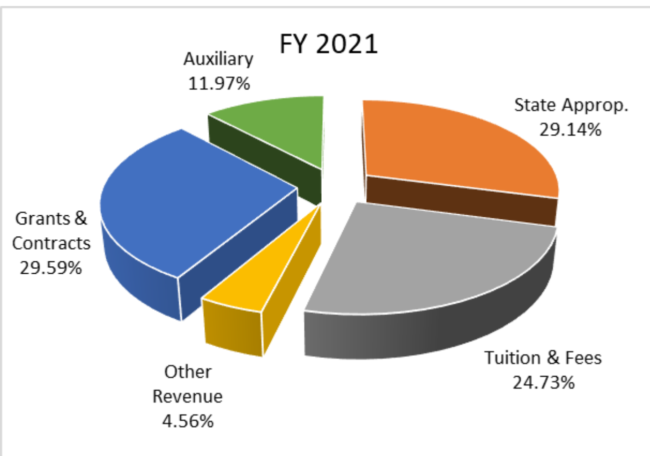
Operating expenditures increased by $1.12 million or 1%. Scholarships increased $5.37 million, primarily related to HEERF student aid funds allocated to students. Depreciation and amortization increased $1.07 million as multiple major assets were capitalized during the year, and supplies and services increased slightly by $0.28 million. This is offset by decreased compensation and benefits of $5.61 million resulting from voluntary early retirement incentives, resource optimization initiatives, and reduced need for part-time labor related to the COVID-19 pandemic.

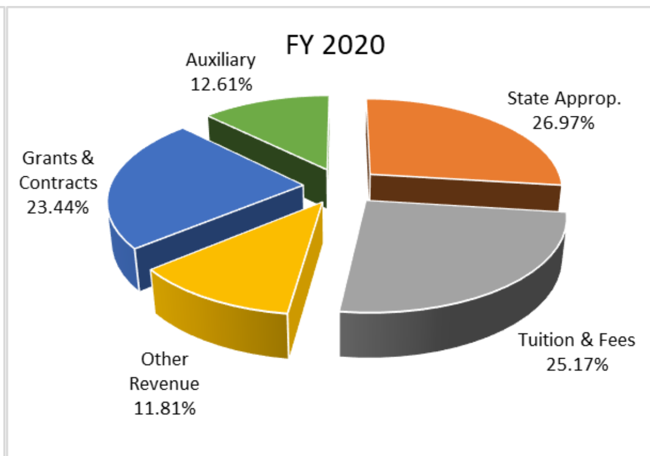
## *Statement of Revenues, Expenses and Changes in Net Position (continued)*

Nonoperating revenues less expenses increased $12.41 million, or 13%. Nonoperating grant and contract revenue increased by $9.45 million, which includes $10.6 million in HEERF funds, net of other decreases. State appropriations increased $1.13 million and investment income increased $0.55 million. In addition, interest expense decreased $0.85 million due to refunding to take advantage of lower interest rates. Other changes total $0.43 million.

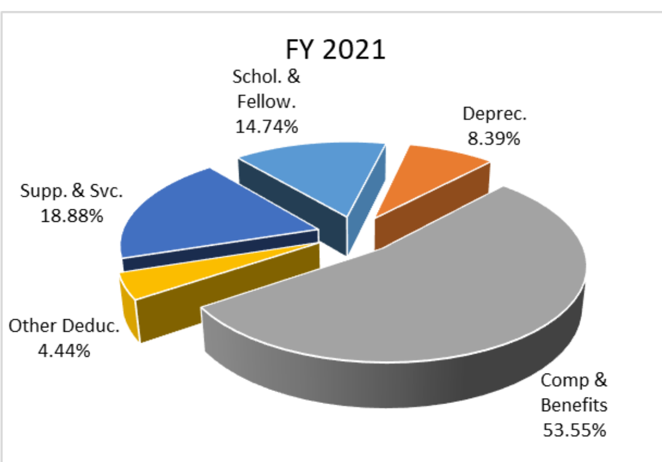
Other revenues, expenses, gains or losses decreased $18.29 million. The majority of the change is capital gifts, primarily related to the Windgate Center for Performing Arts, which decreased $17.70 million, and capital grants, which decreased $0.65 million.

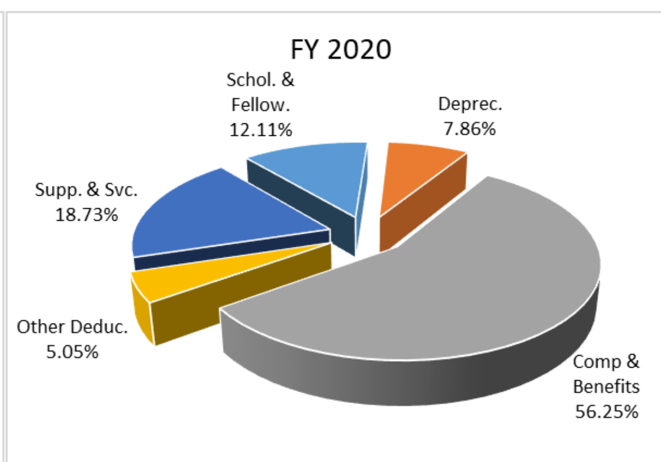
**UNIVERSITY OF CENTRAL ARKANSAS**
**REVENUE ANALYSIS**




**UNIVERSITY OF CENTRAL ARKANSAS**
**EXPENDITURE ANALYSIS**



## *Statement of Cash Flows*

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

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

### *Statement of Cash Flows*
### *For the Fiscal Year Ended June 30, 2021*

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | | Restated | Increase/ | Percent |
| Cash provided(used) by: | 2021 | 2020 | Decrease | Change |
| Operating activities | $ (91,122,807) | $ (85,369,540) | $ (5,753,267) | 7% |
| Non-capital financing activities | 116,005,057 | 104,408,700 | 11,596,357 | 11% |
| Capital and related financing activities | (16,726,213) | (20,931,141) | 4,204,928 | -20% |
| Investing activities | 485,957 | 2,150,126 | (1,664,169) | -77% |
| Net Change in Cash | 8,641,994 | 258,145 | 8,383,849 | 3248% |
| Cash, beginning of year | 75,958,068 | 75,699,923 | 258,145 | 0% |
| Cash, end of year | $ 84,600,062 | $ 75,958,068 | $ 8,641,994 | 11% |

## *Capital Assets and Debt Administration*

The University continued to make major capital investments in buildings and in construction in progress during Fiscal Year 2020-21. The following are some of the significant additions:

Funded By Bonds, Grants and Other Sources:

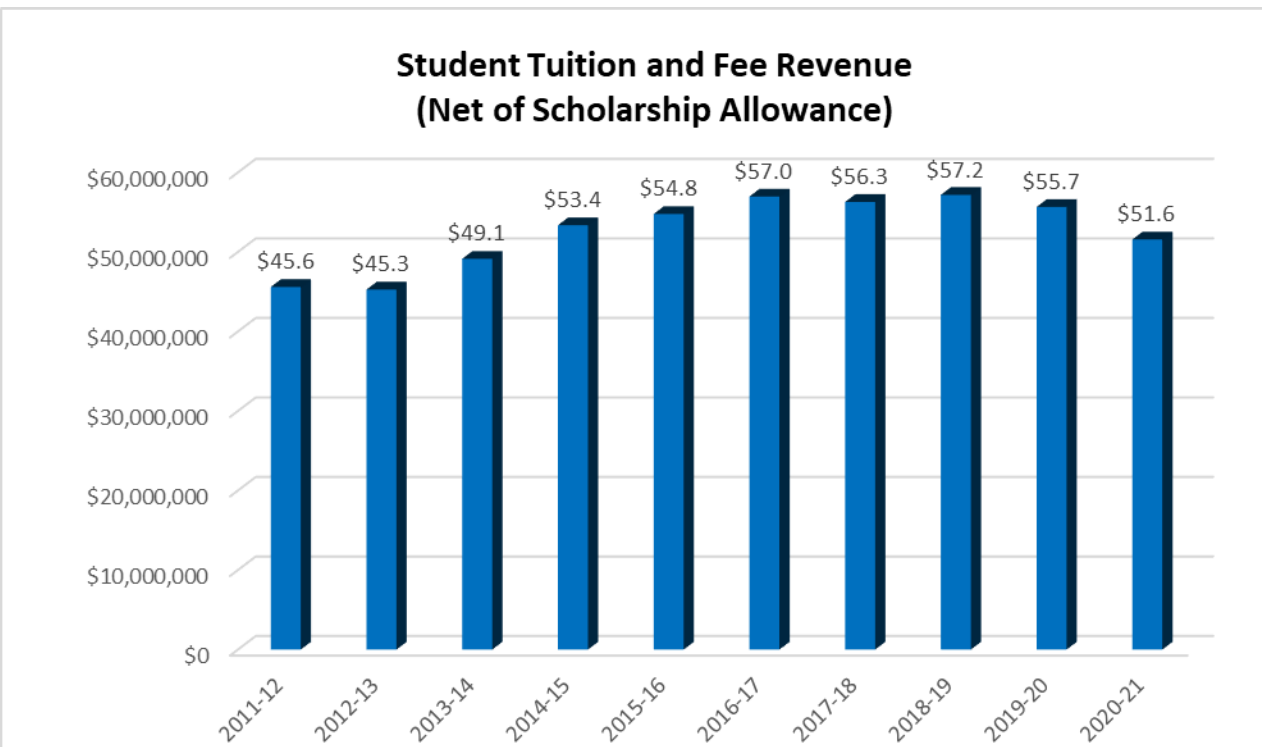
| | |
|---|---|
| Academic and other E & G projects | $ 28,252,781 |
| Housing and other Auxiliaries | 4,475,258 |
| Infrastructure/Technology & Property | 2,288,999 |
| | $ 35,017,038 |

For additional information concerning Capital Assets and Debt Administration, see Notes 6, 11, 13, and 15 in the *Notes to the Financial Statements*.

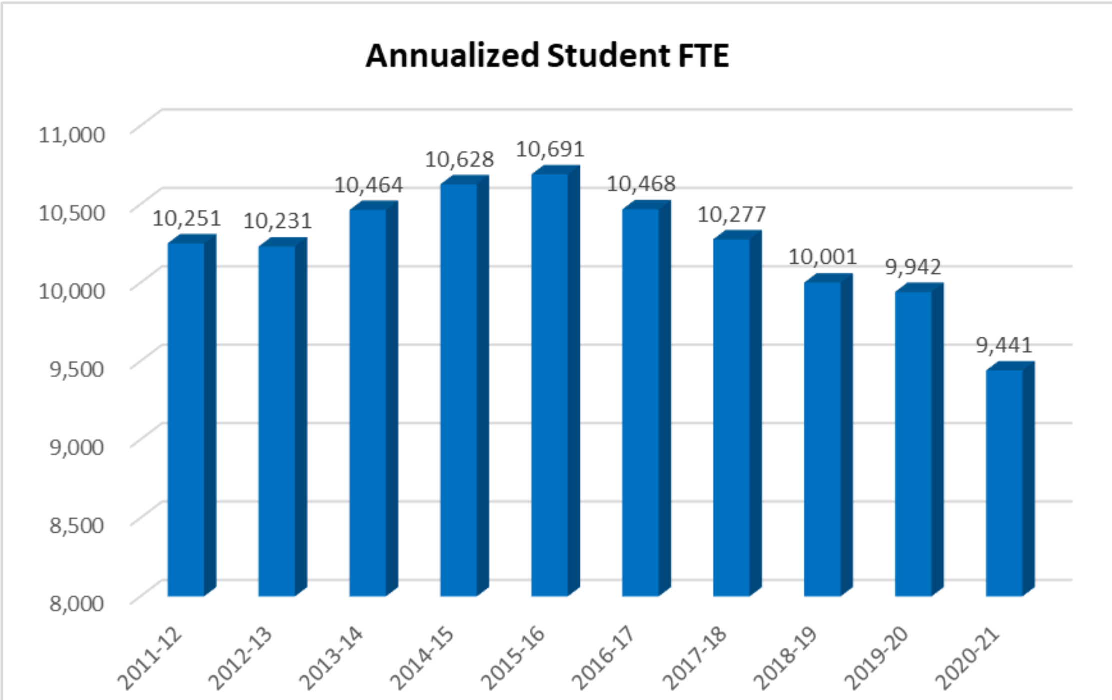
## *Economic Outlook*

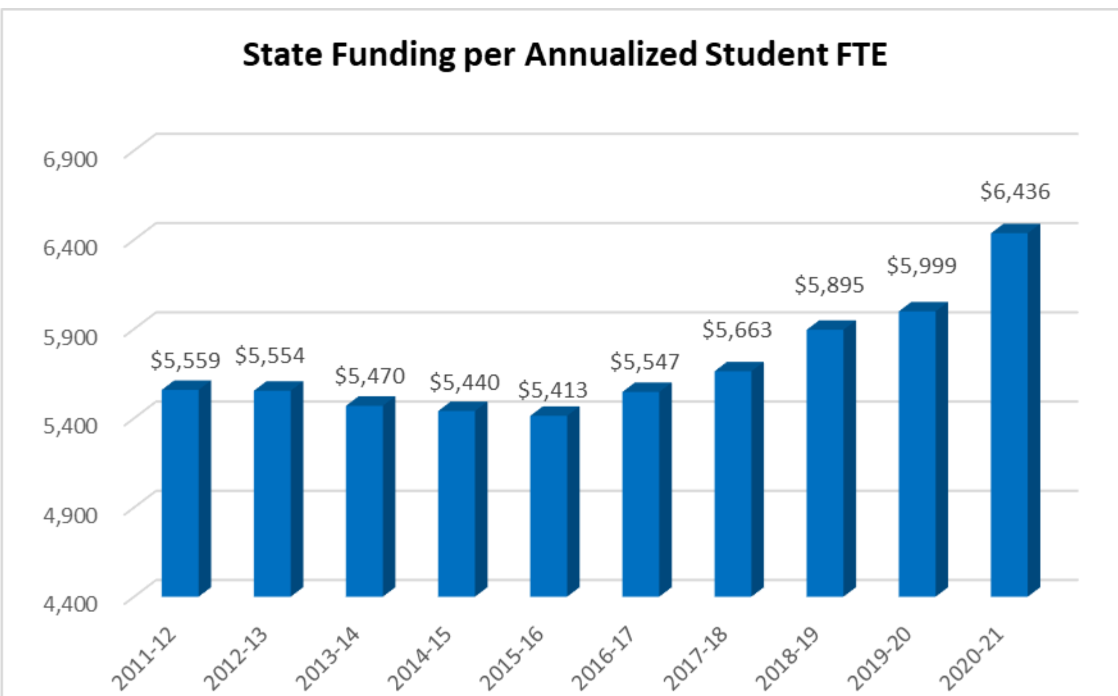
Indicators such as cash reserves, fund balances and ratio analyses all show positive trends and are consistent with the upward movement of net assets.

