
ARKANSAS STATE UNIVERSITY SYSTEM



Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

Included in the Higher Education Fund, an Enterprise Fund of the State of Arkansas



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Included in the Higher Education Fund, an Enterprise Fund of the State of Arkansas

Prepared by:

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Introductory Section (Unaudited)

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OFFICE OF THE SYSTEM PRESIDENT
501 Woodlane, Suite 301N, Little Rock, AR 72201 | o: 501-660-1004 | f: 501-660-1010

MESSAGE FROM THE PRESIDENT

December 13, 2013

Fiscal year 2013 was another successful year for the Arkansas State University System. This consolidated annual financial report presents the results of our endeavors.

Enrollment at all campuses during Fall 2012 was 21,976 compared to 22,065 for Fall 2011. During fiscal year 2013, 6,682 certificates and degrees were awarded to our students compared to 6,530 during fiscal year 2012.

Each System campus is currently involved in creating a better environment for our students, faculty and staff. The Jonesboro campus has several projects underway or recently completed including the new Humanities and Social Sciences Building, Sorority Housing, Honors Housing, and the Student Activities Center. ASU Beebe was named the "Safest Campus in America" for the fourth consecutive year. Mountain Home's expansion of the welding facility has been completed and nearly doubles the space previously occupied by the welding program. Newport recently completed construction on the Fowler Family Hospitality Services Building.

State appropriation revenues are expected to increase slightly from fiscal year 2013 levels. There is some ambiguity in the forecasted appropriations for subsequent fiscal years due to the new performance funding model; however, we remain confident we will be able to maintain our current funding levels and provide a quality education.

We believe that the slight improvement in the national economy points to future growth that may provide further opportunities to strengthen our campuses. We will continue to seek innovative ideas that will allow us to remain a sound contributor to the state and each of our local communities.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Welch".

Dr. Charles L. Welch
President

Vision, Mission, and Goals

Vision Statement

The Arkansas State University System will create better educated citizens prepared for a global and technological society by providing quality undergraduate and graduate education, useful research, and dedicated public service.

Mission Statement

The mission of the Arkansas State University System is to contribute to the educational, cultural, and economic advancement of Arkansas by providing quality general undergraduate education and specialized programs leading to certificate, associate, baccalaureate, masters, professional, and doctoral degrees; by encouraging the pursuit of research, scholarly inquiry, and creative activity; and by bringing these intellectual resources together to develop the economy of the state and the education of its citizens throughout their lives.

Each component of the Arkansas State University System will be characterized by:

- A supportive learning environment; personal development, leadership, and service opportunities; and facilities, technologies and support necessary to meet the needs of students, faculty, and staff;
- Racial, ethnic, gender and cultural diversity in the faculty, staff, and student body, supported by practices and programs that embody the ideals of an open, democratic, and global society;
- Instructional technologies, student support services, and on-line and distance education to advance the purposes of teaching and learning;
- A commitment to sharing human, physical, information, and other resources among system components, and with state agencies, schools and higher education institutions, to expand and enhance programs and services available to the citizens of Arkansas.

Goals Statement

The Arkansas State University System will ensure access to academic excellence and educational opportunities for Arkansans and all students who enroll in its component institutions by:

- Expanding participation through increasing access, enhancing diversity, improving service to non-traditional students, expanding use of distance education, and describing the advantages of continuing education.
- Increasing academic productivity through improved recruitment, increased retention, accelerated graduation, expanded continuing education opportunities, and advanced technologies.
- Producing graduates who are intellectually and ethically informed individuals with skills and knowledge to be capable of leadership, creative thinking, and being contributing citizens.
- Creating and disseminating new knowledge through research and investigation.
- Emphasizing the recruitment, hiring, and retention of the best possible faculty, staff, and administration.
- Expanding Arkansas's economic development by providing needed graduates, offering appropriate academic programs, marketing the system and its components as economic assets of the state, supporting research, and commercializing ideas and discoveries.
- Increasing, diversifying, and strategically allocating resources.

In meeting these goals, the Arkansas State University System will hold itself accountable to the citizens of Arkansas for the effective and efficient use of every available human and material resource on behalf of the state and its people.



OFFICE OF THE SYSTEM PRESIDENT
501 Woodlane, Suite 301N, Little Rock, AR 72201 | o: 501-660-1004 | f: 501-660-1010

LETTER OF TRANSMITTAL

December 13, 2013

To: President Welch
Members of the Board of Trustees
Residents of the State of Arkansas

I am pleased to present the Comprehensive Annual Financial Report of the Arkansas State University System for the fiscal year ended June 30, 2013. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, net position, and financial activities of the Jonesboro, Beebe, Mountain Home, and Newport campuses of the University. Combining exhibits are presented as supplementary information.