The following charts provide key trends experienced by the University:



## *Economic Outlook (continued)*




***2020-21 information – Preliminary Data**

## *Economic Outlook (continued)*

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.

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

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

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

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

In October 2020, Moody's Investors Service affirmed the University's bond rating A2 with a stable outlook.

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to act to prevent the spread of coronavirus disease 2019 (COVID-19). The financial impact of COVID-19 to the University is described in detail in the *Notes to the Financial Statements,* although the final impact is uncertain as of the audit report date.

Beyond the current issues related to COVID-19, 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. Further revisions 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 in future periods. This is the same challenge faced by all public institutions and agencies, as well as all private colleges and universities in the nation.

*Diane D. Newton*

Diane D. Newton
Vice President for Finance and Administration

**UNIVERSITY OF CENTRAL ARKANSAS**
**COMPARATIVE STATEMENT OF NET POSITION**
**JUNE 30, 2021**

Exhibit A

| | 2020-2021 | RESTATED 2019-2020 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 43,940,302 | $ 37,918,483 |
| Accounts receivable-state | 139,006 | 131,351 |
| Accounts receivable-other, net of allowances of $2,194,949 & $2,145,677 | 3,795,541 | 4,923,886 |
| Student loans receivable | 500,143 | 697,926 |
| Prepaid expenses | 1,719,949 | 1,753,902 |
| Capital gifts receivable | 20,733,695 | 600,000 |
| Capital grants and contracts receivable | | 597,292 |
| Inventories | 552,390 | 347,423 |
| Bond issuance costs (prepaid insurance) | 822,711 | 865,446 |
| **Total Current Assets** | **72,203,737** | **47,835,709** |
| **Noncurrent Assets** | | |
| Cash and cash equivalents | 40,659,760 | 38,039,585 |
| Deposits with trustees | 21,617,745 | 52,583,946 |
| Investments | 9,020,432 | 7,392,717 |
| Prepaid expenses | 912,626 | 636,224 |
| Capital gifts receivable | 79,067 | 19,157,646 |
| Endowment investments in real estate | 300,000 | 300,000 |
| Student loans receivable | 1,670,853 | 4,306,701 |
| Capital assets, net of accumulated depreciation & amortization of $246,447,789 & $231,177,756 | 231,144,233 | 209,311,569 |
| **Total Noncurrent Assets** | **305,404,716** | **331,728,388** |
| **TOTAL ASSETS** | **377,608,453** | **379,564,097** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Debt refunding costs | 3,819,470 | 1,587,638 |
| Pensions | 7,699,869 | 5,575,211 |
| OPEB | 642,766 | 672,454 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | **12,162,105** | **7,835,303** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 3,590,147 | 5,894,644 |
| Accounts payable-payroll | 5,029,318 | 5,986,803 |
| Accrued interest payable | 1,853,554 | 2,100,190 |
| Bonds payable, current portion-net | 8,357,311 | 7,885,383 |
| Capital lease payable, current portion | 126,158 | |
| Compensated absences | 570,918 | 397,441 |
| Unearned revenue | 2,329,499 | 1,939,797 |
| Annuity payable | 62,500 | 62,500 |
| OPEB Liability | 335,655 | 311,707 |
| Deposits and funds held in trust for others | 1,028,446 | 796,372 |
| **Total Current Liabilities** | **23,283,506** | **25,374,837** |
| **Noncurrent Liabilities:** | | |
| Accounts payable-payroll | 1,304,112 | 1,116,012 |
| Bonds payable, long term portion-net | 212,580,978 | 218,313,441 |
| Notes payable, long term portion-net | 1,502,681 | 1,687,680 |
| Capital lease payable | 6,703,175 | |
| Compensated absences | 3,509,897 | 3,922,216 |
| Unearned revenue | 28,750 | 227,550 |
| Annuity payable | 160,343 | 172,513 |
| OPEB liability | 3,774,444 | 3,522,283 |
| Deposits and funds held in trust for others | 1,408,692 | 1,155,497 |
| Pension liability | 27,751,020 | 23,633,126 |
| Refundable federal advances | 2,113,162 | 5,301,533 |
| **Total Noncurrent Liabilities** | **260,837,254** | **259,051,851** |
| **TOTAL LIABILITIES** | **284,120,760** | **284,426,688** |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pensions | 3,400,642 | 4,426,519 |
| OPEB | 584,160 | 546,653 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **3,984,802** | **4,973,172** |

**UNIVERSITY OF CENTRAL ARKANSAS**
**COMPARATIVE STATEMENT OF NET POSITION**
**JUNE 30, 2021**

Exhibit A

| | 2020-2021 | RESTATED 2019-2020 |
|---|---|---|
| **NET POSITION** | | |
| Net investment in capital assets | $ 26,852,033 | $ 35,118,616 |
| Restricted for: | | |
| Non-Expendable | | |
| Loans | 470,916 | 958,955 |
| Other | 2,776,877 | 2,827,207 |
| Expendable | 30,089,080 | 24,121,668 |
| Unrestricted | 41,476,090 | 34,973,094 |
| **TOTAL NET POSITION** | **$ 101,664,996** | **$ 97,999,540** |

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

**UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.**
**STATEMENT OF FINANCIAL POSITION**
**JUNE 30, 2021**

Exhibit A-1

| | |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 1,794,106 |
| Investments | 78,531,250 |
| Contributions receivable, net | 8,111,927 |
| Investment in direct financing lease, net | 7,413,613 |
| Property and equipment, net | 3,751,449 |
| **TOTAL ASSETS** | $ 99,602,345 |
| **LIABILITIES AND NET ASSETS** | |
| **Liabilities** | |
| Accounts payable | $ 6,517 |
| Accrued interest | 57,246 |
| Long term debt, net | 2,780,431 |
| Obligations under annuity agreements | 70,422 |
| Amount held for University | 28,400,432 |
| **Total Liabilities** | 31,315,048 |
| **Net Assets** | |
| Without donor restrictions | 12,925,010 |
| With donor restrictions | 55,362,287 |
| **Total Net Assets** | 68,287,297 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 99,602,345 |

**UNIVERSITY OF CENTRAL ARKANSAS**
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**FOR THE YEARS ENDED JUNE 30, 2021**

Exhibit B

| | 2020-2021 | RESTATED 2019-2020 |
|---|---|---|
| **Operating Revenues:** | | |
| Student tuition & fees (net of scholarship allowances of $33,576,320 & $33,997,261) | $ 51,572,246 | $ 55,662,371 |
| Federal grants and contracts | 3,315,407 | 2,184,217 |
| State and local grants and contracts | 1,105,452 | 1,155,026 |
| Non-governmental grants and contracts | 2,027,310 | 2,040,111 |
| Sales & services of educational departments | 912,743 | 1,762,761 |
| Auxiliary Enterprises | | |
| Athletics (net of scholarship allowances of $1,974,525 & $1,992,730) | 5,115,327 | 5,846,758 |
| Housing (net of scholarship allowances of $5,919,871 & $5,808,521) | 10,934,007 | 11,920,413 |
| Food Service (net of scholarship allowances of $3,050,324 & $3,294,044) | 5,079,756 | 5,953,492 |
| Student Center (net of scholarship allowances of $418,754 & $422,106) | 664,018 | 711,357 |
| Recreational Facilities (net of scholarship allowances of $947,875 & $957,921) | 1,486,324 | 1,633,938 |
| Other Auxiliary Enterprises (net of scholarship allowances of $787,017 & $802,127) | 1,675,667 | 1,829,558 |
| Other Operating Revenues | 2,762,309 | 1,469,859 |
| **Total Operating Revenues** | **86,650,566** | **92,169,861** |
| **Operating Expenses:** | | |
| Compensation and benefits | 109,690,864 | 115,296,121 |
| Supplies and services | 38,666,364 | 38,388,325 |
| Scholarships and fellowships | 30,200,489 | 24,827,662 |
| Depreciation and Amortization | 17,184,610 | 16,112,080 |
| **Total Operating Expenses** | **195,742,327** | **194,624,188** |
| **Operating Loss** | **(109,091,761)** | **(102,454,327)** |
| **Non-operating Revenues (Expenses):** | | |
| State appropriations | 60,766,794 | 59,639,049 |
| Federal grants and contracts | 33,449,760 | 24,039,471 |
| State and local grants and contracts | 15,414,638 | 15,031,620 |
| Non-governmental grants and contracts | 6,332,457 | 6,676,372 |
| Gifts | 520,660 | 517,026 |
| Investment income (net of investment expense of $79,079 & $82,559) | 2,331,524 | 1,780,195 |
| Interest expense and trustee fees | (7,910,511) | (8,758,965) |
| Disposal of capital assets (net of accumulated depreciation of $1,914,577 & $1,723,433) | (20,726) | (276,456) |
| Payments to foundation for scholarships | (222,444) | (317,828) |
| Other income | 168,052 | 88,079 |
| **Net Non-operating Revenues (Expenses)** | **110,830,204** | **98,418,563** |
| **Income Before Other Revenues, Expenses, Gains or Losses** | **1,738,443** | **(4,035,764)** |
| **Other Revenues, Expenses, Gains or Losses** | | |
| Capital gifts | 2,814,291 | 20,509,388 |
| Capital grants and contracts | 63,157 | 709,611 |
| Payments of mandatory fees to agency funds | (900,105) | (949,550) |
| Other additions (deductions), net | (50,330) | (49,787) |
| **Total Other Revenues, Expenses, Gains or Losses** | **1,927,013** | **20,219,662** |
| **Increase (Decrease) in Net Position** | **3,665,456** | **16,183,898** |
| **Net Position - Beginning of Year as Originally Reported** | | **81,784,394** |
| **Restatement of Prior Year Balance** | | **31,248** |
| **Net Position - Beginning of Year** | **97,999,540** | **81,815,642** |
| **Net Position - End of Year** | **$ 101,664,996** | **$ 97,999,540** |

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

Exhibit B-1

# UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2021

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **SUPPORT, REVENUE, GAINS(LOSSES), AND RECLASSIFICATIONS** | | | |
| Contributions | $ 2,093,967 | $ 3,553,960 | $ 5,647,927 |
| Special events | 331,579 | 1,765 | 333,344 |
| Membership dues and sponsorships | 890,307 | 32,973 | 923,280 |
| Grants | 1,460,454 | 1,692,955 | 3,153,409 |
| Lease income | 274,541 | 0 | 274,541 |
| Royalty income | 13,737 | 0 | 13,737 |
| Investment return | 3,158,495 | 6,403,376 | 9,561,871 |
| Change in fair value of annuity obligations | (51,381) | 0 | (51,381) |
| Net assets released from restrictions | 2,030,986 | (2,030,986) | 0 |
| **Total Support, Revenue, Gains (Losses) and Reclassifications** | 10,202,685 | 9,654,043 | 19,856,728 |
| **EXPENSES** | | | |
| Program services | 6,048,304 | 0 | 6,048,304 |
| General and administrative supporting services | 314,155 | 0 | 314,155 |
| Fundraising | 11,098 | 0 | 11,098 |
| **Total Expenses** | 6,373,557 | 0 | 6,373,557 |
| **CHANGE IN NET ASSETS** | 3,829,128 | 9,654,043 | 13,483,171 |
| **NET ASSETS, BEGINNING OF YEAR** | 9,095,882 | 45,708,244 | 54,804,126 |
| **NET ASSETS, END OF YEAR** | $ 12,925,010 | $ 55,362,287 | $ 68,287,297 |

Exhibit C

# UNIVERSITY OF CENTRAL ARKANSAS
## COMPARATIVE STATEMENT OF CASH FLOWS
## FOR THE YEARS ENDED JUNE 30, 2021

| | 2020-2021 | RESTATED 2019-2020 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Student tuition and fees (net of scholarships) | $ 52,116,331 | $ 55,486,015 |
| Grants and contracts | 6,364,277 | 5,154,108 |
| Collection of loans & interest to students | (798,668) | 181,503 |
| Auxiliary Enterprise revenues: | | |
| Athletics | 5,171,571 | 5,460,615 |
| Housing | 11,108,645 | 12,307,974 |
| Food Service | 5,792,614 | 5,298,587 |
| Student Center | 681,202 | 696,609 |
| Recreational Facilities | 1,493,184 | 1,627,335 |
| Other auxiliary enterprises | 1,649,997 | 1,864,107 |
| Other receipts | 1,584,433 | 2,443,418 |
| Payments to employees/benefits | (109,388,427) | (112,911,443) |
| Payments to suppliers | (36,697,477) | (38,151,562) |
| Payments for scholarships and fellowships | (30,200,489) | (24,826,806) |
| **Net cash used by operating activities** | **(91,122,807)** | **(85,369,540)** |
| **Cash Flows from Non-capital Financing Activities** | | |
| State appropriations | 60,766,122 | 59,643,152 |
| Private gifts | 500,370 | 501,493 |
| Federal grants and contracts | 33,462,273 | 23,486,289 |
| State, local, and private grants and contracts | 21,756,234 | 21,690,767 |
| Direct lending receipts | 40,875,338 | 48,160,998 |
| Direct lending payments | (40,732,627) | (48,302,719) |
| Other agency funds - net | 339,952 | 240,770 |
| Annuity payments | (62,500) | (62,500) |
| Payment of mandatory fees to agency funds | (900,105) | (949,550) |
| **Net cash provided by non-capital financing activities** | **116,005,057** | **104,408,700** |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Distributions from trustee of bond proceeds and interest earnings | 29,650,928 | 18,618,640 |
| Capital grants and gifts | 1,335,449 | 855,419 |
| Proceeds from sale of capital assets | 21,555 | 45,108 |
| Purchases of capital assets | (33,274,245) | (25,583,974) |
| Payments to trustee for bond principal | (6,240,000) | (7,380,000) |
| Payments to debt holders for principal other than for bonds | (305,666) | (177,582) |
| Payments to trustee for interest and fees | (5,761,336) | (7,382,997) |
| Payments to debt holders for interest and fees other than for bonds | (396,834) | (71,469) |
| Payments to trustee other than for principal, interest, and fees | (1,892,363) | 102,943 |
| Proceeds from insurance for capital assets | 136,299 | 42,771 |
| **Net cash used by capital and related financing activities** | **(16,726,213)** | **(20,931,141)** |
| **Cash Flows from Investing Activities** | | |
| Proceeds from sales and maturities of investments | 80,705 | 512,142 |
| Purchase of investments | (1,930,864) | (233,357) |
| Interest on investments (net of fees) | 2,336,116 | 1,871,341 |
| **Net cash provided by investing activities** | **485,957** | **2,150,126** |
| **Net increase in cash** | **8,641,994** | **258,145** |
| **Cash - Beginning of Year** | **75,958,068** | **75,699,923** |
| **Cash - End of Year** | **$ 84,600,062** | **$ 75,958,068** |

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

Exhibit C

**UNIVERSITY OF CENTRAL ARKANSAS**
**COMPARATIVE STATEMENT OF CASH FLOWS - Continued**
**FOR THE YEARS ENDED JUNE 30, 2021**

| **Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:** | **2020-2021** | **RESTATED 2019-2020** |
|---|---|---|
| Operating Loss | $ (109,091,761) | $ (102,454,327) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation expense | 17,184,610 | 16,112,080 |
| Change in assets and liabilities: | | |
| Receivables, net | 3,891,420 | 161,254 |
| Inventories | (204,967) | 51,499 |
| Deposits with others | 35,363 | 76,407 |
| Prepaid expenses and other assets | (304,987) | 316,811 |
| Accounts payable | (706,837) | 1,517,098 |
| Unearned revenue | 190,902 | (254,253) |
| Refundable federal advances | (3,188,371) | (1,528,973) |
| Compensated absences | (238,842) | (689,710) |
| Pension liability | 967,359 | 1,010,481 |
| Other postemployment benefits liability | 343,304 | 312,093 |
| **NET CASH USED BY OPERATING ACTIVITIES** | **$ (91,122,807)** | **$ (85,369,540)** |

| **Noncash Transactions** | | |
|---|---|---|
| Capital Gifts | $ 1,155,970 | $ 1,338,730 |
| Fixed assets acquired by incurring capital lease obligations | 6,950,000 | |
| Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund | 67,622,459 | 20,972,109 |
| Bond issuance costs and discounts paid from trustees/escrow fund | 314,794 | 111,536 |
| Bond issuance costs and discounts paid directly from bond proceeds | 740,447 | 146,677 |
| Amortization of bond premium | 284,600 | 203,500 |
| Amortization of bond discount | 3,020 | 5,044 |
| Amortization of bond refunding gain/loss | 237,735 | 121,236 |
| Amortization of bond issuance costs (prepaid insurance) | 40,773 | 46,494 |
| Interest earned on reserve accounts held by trustee | 1,042 | 3,400 |
| Value of trade-in of capital assets | 9,225 | 293,594 |
| Loss on disposal of certain capital assets | 20,726 | 559,146 |
| Payments by Foundation for scholarships | 222,444 | 317,828 |
| Direct supplies purchases, State of Arkansas | 166,356 | |
| Unearned revenue from skybox purchase | 85,000 | 85,000 |

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

Exhibit C-1

**UNIVERSITY OF CENTRAL ARKANSAS FOUNDATION, INC.**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2021**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| **Change In Net Assets** | $ 13,483,171 |
| **Adjustments to Reconcile Increase in Total Net Assets** | |
| **to Net Cash Provided by Operating Activities** | |
| Depreciation | 31,586 |
| Amortization of debt issuance costs | 1,748 |
| Net appreciation in fair value of investments | (8,701,196) |
| Change in fair value of annuity obligations | 51,381 |
| Changes in operating assets and liabilities: | |
| Contributions receivable | 18,672,000 |
| Investment in direct financing lease | (169,732) |
| Accounts payable | (1,158,625) |
| Accrued interest | 57,246 |
| Obligations under annuity agreements | (12,800) |
| Amounts held for University | 163,937 |
| **Net Cash Provided by Operating Activities** | 22,418,716 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Payments received on direct financing lease | 453,450 |
| Purchase of property and equipment | (2,686,039) |
| Proceeds from sale and maturity of investments | 22,582,918 |
| Purchases of investments | (45,130,573) |
| **Net Cash Used for Investing Activities** | (24,780,244) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Proceeds from issuance of long term debt | 1,115,922 |
| Debt issuance costs | (8,739) |
| Principal payments on long term debt | (58,580) |
| **Net Cash Provided by Financing Activities** | 1,048,603 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (1,312,925) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 3,107,031 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,794,106 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | |
| **Non-cash Investing and Financing Activity** | |
| Property and equipment transferred to investment in direct financing lease | $ 7,697,331 |

NOTE 1: Reporting Entity:

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

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

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

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

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

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

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

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

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

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

NOTE 2: Summary of Significant Accounting Policies:

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

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

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

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

The University adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ended June 30, 2018. This statement replaces the requirements of GASB Statements no. 43 and no. 45, which were adopted in the fiscal years ended June 30, 2007 and June 30, 2008, respectively. The new statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to other post-retirement benefits (OPEB). Please refer to note 21 for additional information.

The University adopted GASB Statement no. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2021. The new statement establishes specific criteria for state and local governments for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Management has determined that Statement no. 84 did not materially impact the University.

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

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 requires recognition of revenues when earned and expenses when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

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

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

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

GASB Statement no. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued in June 2008. The requirements of this statement are effective for financial statements for periods after June 15, 2009. This statement requires that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are to be reported at fair value instead of the typical historical prices. This statement was further amended by GASB Statement no. 64 *Derivative Instruments*: *Application of Hedge Accounting Termination Provisions.* As of June 30, 2021, the University had no funds invested in derivative instruments.

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

Investments: (Continued)

GASB Statement no. 72, *Fair Value Measurement and Application*, was issued in February 2015. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. This statement requires investments to be measured at fair value, and specifically defines an investment "as security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash." The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The University has adopted this policy and applicable investments are reported at their fair value in note 3.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and of auxiliary enterprise services provided to the students, faculty, and staff. Accounts receivable also include amounts due from federal, state and local governments, and/or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable were reduced by an allowance of $2,194,949 and $2,145,677 at June 30, 2021 and June 30, 2020, respectively.

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

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

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

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

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

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

Capital Assets: (Continued)

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

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

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

The University previously capitalized interest expense involving qualifying assets, if material. The amount of interest cost capitalized was 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 were ready for their intended use. GASB Statement no. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued by GASB in June 2018. The University elected to adopt the Statement early, making it effective prospectively for the year ended June 30, 2019. For the year ended June 30, 2019 and periods ending thereafter, the University will no longer capitalize interest expense.

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

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

Capital Assets: (Continued)

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

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

*Patents are amortized over 20 years.

At the time of adoption, the University reclassified certain assets that were previously classified as Infrastructure to Intangible Assets. The accumulated depreciation and annual depreciation expense after adoption was also reclassified to amortization. However, the University continued to amortize these assets over the original useful life of 20 years.

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

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

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

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

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

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

Compensated Absences: (Continued)

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

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

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

See Note 17 for additional information regarding Pensions.

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

Deferred Inflows of Resources: Deferred inflows include certain transactions related to pensions and other postemployment benefits.

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

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

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

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

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

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

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

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

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

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

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

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

Refundable Federal Advances: For reporting purposes, the University has shown the federal portion of the Perkins Loan Program fund balance as a noncurrent liability on the Statement of Net Position. The amount refundable to the Federal government upon cessation of the program was $2,113,162 and $5,301,533 as of June 30, 2021 and June 30, 2020, respectively.

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, 2021 or June 30, 2020 and therefore, there was no impact on the financial statements.

NOTE 3: Cash, Cash Equivalents, and Investments:

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

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized or collateralized with securities held by the pledging institution, not in the University's name. All University deposits in commercial banks were either insured or collateralized by securities held by third parties in the University's name or a letter of credit at June 30, 2021.

At June 30, 2021, the University's deposits with trustees totaled $21,617,745 and were invested as follows:

- Federated Government Obligations Fund 395, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service consisting of U.S. Treasuries, government agency securities and repurchase agreements. The weighted average maturity was 28 days.
- Federated Treasury Obligations Fund 068, a money market treasury fund rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service consisting of short-term repurchase agreements and U.S. Treasuries. The weighted average maturity was 28 days.

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

The commercial bank deposits noted below do not include cash on hand in the amount of $17,055.

**Statement of Cash/Invested Assets**

| **TOTAL PLAN** | **JUNE 30, 2021** |
|---|---|
| **Cash Equivalent/Investment Type** | **Fair Value** |
| **Commercial Bank Deposits** | **$ 81,820,348** |
| Insured (FDIC) | 518,330 |
| Uninsured, Collateralized | 81,302,018 |
| **Cash in State Treasury** | **2,762,659** |
| **Deposits with Trustees*** | **$ 21,617,745** |
| **Bank of the Ozarks** | |
| Federated Government Obligations Fund 395 | 32,194 |
| Federated Treasury Obligation IS Fund 68 | 21,585,551 |
| **UCA Foundation, Inc.** | **$ 9,020,432** |
| Stephens Inc.-STIB Fund-Cash | 27,634 |
| Stephens Inc.-Equities | 6,038,174 |
| Stephens Inc.-Fixed Income | 2,954,624 |

Note: Holdings in Stephens Incorporated Trust's Equity Funds are not regulated by GASB Statement No. 40.

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

| **DEPOSITS WITH TRUSTEES** | | | **June 30, 2021** |
|---|---|---|---|
| **Fund Name** | **Fair Value** | **Moody's** | **S & P** |
| Federated Government Obligations #395 | 32,194 | Aaa-mf | AAAm |
| Federated Treasury Obligations Fund #068 | 21,585,551 | Aaa-mf | AAAm |

*Note: The Weighted Average Maturity was 28 days for both.*

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

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, 2021** | |
| **Investment Type** | **Fair Value** | **NR*** | **AAA** | **A/AA** | **BB/BBB** |
| **Fixed Income** | **2,954,624** | | | | |
| Vanguard ST Corp Bond | 265,086 | 265,086 | | | |
| Invesco Variable Rate Preferred | 244,248 | | | | 244,248 |
| Ishares 1-3 years Treasury Bond ETF | 865,477 | | 865,477 | | |
| Ishares Barclays Short Term Corp | 861,613 | | | | 861,613 |
| Ishares Intermediate Credit | 663,360 | | | | 663,360 |
| Goldman Sachs Access Corp Bond Fund | 54,840 | | | | 54,840 |
| ***No Rating** | | | | | |

| Credit Risk Concentration | | | |
|---|---|---|---|
| **TOTAL PLAN** | | | **JUNE 30, 2021** |
| | **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<br>Effective Duration (yrs) | | | | |
|---|---|---|---|---|
| **TOTAL PLAN** | | | **JUNE 30, 2021** | |
| **Investment Type** | **Fair Value** | **1 - 5** | **6 - 10** | **25+** |
| Stephens Trust-Fixed Income | 2,954,624 | 2,236,424 | 718,200 | - |

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

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

The University has the following recurring fair value measurements as of June 30, 2021:

- Corporate securities of $7,638,551 are valued using quoted market prices (Level 1 inputs).
- The valuation method for investments measured at the net asset value (NAV) per share, totaling $1,381,881 is presented on the following table:

| **Investment Type** | **Fair Value** | **Redemption Frequency** |
|---|---|---|
| Money Market Funds | 27,634 | N/A |
| Mutual equity | 489,602 | Monthly; Quarterly |
| Mutal bond | 864,645 | Monthly |
| Total investments at NAV | **$1,381,881** | |

NOTE 4: Disaggregation of Receivable and Payable Balances:

Accounts receivable consisted of the following at June 30, 2021:

| | | |
|---|---|---|
| Student tuition and fees | $ 1,802,965 | |
| Auxiliary enterprises | 176,128 | |
| Loans | 2,170,996 | |
| State of Arkansas | 139,006 | |
| UCA Foundation | 20,850,823 | * |
| Federal and private grants and contracts | 1,427,352 | |
| Other | 351,035 | |
| Totals | $ 26,918,305 | |

*Note: Windgate Performing Arts building consists of $20,812,762

Accounts payable consisted of the following at June 30, 2021:

| | |
|---|---|
| Vendor accounts | $ 3,590,147 |
| Payroll | 6,333,430 |
| Accrued interest | 1,853,554 |
| Totals | $ 11,777,131 |

NOTE 5: Inventories:

Inventories consisted of the following at June 30, 2021:

| | |
|---|---|
| Maintenance | $ 287,507 |
| Postage | 34,305 |
| Housing | 19,782 |
| Central Duplicating | 652 |
| Technology Learning Center | 3,144 |
| Laptop Grant | 207,000 |
| Totals | $ 552,390 |

NOTE 6: Capital Assets:

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

**INVESTMENT IN CAPITAL ASSETS**

| | July 1, 2020 Balance* | Additions | Deductions | June 30, 2021 Balance |
|---|---|---|---|---|
| **Capital Assets not Being Depreciated** | | | | |
| Land | $ 18,340,040 | $ 612,253 | $ - | $ 18,952,293 |
| Construction in Progress | 25,600,157 | 10,240,116 | 23,346,221 | 12,494,052 |
| Works of Art | 18,960 | - | - | 18,960 |
| Archives | 777,232 | - | - | 777,232 |
| **Total Capital Assets not Being Depreciated** | 44,736,389 | 10,852,369 | 23,346,221 | 32,242,537 |
| **Other Capital Assets** | | | | |
| Infrastructure | 34,320,510 | 609,023 | 5,000 | 34,924,533 |
| Buildings | 309,519,305 | 48,272,814 | 26,441 | 357,765,678 |
| Furniture and Equipment | 21,890,158 | 1,452,911 | 843,805 | 22,499,264 |
| Intangibles | 5,290,741 | - | - | 5,290,741 |
| Library Holdings | 25,032,222 | 1,197,104 | 1,060,057 | 25,169,269 |
| **Total Other Capital Assets** | 396,052,936 | 51,531,852 | 1,935,303 | 445,649,485 |
| **Less Accumulated Depr & Amort for:** | | | | |
| Intangibles | 3,588,773 | 264,537 | - | 3,853,310 |
| Infrastructure | 19,551,114 | 1,228,060 | 2,125 | 20,777,049 |
| Buildings | 175,752,065 | 12,539,440 | 26,441 | 188,265,064 |
| Furniture and equipment | 15,178,186 | 1,731,950 | 825,954 | 16,084,182 |
| Library holdings | 17,107,618 | 1,420,623 | 1,060,057 | 17,468,184 |
| **Total Accumulated Depreciation** | 231,177,756 | 17,184,610 | 1,914,577 | 246,447,789 |
| **Total Other Capital Assets, net** | 164,875,180 | 34,347,242 | 20,726 | 199,201,696 |
| **Capital Assets Summary:** | | | | |
| Capital Assets not being depreciated | 44,736,389 | 10,852,369 | 23,346,221 | 32,242,537 |
| Other capital assets, at cost | 396,052,936 | 51,531,852 | 1,935,303 | 445,649,485 |
| Less: Accumulated Depreciation | 231,177,756 | 17,184,610 | 1,914,577 | 246,447,789 |
| Total Other Capital Assets, net | 164,875,180 | 34,347,242 | 20,726 | 199,201,696 |
| **Capital Assets, net** | $ 209,611,569 | $ 45,199,611 | $ 23,366,947 | $ 231,444,233 |

*July 1, 2020 Balance is Restated. See Note 26 for additional detail.

NOTE 7: Student Loans Receivable:

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2021. Under this program, the federal government provided a federal capital contribution to the University which the University matched at 33%. The University has not received a federal capital contribution since 2006.

Prior to September 30, 2017, the University provided low interest (5%) loans to eligible students. The authority for schools to make new Perkins Loans ended on this date with final disbursements allowed through June 30, 2018. Under certain conditions the loans can be forgiven at annual rates of 15% to 30% of the original balance up to the maximum of 50% to 100%. On forgiven loans, the University receives a percentage of the original forgiven loan as reimbursement from the federal government. The last reimbursement the University received from this fund was during the 2009-2010 fiscal year.

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

The University began the liquidation process on July 26, 2021 for the Perkins Loan program.

NOTE 8: Deferred Outflows and Inflows of Resources:

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

Deferred outflows of resources consist of unamortized debt refunding costs of $3,819,470, outflows related to pensions of $7,699,869, and outflows related to other postemployment benefits of $642,766 at June 30, 2021.

Deferred inflows of resources consist of inflows related to pensions of $3,400,642 and inflows to other postemployment benefits of $584,160 at June 30, 2021.

NOTE 9: Unearned Revenue:

Unearned revenue consists of the following at June 30, 2021:

| | |
|---|---|
| Prepaid tuition and fees | $ 1,761,369 |
| Academic Outreach fees | 148,000 |
| Other deferred income | 448,880 |
| Totals | $ 2,358,249 |

NOTE 10: Noncurrent Liabilities:

A summary of noncurrent liabilities as of June 30, 2021, follows:

| | Balance July 1, 2020 | Additions | Reductions | Balance June 30, 2021 | Current Portion | Noncurrent Portion |
|---|---|---|---|---|---|---|
| Bonds payable | | | | | | |
| Bonds | $ 221,020,000 | $ 65,250,000 | $ 71,270,000 | $ 215,000,000 | $ 8,070,000 | $ 206,930,000 |
| Bond Premium | 5,264,474 | 1,266,396 | 521,658 | 6,009,212 | 291,038 | 5,718,174 |
| Bond Discount | (85,650) | (45,989) | (60,716) | (70,923) | (3,727) | (67,196) |
| Total bonds payable | 226,198,824 | 66,470,407 | 71,730,942 | 220,938,289 | 8,357,311 | 212,580,978 |
| Other Liabilities: | | | | | | |
| Annuity agreement | 235,013 | 50,330 | 62,500 | 222,843 | 62,500 | 160,343 |
| Accrued compensated absences | 4,319,657 | - | 238,842 | 4,080,815 | 570,918 | 3,509,897 |
| Capital Lease | - | 6,950,000 | 120,667 | 6,829,333 | 126,158 | 6,703,175 |
| Note Payable | 1,687,680 | - | 184,999 | 1,502,681 | - | 1,502,681 |
| OPEB liability | 3,833,990 | 683,606 | 407,497 | 4,110,099 | 335,655 | 3,774,444 |
| Refundable federal advances | 5,301,533 | - | 3,188,371 | 2,113,162 | - | 2,113,162 |
| Unearned revenue | 2,167,347 | 2,171,999 | 1,981,097 | 2,358,249 | 2,329,499 | 28,750 |
| Deposits and funds held in trust | 1,951,869 | 320,127,727 | 319,642,458 | 2,437,138 | 1,028,446 | 1,408,692 |
| Pension Liability | 23,633,126 | 4,117,894 | - | 27,751,020 | - | 27,751,020 |
| Total other liabilities | 43,130,215 | 334,101,556 | 325,826,431 | 51,405,340 | 4,453,176 | 46,952,164 |
| Total | $ 269,329,039 | $ 400,571,963 | $ 397,557,373 | $ 272,343,629 | $ 12,810,487 | $ 259,533,142 |

Additional information regarding bonds payable is included in note 11.
Additional information regarding the note payable is included in note 13.
Additional information regarding the annuity agreement is included in note 14.
Additional information regarding the capital lease payable is include in note 15.
Additional information regarding the pension liability is included in note 17.
Additional information regarding the OPEB liability is included in note 21.

NOTE 11: Bonds Payable:

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

| Fiscal Year | Total Principal | Interest | Total Payments |
|---|---|---|---|
| 2022 | $ 8,070,000 | $ 7,327,717 | $ 15,397,717 |
| 2023 | 8,350,000 | 7,053,969 | 15,403,969 |
| 2024 | 8,720,000 | 6,754,961 | 15,474,961 |
| 2025 | 8,715,000 | 6,445,630 | 15,160,630 |
| 2026 | 8,970,000 | 6,131,865 | 15,101,865 |
| 2027-2031 | 39,965,000 | 26,455,198 | 66,420,198 |
| 2032-2036 | 45,890,000 | 19,225,030 | 65,115,030 |
| 2037-2041 | 43,335,000 | 11,551,565 | 54,886,565 |
| 2042-2046 | 29,230,000 | 4,925,897 | 34,155,897 |
| 2047-2050 | 13,755,000 | 820,662 | 14,575,662 |
| Total Bonds | 215,000,000 | 96,692,494 | 311,692,494 |
| **Net prem/disc** | **5,938,289** | | **5,938,289** |
| **Totals** | $ 220,938,289 | $ 96,692,494 | $ 317,630,783 |

The amount of interest due for fiscal year 2021 includes a total accrued interest payable of $1,686,710.

NOTE 11: Bonds Payable: (Continued)

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

| Date of Issue | Date of Maturity | Interest Rate | Amount Issued | Debt O/S June 30, 2021 | Maturities as of June 30, 2021 |
|---|---|---|---|---|---|
| 2006B | 2026 | 5.40-6.125 | 4,180,000 | 1,535,000 | 2,645,000 |
| 2006C | 2026 | 5.40-6.125 | 4,180,000 | 1,535,000 | 2,645,000 |
| 2010A | 2023 | 2.00-3.25 | 4,065,000 | 1,070,000 | 2,995,000 |
| 2012A | 2041 | 1.00-4.00 | 15,500,000 | 9,395,000 | 6,105,000 |
| 2015A | 2044 | 2.50-4.00 | 14,000,000 | 13,960,000 | 40,000 |
| 2015B | 2025 | 3.00-3.50 | 3,500,000 | 1,955,000 | 1,545,000 |
| 2015 AuxRef | 2034 | 2.95 | 6,915,000 | 4,340,000 | 2,575,000 |
| 2015 StuRef | 2036 | 2.00-4.00 | 18,245,000 | 13,870,000 | 4,375,000 |
| 2017A | 2046 | 3.00-5.00 | 27,460,000 | 23,545,000 | 3,915,000 |
| 2017B | 2029 | 3.00-5.00 | 3,795,000 | 3,220,000 | 575,000 |
| 2019A | 2048 | 3.80 - 5.00 | 33,615,000 | 33,615,000 | - |
| 2019B | 2029 | 2.88 - 3.72 | 11,555,000 | 9,565,000 | 1,990,000 |
| 2019C | 2048 | 3.00 - 5.00 | 12,145,000 | 12,145,000 | - |
| 2020A | 2049 | 3.00 - 5.00 | 20,000,000 | 20,000,000 | - |
| 2020B | 2043 | 2.375-3.00 | 29,840,000 | 29,840,000 | - |
| 2020C | 2031 | 0.991-2.328 | 13,365,000 | 13,365,000 | - |
| 2020D | 2033 | 2.000-3.000 | 9,530,000 | 9,530,000 | - |
| 2020E | 2043 | 0.551-3.150 | 12,515,000 | 12,515,000 | - |
| Total Bonds | | | 244,405,000 | 215,000,000 | 29,405,000 |
| **Net unamortized premium/discount** | | | **6,748,050** | **5,938,289** | **809,761** |
| **Totals** | | | $ 251,153,050 | $ 220,938,289 | $ 30,214,761 |

The University did maintain Housing System Reserves as required by bond covenants aggregating $4,816,474 in 2021.

On July 30, 2020, the University issued $29,840,000 in student housing system revenue bonds. The issue, referred to as the 2020 Series B Student Housing System Revenue Refunding Bonds, are for the purpose of refunding the 2010 Series C, and 2012 Series B issues. Bond issuance costs of $259,016 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $185,596 in bond insurance that was recorded as an asset, of which $7,378 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2010 Series C bonds totaling $21,090,000 were fully refunded on September 1, 2020. The 2012 Series B bonds totaling $9,045,000 were fully refunded on September 1, 2020. The all-inclusive rate for the new bonds is 2.75%. The total net present value savings to the University on the refunding issues was $3,995,004.

NOTE 11: Bonds Payable: (Continued)

On July 30, 2020, the University issued $13,365,000 in student housing system revenue refunding bonds. The issue, referred to as the 2020 Series C Student Housing System Revenue Refunding Bonds, are for the purpose of refunding the 2013 Series A & B bonds for Greek Village. Bond issuance costs of $121,510 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $64,392 in bond insurance that was recorded as an asset, of which $2,942 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2013 Series A & B bonds totaling $12,605,000 were fully refunded on September 1, 2021. The balance in escrow at June 30, 2021 was $12,658,832. The all-inclusive rate for the new bonds is 2.14%. The total net present value cost savings to the University on the refunding issue is $4,342,084.

On July 30, 2020, the University issued $9,530,000 in student fee revenue refunding bonds. The issue, referred to as the 2020 Series D Student Fee Revenue Bonds, are for the purpose of refunding the 2010 Series B bonds. Bond issuance costs of $121,109 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $49,835 in bond insurance that was recorded as an asset, of which $3,494 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2010 Series B bonds totaling $10,545,000 were fully refunded on September 1, 2020. The all-inclusive rate for the new bonds is 2.17%. The total net present value cost savings to the University on the refunding issue is $1,261,489.