The responsibility for the accuracy and reliability of the information contained in this report lies with management. The financial statements are presented in accordance with generally accepted accounting principles. The University's accounts are maintained using the principles of accounting applicable to public colleges and universities as established by the Governmental Accounting Standards Board. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of material misstatements. The Arkansas Division of Legislative Audit has audited the financial statements, management's discussion and analysis, and accompanying footnotes and its unqualified opinion is included herein.

Management's discussion and analysis (MD&A) is included in this report preceding the basic financial statements. This section of the Comprehensive Annual Financial Report is intended to assist readers to gain an understanding of the University's financial activities and position for the fiscal year ended June 30, 2013.

University Profile

Arkansas State University began in Jonesboro in 1909 as a state agriculture school. Arkansas State University–Jonesboro was granted university status by the General Assembly in 1967.

Transmittal Letter (Continued)

Arkansas State University-Beebe began in 1927 as Junior Agricultural School of Central Arkansas. In 1967, the campus became Arkansas State University-Beebe.

Effective July 1, 1992, Arkansas State University began administrative operations at the Mountain Home campus.

In 1975, the Arkansas General Assembly established the White River Vocational Technical School at Newport. In 1992, the school merged with Arkansas State University-Beebe, and in 1997 was designated as Arkansas State University-Newport.

In 1998, the Arkansas State University System was begun to recognize the individual campuses as an official system.

The governing body of the University is the Board of Trustees which is comprised of five members.

Arkansas State University follows Governmental Accounting Standards Board (GASB) Statement Number 39, Determining Whether Certain Organizations are Component Units. Based on the criteria in this standard, the University has determined that the ASU Foundation, Inc. is a component unit of the Arkansas State University System and has discretely presented the financial statements of the Foundation in this report.

The Arkansas State University System serves to advance the educational and economic growth of Arkansas by supporting the Board of Trustees and providing administrative support to all of the ASU campuses and entities. In addition to the various academic programs leading to degrees, the ASU System supports significant programs for the state and region including economic development initiatives, leadership in the Arkansas Biosciences Institute, and Arkansas Heritage Sites.

While each campus functions autonomously in its day-to-day operations, system administration coordinates various operations that are more efficiently carried out in a system-wide basis. In addition to the President's Office, administrative functions of system administration include legal counsel services, governmental relations, university advancement, internal audit, benefits and risk management, fiscal management, strategic communications and economic development.

ASU offers programs at the doctoral, specialist, master's, bachelor's, associate's and certificate levels. During the academic year ended June 30, 2012, the ASU System conferred 1,750 graduate degrees, 1,721 bachelor's degrees, 1,531 associate degrees and 1,680 certificates. Preliminary enrollment across the ASU System for the Fall 2013 semester totals over 21,000.

Transmittal Letter (Continued)

Highlights, Progress, and Initiatives

- ASU Jonesboro has initiated a new doctoral program entitled 'Doctor of Nursing Practice'.
- The ASU System welcomed Dr. Robin Myers as the new chancellor at the Mountain Home campus.
- Enrollment for the system has increased in full-time equivalent students and is one of the strongest academic classes in ASU history.
- Construction was near completion at the end of FY 13 on five sorority houses and a new honors residential facility.
- A gift of \$1 million was received by ASU Newport for construction of the Fowler Family Hospitality Services Building.
- The Career Pathways program on the Newport campus has been designated the second most productive program of the 22 two-year institutions in the state.
- The ASU Jonesboro campus received a gift of \$5 million from Liberty Bank of Arkansas for stadium naming rights. Red Wolves Stadium has been renamed Liberty Bank Stadium.
- The ASU System has named Jeff Hankins as the new vice president for Strategic Communications and Economic Development.
- The Mountain Home Campus received the following significant gifts during the fiscal year: \$840,000 was received for installation and maintenance of the Keller green and fountain, and \$1 million for classroom and laboratory space to benefit the Nursing and Allied Health programs.
- ASU Jonesboro has opened a campus IT Store in Wilson Hall. The store offers a variety of hardware and products, including ipads as part of the campus ipad initiative. The ipad initiative is an effort to encourage use of evolving technology in the classroom.
- The ASU Beebe campus has been recognized as the safest college campus in the United States for four consecutive years.
- Negotiations are in process to establish a campus in Queretaro, Mexico. This is a cooperative effort between ASU Jonesboro and a private foundation in Mexico. The University anticipates this will be a self-sustaining program which will generate substantial revenue and present exchange opportunities for faculty and students.