On November 5, 2020, the University issued $12,515,000 in student fee revenue bonds. The issue, referred to as the 2020 Series E Student Fee Revenue Bonds Taxable Refunding, are for the purpose of refunding the 2014 bonds. Bond issuance costs of $152,168 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $101,614 in bond insurance that was recorded as an asset, of which $2,891 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2014 bonds totaling $11,745,000 were fully refunded on September 1, 2021. The balance in escrow at June 30, 2021 was $11,969,004. The all-inclusive rate for the new bonds is 3.027%. The total net present value cost savings to the University on the refunding issue is $936,975.

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

The University has pledged future Student Fee revenue to repay $100,630,000 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 pledged Student Fee revenues and are payable through 2026 to 2049. Pledged revenues are gross tuition and fees less Educational and General scholarships. Annual principal and interest payments on the bonds are expected to require approximately 7.07% of gross revenues and 10.06% of pledged revenues. The total principal and interest remaining to be paid on the bonds is $151,249,559. Principal and interest paid for the current year was $5,986,015. Gross revenues and pledged revenues were $84,613,406 and $59,504,614, respectively.

NOTE 12: Sales and Pledges of Receivables and Future Revenues: (Continued)

The University has pledged future Housing System revenue to repay $94,810,000 in Housing System revenue bonds. Proceeds from the bonds provided financing for the construction of University student housing and the refunding of existing Housing System debt issues. The bonds are payable from Housing System revenues and are payable through 2021 to 2048. Pledged revenues are gross housing system revenues less gross housing system expenses. Annual principal and interest payments on the bonds are expected to require approximately 20.04% of gross revenues and 52.68% of pledged revenues. The total principal and interest remaining to be paid on the bonds is $134,032,538. Principal and interest paid for the current year was $5,123,530. Gross revenues and pledged revenues were $25,570,081 and $9,726,492, respectively.

The University has pledged future Other Auxiliary revenue to repay $19,560,000 in Other Auxiliary revenue bonds. Proceeds from the bonds provided financing for the construction and renovation of existing Other Auxiliary debt issues. The bonds are payable from Other Auxiliary revenues and are payable through 2023 to 2041. Pledged revenues are the same as gross revenues. Annual principal and interest payments on the bonds are expected to require approximately 16.12% of gross and pledged revenues. The total principal and interest remaining to be paid on the bonds is $26,410,397. Principal and interest paid for the current year was $2,186,736. Gross and pledged revenues were $13,565,467.

NOTE 13: Note Payable:

On May 28, 2013, the University entered into an agreement with First Security Bank for a loan of $2,810,072. The proceeds were used to purchase the 5th Floor Sky Boxes at Bear Hall and the Weight Room addition on the indoor practice facility from the UCA Foundation, Inc. The term of the loan is fifteen years with interest-only due on a monthly basis, based upon the debt outstanding at a fixed rate of 3.94%. No principal payments are required until the end of the loan. Voluntary principal payments of $184,999 and interest of $64,052 were paid as of June 30, 2021. The principal outstanding at June 30, 2021 was $1,502,681. The total principal and interest remaining to be paid on the note is $1,920,739, including $2,497 in accrued interest as of June 30, 2021.

| Fiscal Year | Total Principal | Interest | Total Payments |
|---|---|---|---|
| 2022 | | 60,028 | 60,028 |
| 2023 | | 60,028 | 60,028 |
| 2024 | | 60,192 | 60,192 |
| 2025 | | 60,028 | 60,028 |
| 2026 | | 60,028 | 60,028 |
| 2027-2028 | 1,502,681 | 117,754 | 1,620,435 |
| **Totals** | $ 1,502,681 | $ 418,058 | $ 1,920,739 |

NOTE 14: Annuity Payable:

The University entered into a trust agreement for land and housing facilities located in Conway, Arkansas, on September 1, 1992, with Doyle W. and Eleanor F. Baldridge. The property consisted 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 value was $740,000. The apartments and buildings were demolished in 2015. The current value of the endowment investment in real estate is $300,000. The annuity payment terms remain the same. Mrs. Baldridge passed away in 2020. The life annuity to be received annually by Mr. Baldridge is $62,500.

The annuity payable at June 30, 2021, was $222,843 based on the life expectancy of Mr. Baldridge. Adjustments to the annuity payable will be made yearly to reflect the present value of expected future payments to Mr. Baldridge based upon his life expectancy and expected earnings rate of fund investments.

NOTE 15: Capital Lease Payable:

A memorandum of understanding was signed on July 15, 2019, between the University and the University of Central Arkansas Foundation, Inc. (the Foundation) to construct housing facilities known as Greek Village Phase II. UCA was responsible for expenses related to site preparation, while the Foundation was responsible for expenses related to construction of the facilities. The facilities are owned by the Foundation and leased to the University, with the University assuming ownership of the buildings at the end of the lease term.

On June 1, 2019, a ground lease agreement between the University and the Foundation was finalized for the Foundation to lease land owned by the University for the purpose of construction of Greek Village Phase II. The Foundation agreed to pay $1 per annum to the University, for the lease term of June 1, 2019 through June 30, 2050. Payment of $31 for the entire lease term was received March 4, 2021.

On July 16, 2019, a lease agreement between the University and the Foundation was finalized for the University to lease the housing facilities from July 1, 2019 through June 30, 2050. Beginning July 1, 2020, the University agreed to pay $226,725 on a bi-annual basis until July 1, 2024, at which time the payment decreases to $211,136 on a bi-annual basis until January 1, 2050.

The facilities were capitalized at a total cost of $8,343,286 during the year ended June 30, 2021. Depreciation expense of $252,229 for the facilities was recorded during the year ended June 30, 2021. Accumulated depreciation is $252,229 as of June 30, 2021.

Principal and interest paid during the year ended June 30, 2021 were $120,667 and $332,783, respectively. The principal outstanding at June 30, 2021 was $6,829,333. The total principal and interest remaining to be paid on the lease is $12,339,414, including $164,347 in accrued interest as of June 30, 2021.

NOTE 15: Capital Lease Payable: (Continued)

| Fiscal Year | Total Principal | Interest | Total Payments |
|---|---|---|---|
| 2022 | 126,158 | 327,292 | 453,450 |
| 2023 | 131,899 | 321,551 | 453,450 |
| 2024 | 137,902 | 315,548 | 453,450 |
| 2025 | 134,264 | 288,008 | 422,272 |
| 2026 | 140,373 | 281,899 | 422,272 |
| 2027-2050 | 6,158,737 | 3,975,783 | 10,134,520 |
| **Totals** | $ 6,829,333 | $ 5,510,081 | $ 12,339,414 |

NOTE 16: Commitments:

The University was contractually obligated for the following at June 30, 2021:

| Project Name | Estimated Completion Date | Contract Balance |
|---|---|---|
| Windgate Fine & Performings Arts Building | August 2022 | $ 29,307,656 |
| Integrated Health Science Building | July 2021 | 2,444,810 |
| Installation of Bottle Fillers for Campus | October 2021 | 175,200 |
| Doyne Renovation | June 2022 | 158,372 |
| Christian Cafeteria Shade Plaza | August 2021 | 125,169 |
| IT Bunker and Snow Fine Arts Generators | March 2022 | 115,095 |
| Stone Dam Creek Bridge Project | August 2022 | 106,849 |
| Bear Village Repairs | August 2021 | 95,431 |
| State & Carmichael Renovations | February 2021 | 48,928 |
| Prince Roof | August 2021 | 46,033 |
| Christian Cafeteria Repairs | August 2021 | 23,756 |
| Miscellaneous Maintenance & Repairs | November 2021 | 21,402 |
| Network Refresh & VOIP | December 2021 | 17,626 |
| Exterior Lighting Farris Center | July 2021 | 16,959 |
| Presidents Home Repairs | August 2021 | 14,694 |
| Drainage Improvements August Avenue | December 2021 | 14,500 |
| Conway, Hughes, & Arkansas Windows | August 2022 | 9,703 |
| Gravel Parking Lots | July 2021 | 7,340 |
| College Square Updates | March 2022 | 5,855 |
| Card Access Upgrades | December 2021 | 5,779 |
| Harrin Hall Roof Replacement | March 2022 | 2,675 |
| Replacement of Football, Baseball & Softball Turf | October 2021 | 402 |
| | | $ 32,764,234 |

NOTE 17: Retirement and Pension Plans:

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

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

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

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

**Schedule of Employer and Employee Contributions**

| Fiscal Year Ended | Employer Annual Contributions | Employee Annual Contributions |
|---|---|---|
| June 30, 2019 | $ 6,090,258 | $ 4,175,187 |
| June 30, 2020 | $ 6,211,297 | $ 4,265,777 |
| June 30, 2021 | $ 6,019,393 | $ 4,099,698 |

*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. The report is also available on the ATRS website, www.atrs.gov.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Teacher Retirement System: (Continued)*

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

| | |
|---|---|
| Contributory | 2.15% |
| Non-Contributory | 1.39% |

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

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

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

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

Contributory members are required by code to contribute 6.50% 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. Prior to July 1, 2019, the University contributed 14% for the ATRS Plan members. The fiscal year 2020 and fiscal year 2021 employer rates were 14.25% and 14.50%, respectively.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Teacher Retirement System: (Continued)*

**Schedule of Employer Contributions for ATRS**

| Fiscal Year Ended | Employer Annual Contributions | Employee Annual Contributions |
|---|---|---|
| June 30, 2019 | $ 1,131,240 | $ 469,494 |
| June 30, 2020 | $ 1,107,714 | $ 475,774 |
| June 30, 2021 | $ 1,113,261 | $ 489,786 |

Prior to July 1, 2019, the University contributed 14% for the ATRS T-Drop Plan members. The fiscal year 2020 and fiscal year 2021 employer rates were 14.25% and 14.50%, respectively.

**Schedule of Employer Contributions for ATRS T-Drop**

| Fiscal Year Ended | Employer Annual Contributions |
|---|---|
| June 30, 2019 | $ 55,918 |
| June 30, 2020 | $ 55,022 |
| June 30, 2021 | $ 61,032 |

At June 30, 2021, the University reported a liability of $14,750,548 for its proportionate share of ATRS's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was based on the University's contributions received by ATRS during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of ATRS's participating employers. At June 30, 2020, the University's proportion was 0.261%.

For the year ended June 30, 2021, the University recognized pension expense of $1,964,964.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Teacher Retirement System: (Continued)*

At June 30, 2021, the University reported its proportionate share of ATRS's deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ 195,544 | $ 118,968 |
| Changes in actuarial assumptions | 959,791 | |
| Difference between employer contributions and proportionate share | | 1,191,672 |
| Difference between projected and actual investment earnings | 2,424,732 | - |
| **Total** | **$ 3,580,067** | **$ 1,310,640** |

The $1,174,293 reported as deferred outflows of resources related to pensions resulting from University contributions to ATRS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to ATRS pensions will be recognized in pension expense as follows:

| Fiscal Year Ended | Pension Expense Amount |
|---|---|
| 2022 | $ 185,512 |
| 2023 | 624,181 |
| 2024 | 832,102 |
| 2025 | 662,383 |
| Thereafter | (34,751) |
| **Total** | **$ 2,269,427** |

Actuarial Assumptions

The total liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Wage Inflation Rate | 2.75% |
| Salary increases | 2.75-7.75% |
| Investment rate of return | 7.50%, compounded annually |

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Teacher Retirement System: (Continued)*

Mortality rates were based on the RP-2014 Mortality Table for Males and Females projected with Scale MP-2017 (94% for men and 84% for women.)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Total Equity | 53.00% | 5.2% |
| Fixed Income | 15.00% | -0.1% |
| Alternatives | 5.00% | 3.5% |
| Real Assets | 15.00% | 5.1% |
| Private Equity | 12.00% | 7.2% |
| Cash Equivalents | 0.00% | -1.0% |
| **Total** | **100.00%** | |

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate of 6.25% and that employer contributions will be 14.25% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Teacher Retirement System: (Continued)*

The following presents the University's proportionate share of the net pension liability using a discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

**Sensitivity of the Net Pension Liability to the Single Discount Rate**

| 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|
| $ 21,948,109 | $ 14,750,548 | $ 8,781,335 |

*Arkansas Public Employees Retirement System:*

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

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

| | |
|---|---|
| Contributory, prior to 7/1/05 | 2.07% |
| Contributory, on or after 7/1/05 but prior to 7/1/107 | 2.03% |
| Contributory, on or after 7/1/07 | 2.00% |
| Non-Contributory | 1.72% |

Members are eligible to retire with a full benefit under the following conditions: (1) at age 65 with five years of actual service; (2) at any age with 28 years of credited service; (3) at age 60 with 20 years of actual service if under the old contributory plan (prior to 7/1/05); or (4) at age 55 with 35 years of credited service for elected or public safety officials. Members may retire with a reduced benefit at age 55 with at least five years of actual service or at any age with 25 years of actual service.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Public Employees Retirement System: (Continued)*

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

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

Funding Policy: APERS has contributory and non-contributory plans. Members are required to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of APERS, based on the annual actuarial valuation. For the fiscal year 2021, the current statutory employer rate was 15.32% of the annual covered payroll.

**Schedule of Employer Contributions for APERS**

| Fiscal Year Ended | Employer Annual Contributions | Employee Annual Contributions |
|---|---|---|
| June 30, 2019 | $ 1,397,367 | $ 264,768 |
| June 30, 2020 | $ 1,260,933 | $ 252,366 |
| June 30, 2021 | $ 1,136,336 | $ 237,102 |

The University contributes 15.32% for the APERS Drop Plan members.

**Schedule of Employer Contributions for APERS Drop**

| Fiscal Year Ended | Employer Annual Contributions |
|---|---|
| June 30, 2019 | $ 77,859 |
| June 30, 2020 | $ 96,142 |
| June 30, 2021 | $ 97,519 |

At June 30, 2021, the University reported a liability of $13,000,472 for its proportionate share of APERS's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was based on the University's contributions received by APERS during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of APERS's participating employers. At June 30, 2020, the University's proportion was 0.454%.

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Public Employees Retirement System: (Continued)*

For the year ended June 30, 2021, the University recognized pension expense of $1,410,543.

At June 30, 2021, the University reported its proportionate share of APERS's deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ 172,585 | $ 8,609 |
| Changes in actuarial assumptions | 162,885 | 222,745 |
| Difference between employer contributions and proportionate share | 569 | 1,858,648 |
| Difference between projected and actual investment earnings | 1,375,615 | |
| **Total** | **$ 1,711,654** | **$ 2,090,002** |

The $1,233,855 reported as deferred outflows of resources related to pensions resulting from University contributions to APERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to APERS pensions will be recognized in pension expense as follows:

| Fiscal Year Ended | Pension Expense Amount |
|---|---|
| 2022 | $ (783,760) |
| 2023 | (223,166) |
| 2024 | 235,019 |
| 2025 | 393,559 |
| Thereafter | - |
| **Total** | **$ (378,348)** |

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Public Employees Retirement System: (Continued)*

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level of Percent of Payroll, Closed |
| Remaining Amortization Period | 26 years |
| Asset Valuation Method | 4-year smoothed market; 25% corridor |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.15% |
| Salary Increases | 3.25-9.85%, including inflation |
| Inflation Rate | 3.25% wage, 2.50% price |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality Table | Based on RP-2006 weighted generational mortality table Combined Healthy mortality table. The tables applied credibility adjustments of 135% for males and 125% for females, adjusted for fully generational mortality improvements using Scale MP-2017. |
| Average Service Life of All Members | 4.0486 |

NOTE 17: Retirement and Pension Plans: (Continued)

*Arkansas Public Employees Retirement System: (Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 are summarized in the table below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Broad Domestic Equity | 37.00% | 6.22% |
| International Equity | 24.00% | 6.69% |
| Real Assets | 16.00% | 4.81% |
| Absolute Return | 5.00% | 3.05% |
| Domestic Fixed | 18.00% | 0.57% |
| **Total** | **100.00%** | |

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability using a discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

| 1% Decrease (6.15%) | Discount Rate (7.15%) | 1% Increase (8.15%) |
|---|---|---|
| $ 19,800,681 | $ 13,000,472 | $ 7,388,760 |

NOTE 17: Retirement and Pension Plans: (Continued)

*Supplemental Retirement Accounts*

Plan Description: The University provides all employees with the voluntary option of participating in a supplemental account with TIAA. In addition, employees have the option of participating in a Roth plan offered through TIAA.

The University previously provided all employees with the voluntary option of participating in a supplemental account with VALIC. Effective November 30, 2018, the University eliminated the option for employees to contribute to VALIC through payroll.

The vendors provide or provided contracts to the participants upon participation and all contributions are the property of the participants.

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

**Schedule of Annual Employee Contributions for Supplemental Retirement Accounts:**

| Fiscal Year Ended | TIAA | TIAA Roth | VALIC |
|---|---|---|---|
| June 30, 2019 | $ 1,024,754 | $ 170,374 | $ 18,790 |
| June 30, 2020 | $ 1,048,948 | $ 204,619 | $ - |
| June 30, 2021 | $ 1,214,680 | $ 260,177 | $ - |

Voluntary Employee Retirement Incentive Plan

At the meeting of the UCA Board of Trustees on October 11, 2019, approval was given for a Voluntary Employee Retirement Incentive plan. Employees who were age 60 or older and had at least 10 years of continuous, full-time employment at the University as of December 31, 2019 were eligible to participate in the plan. Those who elected to participate received 25% of their base salary as of December 31, 2019, along with 1% of their base salary for each year of continuous service, up to a maximum of 50% of the employee's base salary as of December 31, 2019. Payments were made as contributions to TIAA accounts. The effective retirement date for staff and 12-month faculty in the program was December 31, 2019; the effective retirement date for nine-month faculty was May 31, 2020. Total payments of $1,194,055 to a total of 49 eligible employees were made related to the plan. Payments of $566,221 were made in the fiscal year ending June 30, 2020; additional payments of $627,834 were made in the fiscal year ending June 30, 2021.

NOTE 17: Retirement and Pension Plans: (Continued)

*Supplemental Retirement Accounts (Continued)*

At the meeting of the UCA Board of Trustees on November 6, 2020, approval was given for a Voluntary Employee Retirement Incentive plan. Employees who were age 59.5 or older and had at least 10 years of total full-time employment at the University as of December 31, 2020 were eligible to participate in the plan. Those who elected to participate received 10% of their base salary as of December 31, 2019, along with 0.5% of their base salary for each year of continuous service, up to a maximum of 20% the employee's base salary as of December 31, 2020. Payments were and will be made as contributions to TIAA accounts. The effective retirement date for participants in the program was either January 15, 2021 or May 15, 2021. Total payments of $313,477 to a total of 29 eligible employees will be made related to the plan. Payments of $139,918 were made in the fiscal year ending June 30, 2021; additional payments of $173,559 will be made in the fiscal year ending June 30, 2022.

Additional payments related to the Voluntary Employee Retirement Incentive Plan are discussed in Note 20.

Funding Policy: Contributions are tax-sheltered, and contribution limits are based upon annual pre-tax calculations.

**Schedule of Annual Employer Contributions for Supplemental Retirement Accounts related to Voluntary Employment Retirement Incentive Plan**

| Fiscal Year Ended | | TIAA |
|---|---|---|
| June 30, 2020 | $ | 566,221 |
| June 30, 2021 | $ | 767,752 |

NOTE 18: Claims and Judgments/Contingencies:

The following claims and potential judgments/contingencies existed as of June 30, 2021, and subsequently.

Equal Employment Opportunity Commission (EEOC) Complaints

A former employee filed an EEOC complaint on May 29, 2018, alleging unlawful termination based on race, sex, and pregnancy. The University is contesting the allegations and filed a response on July 10, 2018. The EEOC issued its right to sue letter on August 31, 2018. The former employee has not filed and served a suit as of the date of the financial statements.

A former employee filed an EEOC complaint on February 28, 2020, alleging denial of a reasonable accommodation and discharge because of a disability. The University contested the allegations and filed a response to the EEOC complaint on March 20, 2020. As of today, the EEOC has not notified the University of any further action regarding the complaint.

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

Equal Employment Opportunity Commission (EEOC) Complaints (Continued)

A former part-time employee filed an EEOC complaint in July 2020 alleging that she was discharged and harassed based on race. The complaint was dismissed on the basis that her charge was not filed timely with EEOC. The EEOC issued its right to sue letter on December 21, 2020. The employee filed a complaint in United States District Court, Eastern District of Arkansas, on April 12, 2021, alleging employment discrimination on the basis of race and disability. The court dismissed the case on April 20, 2021, for failure to timely file. The employee filed a petition in October 2021 in the United States Supreme Court, which was subsequently denied by the Court in December 2021. The employee also filed a claim with the Arkansas Claims Commission in July 2020 seeking payment for two hours of work allegedly performed in October 2019. In January 2021, the Claims Commission awarded the employee $37 for one hour of pay and $2.22 in interest. The employee has filed an appeal with the Arkansas General Assembly.

Petition for Declaratory Judgment

A person filed a petition for declaratory judgment on July 2, 2020, seeking to invalidate a gift deed transferring approximately five acres of land in Perry County from the Rosenwald Community to the Board of Trustees of UCA. The person alleges that the Rosenwald Community did not property transfer the five acres of land. The person seeks to invalidate the transfer, but there are no allegations of wrongdoing on the part of the university. The Attorney General's office is representing the University. The University contested the allegations and filed a response to the petition on August 10, 2020. The matter is still ongoing.

NOTE 19: Related Party Transactions:

UCA/CRHS Healthcare Education Foundation, Inc.

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

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

Rev. Cornell Maltbia is a member of the UCA Board of Trustees, and is also a member of the CRHS Board of Directors.

NOTE 19: Related Party Transactions: (Continued)

Wideworld

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

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

Lease of 1105 Oak

At the meeting of the UCA Board of Trustees on August 21, 2015, approval was given to lease space owned by Robert Adcock, Jr. for the purpose of establishing a physical presence for the University in downtown Conway, Arkansas. The lease term was for three years beginning December 1, 2015, starting at $2,500 per month for the first year and increasing by 2% annually. The lease was renewed as of December 1, 2018, for an additional three years. The Arkansas Department of Finance & Administration prepared the lease and signed as agent for UCA.

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

Centennial Bank/Investment Contract

On July 1, 2017, the University began a contract with Centennial Bank to provide a short term investment vehicle for University funds. Centennial Bank is owned by Home Bancshares, Inc. The contract was for one year, with an option to renew annually for up to seven years total, and was subsequently renewed on July 1, 2018, July 1, 2019, July 1, 2020, and July 1, 2021. A Request for Proposals was issued related to this contract on February 21, 2017, and an evaluation committee recommended Centennial Bank out of four proposals submitted. The Board of Trustees authorized the contract at its May 12, 2017 meeting, with trustees Robert Adcock, Jr., Kay Hinkle, and Brad Lacy abstaining from the vote.

NOTE 19: Related Party Transactions: (Continued)

Centennial Bank/Investment Contract (Continued)

Mr. Adcock is on the Home Bancshares Board of Directors and holds a minority ownership stake. Mrs. Hinkle's spouse, James Hinkle, is on the Home Bancshares board of directors and holds a minority ownership stake. Mr. Lacy is a shareholder in Home Bancshares. Mr. Lacy's UCA Board term ended January 15, 2019.

In addition, former University Board of Trustees member Randy Sims is a Bank Officer for Centennial Bank, with a minority ownership stake, and Vice Chairman of the Home Bancshares Board of Directors.

Conductor

On July 28, 2015, the University of Central Arkansas entered into a contract with Startup Junkie Consulting, for the period August 24, 2015 to June 30, 2016, with an option for extensions to June 30, 2020, to evaluate University programs in innovation and entrepreneurship and to develop start-up opportunities for the UCA community via an initiative called Conductor. The contract was later amended, in September 2016, to run from October 1, 2016 to September 30, 2019, at a contracted amount of $1.378 million. The contract was again amended, in April 2019, to run from October 1, 2019 to June 30, 2022, at a contracted amount of $1.306 million.

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

Blue Cross Blue Shield / USAble

The University entered into multiple contracts with Blue Cross/Blue Shield and USAble Corporation on January 1, 2010 to provide dental insurance, life insurance, and long-term disability insurance. All contracts were for one year, with an option to renew annually up to seven years total, and were subsequently renewed on January 1, 2017 with similar terms.

Curtis Barnett was appointed to the UCA Board of Trustees by Arkansas Governor Asa Hutchinson for a seven-year term beginning January 15, 2020. Mr. Barnett is the current president and chief executive officer for Arkansas Blue Cross and Blue Shield, and was president and CEO of USAble Corporation from 2008 to 2016.

NOTE 19: Related Party Transactions: (Continued)

Oxford American

For several years, the University has had a contractual relationship with the Oxford American Literary Project, Inc. (OA). The OA publishes a magazine known as *The Oxford American*. Pursuant to an earlier agreement, the University provided annual operating support to the OA in the amount of $50,000 and provided the OA with two offices in Old Main on the University's campus.

A memorandum of understanding was signed on October 12, 2012, between the University and Oxford American. The agreement obligated the University to continue providing two offices to house the editorial staff with reasonable accommodations and an approximate $50,000 annual operating budget for purchases in compliance with University purchasing requirements and periodic University review. An addendum to the memorandum of understanding was executed on October 28, 2014, modifying parts of the October 12, 2012 agreement.

A second addendum was signed on October 24, 2018, between the University and Oxford American. The agreement replaced the original memorandum, and obligates the University to provide one office to house the editorial staff with reasonable accommodations and an approximate $40,000 annual operating budget for purchases in compliance with University purchasing requirements and periodic University review; $11,000 annual operating budget for a graduate assistant; and an additional $24,000 for various other programs.

A third addendum to the memorandum of understanding was executed on June 6, 2019. The addendum modified parts of the October 24, 2018 agreement. This agreement states that the third addendum modifies and amends the Second Addendum, effective October 24, 2018 as follows: $90,000 per year to fund the contributing author and artist series curated and presented by OA and related to the author series and residency programs. The funds may come from either UCA or the University of Central Arkansas Foundation. The parties agree that UCA shall, from time-to-time, review such expenditures of the OA under this provision to ensure that such expenditures are consistent with the operation of the OA and its relationship with UCA.