Transmittal Letter (Continued)

- Supplemental bonds were issued by the Jonesboro campus for new construction and renovations. These projects include renovations to Kays Hall, an additional honors residence hall and five new sorority houses. The new facilities were opened Fall 2013.
- All four campuses issued refunding bonds during fiscal year 2013 which will provide a reduction in total debt service payments of \$5,682,704 and an economic gain of \$4,065,178.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arkansas State University System for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. Fiscal year 2012 was the first year Arkansas State University had submitted a CAFR. We will continue to submit our CAFR to the GFOA.

Economic Indicators

Net general revenues for the state increased 5.8% for fiscal year 2013. This was a result of growth in collections from individual income tax and sales and use tax. The state's unemployment rate as of June 2013 (7.3%) remained unchanged as compared to June 2012. This rate was 0.3% below the national rate. This stability is a benefit to ASU as a state funded institution.

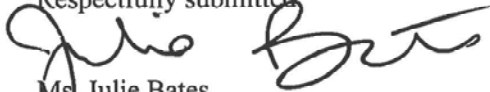
Financial Highlights

The ASU system continues to seek ways to diversify revenues and contain costs while maintaining a quality educational experience for students. Total Revenues for fiscal year 2013 minimally decreased at 0.60%. Total assets increased by 2.08%, while liabilities increased by 3.15%. Additional information about these percentages and the overall financial health of the University may be found in the management's discussion and analysis.

Transmittal Letter (Continued)

While fiscal year 2013 was a productive year for the ASU System, the University will continue to purposefully manage the challenges posed by the current economic conditions and will continue to cultivate and develop innovative funding opportunities in furtherance of its mission.

Respectfully submitted,



Ms. Julie Bates
Vice President for Finance

GFOA Certificate of Achievement



The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

ASU Jonesboro Controller's Office
Arkansas State University System



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as responsible in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and requirements, the highest award in government financial reporting.

Executive Director

Date June 7, 2015

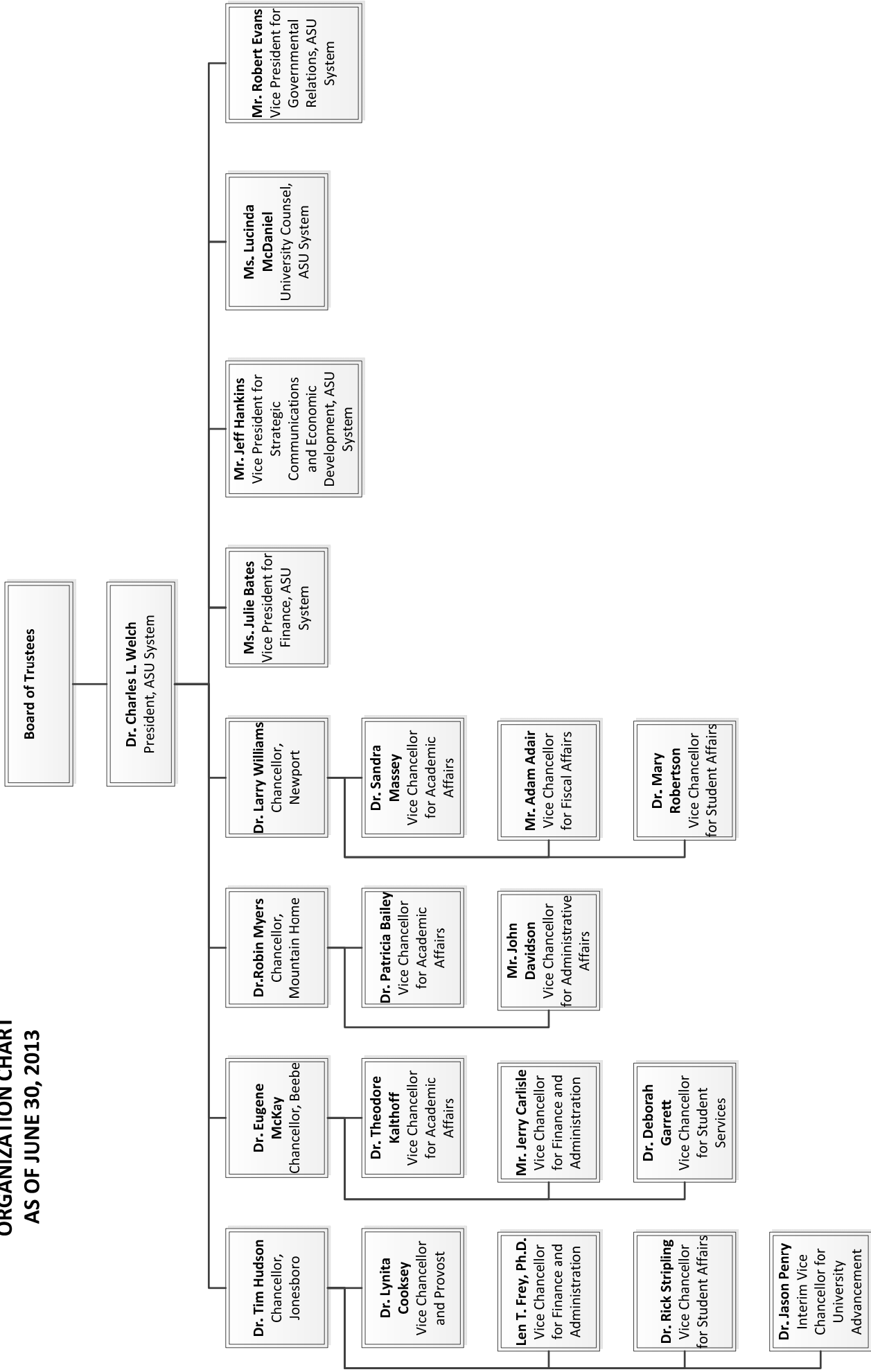
**Governor of the State of Arkansas
Mr. Mike Beebe**

**Board of Trustees
As of June 30, 2013**

Mr. Mike Gibson, Chair.....Osceola, Arkansas
Mr. Dan Pierce, Vice Chair..... Jonesboro, Arkansas
Mr. Charles Luter, Secretary..... Paragould, Arkansas
Mr. Howard L. Slinkard, Member Rogers, Arkansas
Mr. Ron Rhodes, MemberCherokee Village, Arkansas



**ARKANSAS STATE UNIVERSITY SYSTEM
ORGANIZATION CHART
AS OF JUNE 30, 2013**





Financial Section

Independent Auditor's Report

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
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 Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, 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 Arkansas State University Foundation, Inc., which represent 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University 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 Arkansas State University 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

172 STATE CAPITOL • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE (501) 683-8600 • FAX (501) 683-8605
www.arklegaudit.gov

Independent Auditor's Report (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions 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 Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 19, 2013
EDHE12513

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Statement Presentation

This section of the Arkansas State University (The University) annual financial report presents discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2013. This discussion and analysis is prepared by the University's financial administrators and is intended to provide information on the financial activities of the University that is both relevant and easily understandable. Information is also provided on the University's financial position as of June 30, 2012 as further explanation of the results of the year's financial activities. As shown in the information that follows, the overall financial position of the University has improved during the fiscal year.

The statements have been prepared using the format specified in Governmental Accounting Standards Board (GASB) Statements Number 34 and 35. GASB Statement Number 34 does not require the presentation of comparative information from the previous fiscal year but does require a discussion of any significant changes in the University's financial position or the results of its operations.

In June 2011, the GASB issued Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The use of net position as the residual of all other elements presented in a statement of financial position has also been identified. This statement amends the net asset reporting requirement in Statement Number 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The University's financial statements for the year ended June 30, 2013 have been audited and the Arkansas Division of Legislative Audit has rendered the audit opinion contained herein. In accordance with Governmental Accounting Standards Board requirements, this analysis includes a discussion of the significant changes between the two fiscal years ended June 30, 2013 and 2012 where appropriate.

Statement Discussion

Statement of Net Position

The Statement of Net Position is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, and net position (assets minus liabilities) as of June 30, 2013, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net position is presented in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is divided into two categories: nonexpendable and expendable. A more detailed explanation of these categories is found in the notes that accompany the financial statements. A condensed version of the Statement of Net Position is displayed below.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2013:

- Did the University have sufficient assets available to meet its existing obligations and continue operations?
- How much did the University owe to external parties including vendors and lending institutions?
- What resources did the University have available to make future investments and expenditures?

Assets

Total assets increased by \$10.9 million.

Current Assets

Current assets decreased by \$2.6 million. Cash and cash equivalents decreased by \$3.6 million. This decrease was due to re-directing a portion of current unrestricted cash to noncurrent unrestricted cash to be used for capital projects and renovations at the Jonesboro campus. Short-term investments decreased by \$558,000. Jonesboro had a decrease of \$713,000 as the short-term investments matured or were sold and replaced with long-term investments. The Newport campus had a \$155,000 increase as additional short-term investments were needed to fund