NOTE 20: Natural Classifications with Functional Classifications:

The University operating expenses by functional classification were as follows:

**Year Ended June 30, 2021**
**Natural Classification**

| Functional Classification | Personal Services | Scholarships | Supplies | Depreciation | TOTAL |
|---|---|---|---|---|---|
| Instruction | $ 60,343,540 | | $ 4,525,340 | | $ 64,868,880 |
| Research | 3,036,876 | | 1,017,930 | | 4,054,806 |
| Public service | 1,581,626 | | 1,114,507 | | 2,696,133 |
| Academic support | 7,131,499 | | 3,847,811 | | 10,979,310 |
| Student services | 5,651,609 | | 1,941,647 | | 7,593,256 |
| Institutional support | 11,910,928 | | 6,453,441 | | 18,364,369 |
| Operation of plant | 8,200,476 | | 4,311,696 | | 12,512,172 |
| Scholarships | | $ 25,423,524 | | | 25,423,524 |
| Auxiliary enterprises | 11,834,310 | 4,776,965 | 15,453,992 | | 32,065,267 |
| Depreciation | | | | $ 17,184,610 | 17,184,610 |
| Total Expenses | $ 109,690,864 | $ 30,200,489 | $ 38,666,364 | $ 17,184,610 | $ 195,742,327 |

NOTE 21: Other Postemployment Benefits (OPEB):

The University adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective with the fiscal year ended June 30, 2018. This statement replaces the requirements of GASB Statements no. 43 and no. 45, which were adopted in the fiscal years ended June 30, 2007 and June 30, 2008, respectively. The new statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to other post-retirement benefits (OPEB).

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

NOTE 21: 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. Life insurance coverage can continue until members' age 80, depending on classification. The authority under which the Plan's benefit provisions are established or amended is the Board of Trustees. The Plan does not issue a stand-alone financial report. For inquires relating to the Plan, please contact the University of Central Arkansas Human Resources Department, Wingo Hall, Suite 106, 201 Donaghey Avenue, Conway, Arkansas, 72035.

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

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

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

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

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

Participants included in the actuarial valuation include active employees and retirees who are eligible to participate in the Plan upon retirement and their spouses, if spousal coverage is currently elected. At June 30, 2021, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 131 |
| Inactive employees entitled to but not yet receiving payments | 0 |
| Active employees | 1,257 |
| | 1,388 |

The University's total OPEB liability of $4,110,099 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions and Other Inputs:

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 2021. The amounts contributed by the University will not change in future years.

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

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

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

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

Actuarial Assumptions and Other Inputs: (Continued)

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation year | July 1, 2020 – June 30, 2021 |
| Discount Rate | 2.09% per annum; the plan is not funded in an irrevocable trust maintained by the University, as plan sponsor. |
| Inflation | 2.0% per annum |
| Mortality | RP-2014 Mortality Table with Improvement Scale MP-2020 |
| Marriage assumptions | Three-year spousal age difference with females assumed three years younger than males. Assumed for active employee spousal coverage, as well as for any retired members for whom spousal dates of birth were not provided. |
| Assumed Utilization | 25% of eligible future retirees are assumed to elect plan benefits. |
| Active Participation Rate | Active members are assumed to elect the same retiree medical coverage as they elected while active. |

Termination (Sample Rates per 1,000 Members)

| Age | Male | Female |
|---|---|---|
| 25 | 46.0 | 48.4 |
| 30 | 39.4 | 44.0 |
| 35 | 32.0 | 31.0 |
| 40 | 27.0 | 22.0 |
| 45 | 20.8 | 20.0 |
| 50 | 16.2 | 17.0 |
| 55 | 15.0 | 15.0 |
| 60 | 15.0 | 15.0 |
| 65 | 15.0 | 15.0 |
| 70 | 15.0 | 15.0 |
| 75 | N/A | N/A |

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

Actuarial Assumptions and Other Inputs: (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.

Retirement Rates — Percentage of eligible members at age shown who retire during the year.

| | Percentage | |
|---|---|---|
| **Age** | **Male** | **Female** |
| 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 |

Changes in assumptions — The discount rate has been decreased to reflect the movement in interest rates. The mortality table was changed to reflect recent improvements in mortality.

Actuarial cost method — Entry age normal actuarial cost method, market value

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

**Changes in the Total OPEB Liability**

| | | Total OPEB Liability |
|---|---|---|
| **Balance at June 30, 2020** | $ | 3,833,990 |
| **Changes for the year:** | | |
| Service cost | | 325,828 |
| Interest | | 81,669 |
| Differences between expected and actual experience | | (108,333) |
| Change in actuarial assumptions | | 42,433 |
| Employer contributions | | (65,488) |
| **Net changes** | $ | 276,109 |
| **Balance at June 30, 2021** | **$** | **4,110,099** |

The following presents the total OPEB liability for the University using the current discount rate of 2.09%, as well as what the University's total liability would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current assumed rate:

**Sensitivity of the Net OPEB Liability to the Discount Rate**

| 1% Decrease | Current Rate | 1% Increase |
|---|---|---|
| $ 4,488,919 | $ 4,110,099 | $ 3,774,496 |

The following presents the total OPEB liability for the University using the medical trend rates, as well as what the University's total liability would be if it were calculated using trend rates that are 1% lower and 1% higher than the current assumed rates:

**Sensitivity of the Net OPEB Liability to the Medical Trend Rates**

| 1% Decrease | Current Rates | 1% Increase |
|---|---|---|
| $ 3,699,643 | $ 4,110,099 | $ 4,598,411 |

OPEB Expense and Deferred Outflows & Inflows of Resources

For the year ended June 30, 2021, the University recognized OPEB expense of $408,792.

| | | |
|---|---|---|
| Service cost | $ | 325,828 |
| Interest on TOL = 2.21% x $3,833,990 - 2.21% x 0.5 x $277,129 | | 81,669 |
| Amortization of inflows | | (70,826) |
| Amortization of outflows | | 72,121 |
| **OPEB Expense** | **$** | **408,792** |

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

OPEB Expense and Deferred Outflows & Inflows of Resources (Continued)

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ 300,418 | $ 221,475 |
| Changes in actuarial assumptions | 342,348 | 362,685 |
| **Total** | **$ 642,766** | **$ 584,160** |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ended | OPEB Expense |
|---|---|
| 2022 | $ 1,295 |
| 2023 | 1,295 |
| 2024 | 1,295 |
| 2025 | 1,295 |
| 2026 | 1,295 |
| Thereafter | 52,131 |
| **Total** | **$ 58,606** |

Voluntary Employee Retirement Incentive Plan

At the meeting of the UCA Board of Trustees on November 6, 2020, approval was given for a Voluntary Employee Retirement Incentive plan. Additional information regarding eligibility for the program is included in Note 17.

Those who elected to participate received a $300 per month contribution into a health reimbursement arrangement (HRA) for 36 months beginning the month following the effective retirement date. Contributions totaling $20,700 were made during the year ended June 30, 2021. Estimated total contributions related to the program will be $313,200. Unpaid contributions totaling $292,500 are included in accounts payable-payroll at June 30, 2021.

NOTE 22: Gap Plan-Self Insured:

The University began a 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.

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

The University offers two group health insurance plans, the Point of Service (POS) and the High Deductible plan, to all benefits-eligible employees. The annual deductible for the POS plan increased in January 2017 from $1,000 to $1,500 for individual coverage. The POS plan has a cap of 2 deductibles per calendar year for coverage tiers different than individual coverage. The annual deductible for the High Deductible plan remains $2,000 for individual coverage. The High Deductible plan has a $4,000 annual deductible per calendar year for coverage tiers different than individual coverage. The deductible is the employee's financial responsibility to medical providers. Employees with individual coverage are eligible for a gap reimbursement of $500 and coverage tiers different than individual coverage are eligible for a reimbursement of $1,000 per calendar year after the full deductible has been applied to the health insurance claims.

The University offers the self-insured Gap Plan to the employees who have elected to participate in the group health insurance and may choose individual, employee/spouse, employee/child(ren), or family coverage. However, no family member will be covered by the Gap Plan if not covered by the group health plan. The University contributes monthly to the gap plan as follows:

$16.55 - single coverage
$20.12 - employee/spouse or employee/child(ren) coverage
$30.76 - family coverage

The employee contributes $10 monthly to the Gap Plan for employee/spouse, employee/child(ren), and family coverage.

**Schedule of Contributions**

**Schedule of Contributions**

| Fiscal Year Ended | Employer Contributions | | Employee Contributions | |
|---|---|---|---|---|
| June 30, 2019 | $ | 298,999 | $ | 43,743 |
| June 30, 2020 | $ | 288,060 | $ | 41,690 |
| June 30, 2021 | $ | 281,546 | $ | 41,691 |

**Schedule of Claims**

**Schedule of Claims**

| Fiscal Year Ended | Claims Reimbursed | |
|---|---|---|
| June 30, 2019 | $ | 93,402 |
| June 30, 2020 | $ | 76,383 |
| June 30, 2021 | $ | 65,971 |

During the fiscal year ended June 30, 2021, 1,186 employees elected Gap Plan coverage.

NOTE 23: Risk Management:

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

The University carries an Errors and Omissions policy covering Trustees and Officers. The policy limits are $1,000,000 each claim and $2,000,000 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 liability limit is $4,000,000 for each occurrence and $4,000,000 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 for full time Nurse Practitioners $1,000,000 each claim and $6,000,000 aggregate. The liability limits for part-time Nurse Practitioners are $1,000,000 each claim and $3,000,000 aggregate. The University pays an annual premium for this coverage.

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

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

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

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

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

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

NOTE 23: Risk Management: (Continued)

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

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

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

The University carries a liability insurance policy on 1107 Oak Street UCA Downtown. The liability limits are $1,000.000 each occurrence and $2,000,000 aggregate. The University pays an annual premium for this coverage.

Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years. Except for the Excess Auto liability coverage, which was reduced from $9,000,000 to $4,000,000 per occurrence and in aggregate, there were no significant reductions in insurance coverage from the prior year in the major categories of risk.

NOTE 24: Endowment and Annuity Funds:

The University has donor-restricted endowment and annuity funds. Such funds include investments reported at fair value. The endowment and annuity net position at June 30, 2021 were $9,081,823. Of this amount, $2,776,877 was reported as restricted – nonexpendable other and the remaining $6,304,946 was reported as restricted – expendable.

A.C.A. § 28-69-804 states, "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

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

NOTE 25: COVID-19 Impact:

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19).

NOTE 25: COVID-19 Impact: (Continued)

In the fiscal year ended June 30, 2020, the University issued refunds totaling $2,788,648 related to closures of housing and food service facilities. Of this amount, $54,923 was included in accounts payable and accrued liabilities on the Statement of Net Position at June 30, 2020. Additional refunds totaling $53,377 were issued in the fiscal year ended June 30, 2021.

On March 23, 2020, the University was informed of expected reductions in state appropriations for the fiscal year ending June 30, 2020, totaling $2,906,828 in FY20. On June 30, 2020, this funding was restored, and the funds were included in cash and cash equivalents on the Statement of Net Position at June 30, 2020.

The University applied for and was allocated $9,604,924 in relief from the Higher Education Emergency Relief Fund as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress in March 2020. At least half ($4,802,462) of these funds were required to be provided as emergency financial aid grants to students. Additional CARES funds totaling $475,012 were allocated to the University in April 2020.

For the fiscal year ended June 30, 2021 and June 30, 2020, the University provided emergency financial aid grants to students totaling $2,246,627 and $2,734,070, respectively; reimbursed the University for allowed COVID-related expenditures totaling $1,890,157 and $2,734,070, respectively; reimbursed the University for lost revenue totaling $5,479 and $469,533, respectively, and recorded CARES funds totaling $4,142,264 and $5,937,672, respectively, in nonoperating revenue.

The University was allocated $15,456,600 in relief from the Higher Education Relief Fund II as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) which was signed into law in December 2020. $4,802,462 of these funds were required to be provided as emergency financial aid grants to students. Additional CRRSAA funds totaling $656,525 were subsequently allocated to the University.

For the fiscal year ended June 30, 2021, the University provided emergency financial aid grants to students totaling $6,056,162; provided additional student aid totaling $700,753; reimbursed the University for allowed COVID-related expenditures totaling $458,834; reimbursed the University for lost revenue totaling $4,253,864; and recorded CRRSAA funds totaling $11,469,613 in nonoperating revenue. The final use of the remaining funds has not been yet determined.

The University was allocated $26,933,734 in relief from the Higher Education Relief Fund III as part of the American Rescue Plan Act (ARP) which was signed into law in March 2021. $13,544,120 of these funds were required to be provided as emergency financial grants to students. As of June 30, 2021, no expenditures related to these funds had been recorded. Additional ARP funds totaling $1,189,717 were subsequently allocated to the University. The final use of the remaining funds has not been yet determined.

NOTE 25: COVID-19 Impact: (Continued)

Additional funds totaling $977,366 received and administered by the State of Arkansas related to the CARES Act were allocated to the University in June 2020. Of this amount, $811,010 was used to reimburse the University for allowed COVID-related expenditures. The remaining $166,356 was used by the State of Arkansas for direct purchases of COVID-related supplies on behalf of the University.

The University also received an allocation of $135,202 from the Arkansas Department of Health to reimburse expenditures related to COVID-19 testing, and $15,770 from the Arkansas Department of Human Services to supplement cleaning expenses and additional labor costs for the UCA Child Study Center.

The remaining extent of the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections, all of which are uncertain and cannot be predicted. The total financial impact of COVID-19 to the University is uncertain as of the audit report date.

NOTE 26: Prior Period Restatement:

Noncurrent Assets and Liabilities

Prepaid expenses as of June 30, 2020, as reported on the Statement of Net Position, have been restated to segregate certain assets that will not be recognized within one year of the statement date. The restatement resulted in a decrease of current assets, prepaid expenses of $636,224, with a corresponding increase of noncurrent assets, prepaid expenses.

Accounts payable-payroll as of June 30, 2020, as reported on the Statement of Net Position, have been restated to segregate certain liabilities that will not be paid within one year of the statement date. The restatement resulted in a decrease of current liabilities, accounts payable-payroll of $1,116,012, with a corresponding increase of noncurrent liabilities, accounts payable-payroll.