| Condensed Statement of Net Position | | | | |
|-------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Percent Change |
| Assets: | | | | |
| Current Assets | \$ 64,987,417 | \$ 67,563,252 | \$ (2,575,835) | (3.81%) |
| Capital Assets, net | 398,026,329 | 376,827,180 | 21,199,149 | 5.63% |
| Other Noncurrent Assets | 72,133,976 | 79,873,180 | (7,739,204) | (9.69%) |
| Total Assets | \$ 535,147,722 | \$ 524,263,612 | \$ 10,884,110 | 2.08% |
| Liabilities: | | | | |
| Current Liabilities | \$ 34,043,752 | \$ 29,367,825 | \$ 4,675,927 | 15.92% |
| Noncurrent Liabilities | 198,179,752 | 195,770,946 | 2,408,806 | 1.23% |
| Total Liabilities | 232,223,504 | 225,138,771 | 7,084,733 | 3.15% |
| Net Position: | | | | |
| Net Investment in Capital Assets | 218,122,176 | 205,872,011 | 12,250,165 | 5.95% |
| Restricted, Nonexpendable | 13,782,556 | 13,097,190 | 685,366 | 5.23% |
| Restricted, Expendable | 11,092,834 | 20,096,584 | (9,003,750) | (44.80%) |
| Unrestricted | 59,926,652 | 60,059,056 | (132,404) | (0.22%) |
| Total Net Position | 302,924,218 | 299,124,841 | 3,799,377 | 1.27% |
| Total Liabilities and Net Position | \$ 535,147,722 | \$ 524,263,612 | \$ 10,884,110 | 2.08% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

capital projects. Accounts receivable decreased by \$723,000. Gross receivables decreased by \$550,000. Allowances for doubtful accounts increased by \$173,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. Inventories increased by \$229,000. This was due to the addition of the IT Store inventory on the Jonesboro campus as well as the reduction of bookstore inventory on the Newport campus due to the change in bookstore operations. Deposits with trustees increased by \$2 million. This was due to the construction projects funded with bond proceeds at the Jonesboro campus of sorority housing, honors housing, and renovations to Kays Hall.

Capital Assets, net

Capital assets, net increased by \$21.2 million. Accumulated depreciation increased from \$247,019,480 in 2012 to \$265,485,623 in 2013. This increase is due to new equipment, additional buildings, and renovations that were added in 2012 and began depreciating in 2013. The increase in accumulated depreciation was offset by the addition of \$44 million in capital assets and the retirement of \$4.4 million in capital assets with accumulated depreciation of \$4 million. Of the \$44 million added to capital assets, \$37 million was construction in progress.

Other Assets

Other assets decreased by \$7.7 million. Noncurrent cash increased by \$7.1 million while restricted cash decreased by \$7.7 million. Noncurrent cash increased due to the redirection of current cash as mentioned above. The decrease in restricted cash was due to spending of the capital appropriation for the humanities and social sciences building at the Jonesboro campus. Endowment investments increased by \$700,000. This was due to increases in investment income from endowment assets. Other long-term investments increased by \$846,000. This was a redirection of assets from short-term to long-term at the Jonesboro campus and additional purchases at the Newport campus. Deposits with trustees decreased by \$9.1 million. This was due to construction project expenses funded by bond proceeds at the Jonesboro campus. Unamortized bond issuance costs increased by \$799,000. All campuses experienced an increase in this as each campus issued bonds during fiscal year 2013.

Liabilities

Total liabilities increased by \$7.1 million.

Current Liabilities

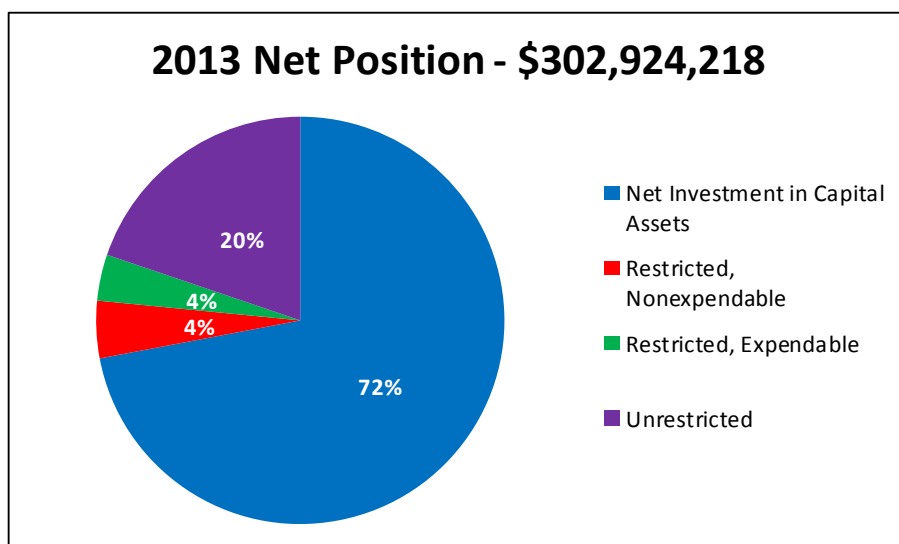
Current liabilities increased by \$4.7 million. Accounts payable and accrued liabilities increased by \$2.3 million. This was attributable to construction and retainages payable at the Jonesboro campus for projects that were expected to be completed by the start of the fall term. Also, bonds, notes and leases payable increased by \$648,000 and was attributable to the new bond issues at the Jonesboro campus for construction projects, as well as the refunding issues at all of the campuses. Unearned revenues increased by \$2.1 million. This was due to amounts received for grants and contracts that were recorded as unearned revenue at the end of 2013. Also, there were additional funds due to the second summer session and online programs at the Jonesboro campus.

Noncurrent Liabilities

Noncurrent liabilities increased by \$2.4 million. \$512,000 of this increase was in bonds, notes and leases payable. This increase was due to the refunding and construction bonds issued for Jonesboro and the refunding issues at each of the other campuses. Also, other post-employment benefits realized an increase of \$1.6 million. The estimate of this liability continues to increase each year due to the increasing costs of retirement benefits.

Net Position

Total net position increased by \$3.8 million. The percentage of each net position category is displayed in the chart below.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Net investment in capital assets

Net investment in capital assets increased by \$12.3 million. This was a significant increase and is attributable to the \$21.2 million increase in net capital assets mentioned above and the increase in construction in progress attributable to the \$9.1 million of ongoing bond funded related projects.

Restricted, Nonexpendable

Restricted, nonexpendable net position increased by \$685,000.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships decreased by \$2.7 million. This decrease was due to the Jonesboro campus's reclassification of the restricted, nonexpendable portion of the R. E. Lee Wilson, Sr. Trust from scholarships and fellowships to other.
- *Loans*—The restricted, nonexpendable net position for loans increased slightly in the amount of \$27,000. This was due to a small increase in the Perkins Loan activity.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above increased by \$3.4 million. The majority of this increase was the reclassification of the R. E. Lee Wilson, Sr. Trust as mentioned above. The remaining increase was due to improved investment earnings during the year on endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net position decreased by \$9.1 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships decreased by \$282,000. \$140,000 of this decrease was due to the reclassification of the expendable portion of the R. E. Lee Wilson, Sr. Trust. The remaining decrease was due to a decrease in federal and private grants for scholarships.
- *Research*—Restricted, expendable net position for research declined by \$545,000. This decrease is due to a decline in research awards related to reduced funding at the national, state and local levels.
- *Loans*—The restricted, expendable net position for loans remained unchanged between fiscal year 2012 and fiscal year 2013.
- *Capital Projects*—The restricted, expendable net position for capital projects decreased by \$7.6 million. This was related to the spending of the capital appropriation at the Jonesboro campus as discussed previously.
- *Debt Service*—Restricted, expendable net position for debt service decreased by \$241,000. This was due to reflecting these amounts as part of net investment of capital assets in accordance with new accounting guidance.
- *Other*—The restricted, expendable net position for other purposes than those listed above decreased by \$322,000. This was caused by a decrease in non-research grant activity as funding for grants and contracts continues to decline due to economic conditions at the federal, state and local levels.

Unrestricted

Unrestricted net position decreased slightly by \$132,000. This was a very minimal decrease for the ASU system. The slight decline indicates the campuses continue to operate effectively during difficult economic times.

Statement of Revenues, Expenses and Changes in Net Position

The net position as presented on the Statement of Net Position is based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses and Changes in Net Position. This statement's purpose is to present the revenues generated and received by the University, both operating and nonoperating, the expenses incurred by the University, both operating and nonoperating, and all other financial gains or losses experienced by the University during the fiscal year ended June 30, 2013.