In addition, current assets, prepaid expenses and unrestricted net position as of June 30, 2020, as reported on the Statement of Net Position, were restated to recognize expenditures not properly recognized in a prior period. The restatement resulted in a decrease of current assets, prepaid expenses of $22,599, with a corresponding decrease to unrestricted net position.

NOTE 26: Prior Period Restatement: (Continued)

Construction in Progress

Capital assets, net of accumulated depreciation and amortization and net investment in capital assets as of June 30, 2020, as reported on the Statement of Net Position, operating expenses, supplies and services for the year ended June 30, 2020, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, and payments to suppliers and purchases of capital assets for the year ended June 30, 2020, as reported on the Statement of Cash flows, have been restated to reflect construction expenditures related to the construction of Greek Village Phase II that should have been capitalized as construction in progress. The restatement resulted in an increase of capital assets of $46,905 and a corresponding increase to net investment in capital assets on the Statement of Net Position; a decrease to operating expenses, supplies and services of $46,905 on the Statement of Revenues, Expenses, and Changes in Net Position; and a decrease of $46,905 in payments to suppliers and a corresponding increase to purchases of capital assets on the Statement of Cash Flows. Net operating loss for the year ended June 30, 2020, as reported on the Statement of Cash Flows, was also decreased by $46,905.

Capital assets, net of accumulated depreciation and amortization and net investment in capital assets as of June 30, 2020, as reported on the Statement of Net Position, and operating expenses, depreciation and amortization for the year ended June 30, 2020, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, have been restated to reflect capitalization of infrastructure and related accumulated depreciation previously reported as construction in progress. The restatement resulted in a decrease of capital assets of $4,249 and a corresponding decrease to net investment in capital assets on the Statement of Net Position; and an increase to operating expenses, depreciation and amortization, on the Statement of Revenues, Expenses, and Changes in Net Position. Net operating loss and depreciation expense for the year ended June 30, 2020, as reported on the Statement of Cash Flows, were also decreased by $4,249 and increased by $4,249, respectively.

Donated Capital Assets

Capital assets, net of accumulated depreciation and amortization and net investment in capital assets as of June 30, 2020, as reported on the Statement of Net Position, have been restated to reflect a donated equipment asset that was not properly recorded in the period in which it was received. The restatement resulted in an increase in capital assets of $71,796, net of accumulated depreciation of $17,949, resulting in a total increase of $53,847. A corresponding increase to net investment in capital assets was recorded.

NOTE 26: Prior Period Restatement: (Continued)

Interdepartmental Revenue and Expense

Several revenue and expense amounts for the year ended June 30, 2020, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, and cash flow amounts for the year ended June 30, 2020, as reported on the Statement of Cash Flows, were restated as a result of interdepartmental transactions that were not eliminated. The following restatements were made: a decrease in operating revenues, sales and services of educational departments of $33,742, with a corresponding decrease to cash flows from operating activities, other receipts; a decrease in operating revenues, athletics of $302,574, with a corresponding decrease to cash flows from operating activities, athletics; a decrease to operating revenues, housing of $59,561, with a corresponding decrease to cash flows from operating activities, housing; a decrease to operating activities, student center of $79,884, with a corresponding decrease to cash flows from operating activities, student center; a decrease to operating revenue, recreational facilities of $41,485, with a corresponding decrease to cash flows from operating activities, recreational facilities; a decrease to operating revenues, other auxiliary enterprises of $100,000, with a corresponding decrease to cash flows from operating activities, other auxiliary enterprises; a decrease to operating expenses, compensation and benefits of $440,000, with a corresponding decrease to cash flows from operating activities, payments to employers/benefits; and a decrease to operating expenses, supplies and services of $177,246, with a corresponding decrease to cash flows from operating activities, payments to suppliers.

NOTE 27: Subsequent Events:

COVID-19 Impact

Subsequent to June 30, 2021, the University has utilized CRRSAA funds to provide emergency financial aid grants to students totaling $3,900, to provide additional student aid totaling $992,198, to reimburse the University for lost revenue totaling $3,600,577, and to reimburse the University for COVID-related expenses totaling $46,837. The University has also utilized ARP funds to provide emergency financial aid grants to students totaling $11,980,133, to the University for lost revenue totaling $5,545,640, and to reimburse the University for COVID-related expenses of $1,664.

Purchase of 110 Baridon

At the meeting of the UCA Board of Trustees on December 3, 2021, approval was given to purchase the property at 110 Baridon Street in Conway, Arkansas, for the sum of $130,000. The closing occurred on December 14, 2021, for a total purchase price of $129,717.

Related Party Transactions

Dr. Michael Stanton was appointed to the UCA Board of Trustees by Arkansas Governor Asa Hutchinson for a seven-year term beginning January 15, 2022. Dr. Stanton is the chief of staff at Conway Regional Health Systems. The University has previously entered into contracts with CRHS to provide billing services for its on-campus clinics. Also see Note 19 for additional information regarding the UCA/CRHS Healthcare Education Foundation, Inc.

NOTE 27: Subsequent Events: (Continued)

Equal Employment Opportunity Commission (EEOC) Complaints

A former employee filed an EEOC complaint on November 2, 2021, alleging unlawful termination based on race. The University is contesting the allegations and filed a response on November 19, 2021. The EEOC issued its right to sue letter on August 31, 2018. The EEOC has not notified the University of any further action regarding the complaint.

A former employee filed an EEOC complaint on February 17, 2022, alleging discrimination based on disability and age. The University contested the allegations and filed a response to the EEOC complaint on March 15, 2022. The EEOC has not notified the University of any further action regarding the complaint.

## Summary of Key Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation year | July 1, 2020 – June 30, 2021 |
| Discount Rate | 2.09% per annum; the plan is not funded in an irrevocable trust maintained by the University, as plan sponsor. |
| Inflation | 2.0% per annum |
| Mortality | RP-2014 Mortality Table with Improvement Scale MP-2020 |
| Marriage assumptions | Three-year spousal age difference with females assumed three years younger than males. Assumed for active employee spousal coverage, as well as for any retired members for whom spousal dates of birth were not provided. |
| Assumed Utilization | 25% of eligible future retirees are assumed to elect plan benefits. |
| Active Participation Rate | Active members are assumed to elect the same retiree medical coverage as they elected while active. |

Termination (Sample Rates per 1,000 Members)

| Age | Male | Female |
|---|---|---|
| 25 | 46.0 | 48.4 |
| 30 | 39.4 | 44.0 |
| 35 | 32.0 | 31.0 |
| 40 | 27.0 | 22.0 |
| 45 | 20.8 | 20.0 |
| 50 | 16.2 | 17.0 |
| 55 | 15.0 | 15.0 |
| 60 | 15.0 | 15.0 |
| 65 | 15.0 | 15.0 |
| 70 | 15.0 | 15.0 |
| 75 | N/A | N/A |

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.

### Summary of Key Actuarial Methods and Assumptions (Continued)

Retirement Rates

Percentage of eligible members at age shown who retire during the year.

| | Percentage | |
|---|---|---|
| Age | Male | Female |
| 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 |

The discount rate used to measure the Total OPEB Liability (TOL) as of June 30, 2021 was 2.09%; the unfunded rate was determined as of June 30, 2021.

### Schedule of Changes in the University's Total OPEB Liability & Related Ratios for the Last 10 Years*

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB Liability** | | | | |
| Service cost | $ 325,828 | $ 254,476 | $ 204,142 | $ 198,196 |
| Interest | 81,669 | 106,428 | 86,403 | 85,477 |
| Differences between expected and actual experience | (108,333) | (3,203) | 407,203 | (191,456) |
| Change in actuarial assumptions | 42,433 | 369,137 | (491,601) | - |
| Benefit payments | (65,488) | (56,053) | (49,473) | (61,357) |
| **Net change in total OPEB liability** | $ 276,109 | $ 670,785 | $ 156,674 | $ 30,860 |
| **TOTAL OPEB Liability - beginning** | $ 3,833,990 | $ 3,163,205 | $ 3,006,531 | $ 2,975,671 |
| **TOTAL OPEB Liability - ending** | **$ 4,110,099** | **$ 3,833,990** | **$ 3,163,205** | **$ 3,006,531** |
| Covered employee payroll | $ 77,340,849 | $ 78,962,848 | $ 79,580,251 | $ 82,107,164 |
| **Total OPEB liability as a percentage of covered employee payroll** | **5.31%** | **4.86%** | **3.97%** | **3.66%** |

*Fiscal year 2018 was the 1st year of implementation, therefore only four years are shown.

**UNIVERSITY OF CENTRAL ARKANSAS**
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**
**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**
**JUNE 30, 2021**

**Notes to Schedule**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

| | |
|---|---|
| *Changes in assumptions* | The discount rate has been increased to reflect the movement in interest rates. The mortality table was changed to reflect recent improvements in mortality. |
| *Actuarial cost method* | Entry age normal actuarial cost method, market value |

Prepared for Arkansas Teacher Retirement System (ATRS), a Cost Sharing Defined Benefit Pension Plan, As of June 30, 2021
Last 10 Years***

## Schedule of the University's Proportional Share of the Net Pension Liability

| | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability | 0.261% | 0.276% | 0.279% | 0.299% | 0.329% | 0.344% | 0.363% |
| Proportionate share of the net pension liability | $14,750,548 | $11,493,327 | $10,136,245 | $12,559,018 | $14,509,308 | $11,209,952 | $9,537,668 |
| Covered payroll* | $8,159,551 | $8,479,700 | $8,445,728 | $8,855,321 | $9,639,942 | $10,083,793 | $10,357,175 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 180.78% | 135.54% | 120.02% | 141.82% | 150.51% | 111.17% | 92.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.91% | 80.96% | 82.78% | 79.48% | 76.75% | 82.20% | 84.98% |

*Covered payroll figures for 2016, 2017, and 2018 have been restated.
**The amounts presented for each fiscal year were determined as of June 30 of the previous year.
***Fiscal year 2021 was the 7th year of implementation, therefore only seven years are shown.

## Schedule of Contributions

| | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|---|---|---|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $1,174,293 | $1,162,736 | $1,187,158 | $1,182,402 | $1,239,745 | $1,349,592 | $1,411,731 |
| Contributions in relation to the actuarially determined contributions | (1,174,293) | (1,162,736) | (1,187,158) | (1,182,402) | (1,239,745) | (1,349,592) | (1,411,731) |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Covered payroll* | $8,098,572 | $8,159,551 | $8,479,700 | $8,445,728 | $8,855,321 | $9,639,942 | $10,083,793 |
| Contributions as a percentage of covered payroll | 14.50% | 14.25% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

***Fiscal year 2021 was the 7th year of implementation, therefore only seven years are shown.

Prepared for Arkansas Public Employees Retirement System (APERS), a Cost Sharing Defined Benefit Pension Plan, As of June 30, 2021
Last 10 Years***

## Schedule of the University's Proportional Share of the Net Pension Liability

| | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability | 0.454% | 0.503% | 0.561% | 0.620% | 0.634% | 0.607% | 0.585% |
| Proportionate share of the net pension liability | $13,000,472 | $12,139,799 | $12,385,719 | $16,028,022 | $15,150,795 | $11,172,397 | $8,307,056 |
| Covered payroll* | $8,858,198 | $9,629,413 | $10,698,276 | $11,215,648 | $11,480,269 | $10,765,820 | $10,417,763 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 146.76% | 126.07% | 115.77% | 142.91% | 131.97% | 103.78% | 79.74% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.38% | 78.55% | 79.59% | 75.65% | 75.50% | 80.39% | 84.15% |

*Covered payroll figures for 2016, 2017, and 2018 have been restated.
**The amounts presented for each fiscal year were determined as of June 30 of the previous year.
***Fiscal year 2021 was the 7th year of implementation, therefore only seven years are shown.

## Schedule of Contributions

| | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|---|---|---|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $1,233,855 | $1,357,076 | $1,475,226 | $1,551,250 | $1,626,269 | $1,664,639 | $1,589,035 |
| Contributions in relation to the actuarially determined contributions | (1,233,855) | (1,357,076) | (1,475,226) | (1,551,250) | (1,626,269) | (1,664,639) | (1,589,035) |
| Contribution deficiency (excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Covered payroll* | $8,053,884 | $8,858,198 | $9,629,413 | $10,698,276 | $11,215,648 | $11,480,269 | $10,765,820 |
| Contributions as a percentage of covered payroll | 15.32% | 15.32% | 15.32% | 14.50% | 14.50% | 14.50% | 14.76% |

***Fiscal year 2021 was the 7th year of implementation, therefore only seven years are shown.

Schedule 1

UNIVERSITY OF CENTRAL ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

| | Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total Assets and Deferred Outflows | $ 389,770,558 | $ 387,325,496 | $ 355,382,806 | $ 312,621,451 | $ 312,574,762 |
| Total Liabilities and Deferred Inflows | 288,105,562 | 289,399,860 | 273,609,999 | 221,867,385 | 214,540,954 |
| Total Net Position | 101,664,996 | 97,925,636 | 81,772,807 | 90,754,066 | 98,033,808 |
| Total Operating Revenues | 86,650,566 | 92,787,107 | 97,387,543 | 95,843,817 | 96,684,795 |
| Total Operating Expenses | 195,742,327 | 195,284,090 | 200,710,232 | 193,777,395 | 186,747,138 |
| Total Net Non-Operating Revenues | 110,830,204 | 98,418,563 | 95,384,329 | 93,922,903 | 90,726,789 |
| Total Other Revenues, Expenses, Gains or Losses | 1,927,013 | 20,219,662 | (1,042,899) | (794,254) | (787,473) |