Generally, revenues from operations are received in exchange for the University providing services or products to students and other constituencies. Operating expenses are those costs paid or incurred in producing those services or products or in carrying out the mission of the University. Nonoperating revenues are financial inflows to the University resulting from nonexchange transactions; that is, the University does not provide a specific service or product in exchange for them. For example, appropriations from the state are considered nonoperating revenue because the legislature does not receive a direct and commensurate benefit from the University in exchange for providing the appropriation. A condensed Statement of Revenues, Expenses and Changes in Net Position for fiscal year 2013 compared to fiscal year 2012 is shown below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | |
|------------------------------------------------------------------------------|---------------------|----------------------|-------------------------|-------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Percent Change |
| Operating Revenues | | | | |
| Tuition and Fees, Net | \$ 54,188,183 | \$ 53,179,741 | \$ 1,008,442 | 1.90% |
| Grants and Contracts | 27,839,857 | 30,928,513 | (3,088,656) | (9.99%) |
| Auxiliary Enterprises, Net | 24,706,113 | 23,926,128 | 779,985 | 3.26% |
| Other | 7,610,640 | 6,370,538 | 1,240,102 | 19.47% |
| Total Operating Revenues | <u>114,344,793</u> | <u>114,404,920</u> | <u>(60,127)</u> | (0.05%) |
| Operating Expenses | 263,915,529 | 261,327,398 | 2,588,131 | 0.99% |
| Nonoperating Revenues (Expenses) | | | | |
| Federal Appropriations | 3,579,588 | 5,580,251 | (2,000,663) | (35.85%) |
| State Appropriations | 92,408,687 | 93,460,349 | (1,051,662) | (1.13%) |
| Grants and Contracts | 53,786,731 | 53,629,309 | 157,422 | 0.29% |
| Interest | (7,451,756) | (7,765,915) | 314,159 | (4.05%) |
| Other | 6,578,593 | 5,382,038 | 1,196,555 | 22.23% |
| Total Nonoperating | <u>148,901,843</u> | <u>150,286,032</u> | <u>(1,384,189)</u> | (0.92%) |
| Income Before Other Revenues, Expenses, Gains or Losses | <u>(668,893)</u> | <u>3,363,554</u> | <u>(4,032,447)</u> | (119.89%) |
| Capital Appropriations | 2,409,353 | 7,826,005 | (5,416,652) | (69.21%) |
| Capital Grants and Gifts | 1,619,695 | 654,093 | 965,602 | 147.62% |
| Other | 439,222 | 1,943,617 | (1,504,395) | (77.40%) |
| Total | <u>4,468,270</u> | <u>10,423,715</u> | <u>(5,955,445)</u> | |
| Increase (Decrease) in Net Position | <u>\$ 3,799,377</u> | <u>\$ 13,787,269</u> | <u>\$ (9,987,892)</u> | (72.44%) |
| Net Position, Beginning of Year | \$ 299,124,841 | \$ 285,337,572 | \$ 13,787,269 | 4.83% |
| Net Position, End of Year | \$ 302,924,218 | \$ 299,124,841 | \$ 3,799,377 | 1.27% |

Revenues

Total revenues decreased by \$1.6 million.

Operating Revenues

Total operating revenues decreased by \$60,000.

Tuition and Fees, net

Net tuition and fees increased by \$1 million. Gross tuition and fee revenue increased by \$1.7 million. This was the result of increased enrollment as well as a minimal tuition increase. Scholarship allowances also increased by \$673,000. In addition to more scholarship opportunities provided to students, the Mountain Home campus changed the order in which aid is applied to a student's account which increased the amount of scholarship allowances. Federal Pell grants are now applied prior to student loans.

Grants and Contracts

Operating grants and contracts decreased by \$3.1 million. While grants increased in the amount of \$41,000 on the Beebe campus, all other campuses saw a decrease in grants. The Jonesboro campus had decreases in federal, local and private grants. This decrease was due to a continued decline in available grant resources. Mountain Home had a decrease of \$240,000 due to another campus taking responsibility for the Adult Education grant. The Newport campus had a \$130,000 decrease due to the completion of the Surgi-

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

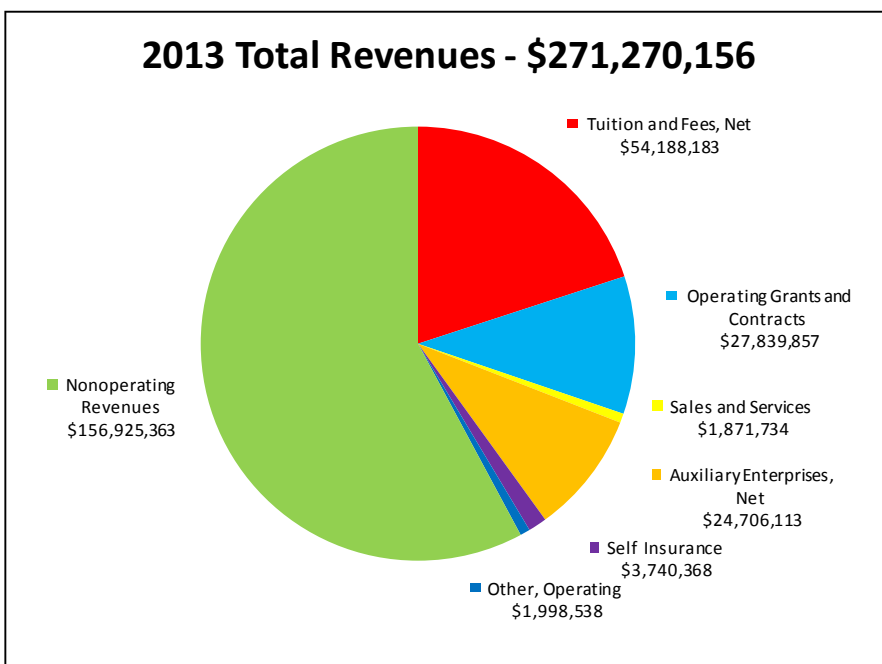
cal Technology and Renewable Energy grants as well as the reduction of grants during fiscal year 2013, such as the Adult Education and Career Pathways grants.

Sales and Services

Sales and services increased by \$835,000. This increase is largely attributable to the opening of the IT Store at the Jonesboro campus.

Auxiliary Enterprises, net

Auxiliary enterprises, net increased by approximately \$780,000. Gross auxiliary revenues increased by \$1.6 million. This was the result of increased revenues across several of the auxiliary operations at the Jonesboro campus including athletics, residence life, student union and food services. Additionally, the Newport campus realized a decrease in auxiliary revenues as a result of transferring the operations of the bookstore to a third party. Scholarship allowances also increased by approximately \$787,000. This was a combined effect of the minimal tuition increases as well as the change in the handling of Mountain Home’s application of payment process as discussed above.



Self Insurance

Self insurance revenues increased by \$287,000. This is a result of a minimal increase in premiums that occurred beginning January 1st. In addition, the plan design changes included moving from a two tier rate structure to a four tier rate structure, eliminating the requirement to select a PCP (Primary Care Physician) and eliminating the requirement for referrals to specialists. To comply with healthcare reform, the maximum liability was increased from \$1,200,000 to \$2,000,000. This should not affect the liability of the University due to having excess loss coverage, but it increased premiums to the carrier, which resulted in slightly higher premiums to both the University and the employee.

Other

Other operating revenues increased by \$118,000. This was a result of an increase of \$260,000 at the Jonesboro campus which was mostly due to increases in rental and lease income related to the opening of the Arkansas Biosciences Catalyst. Beebe, Mountain Home and Newport each saw decreases in other operating revenues. Mountain Home had decreases in rental revenue of the community development center, decreases in host fee revenue and received one time money in 2012 for a wellness coordinator. Newport had a slight decrease in rental and lease income for the cosmetology department.

Nonoperating Revenues

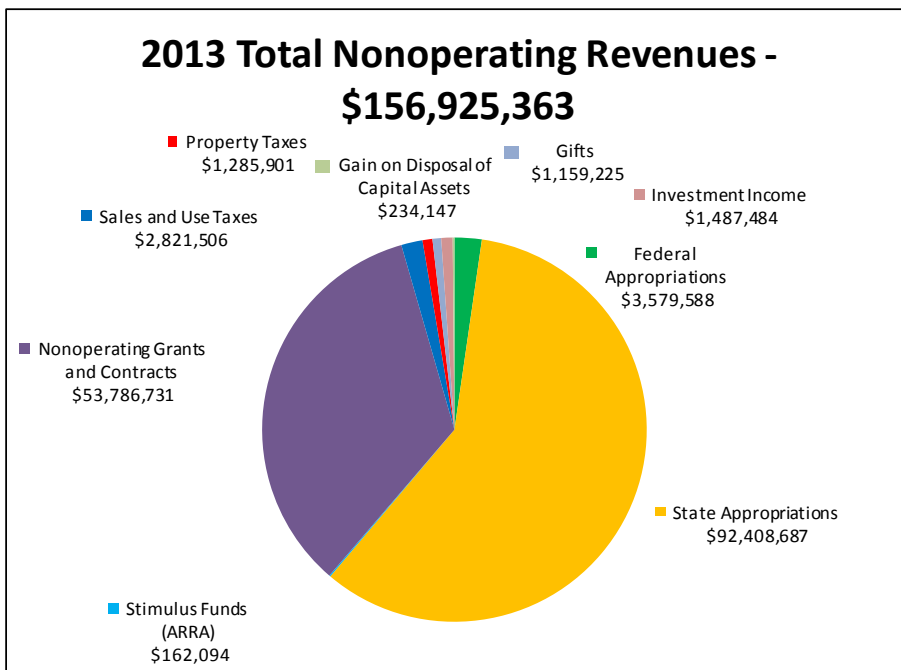
Total nonoperating revenues decreased by \$1.6 million.

Federal Appropriations

Federal appropriations decreased by \$2 million. In the prior fiscal years, the Jonesboro campus received several federal earmark awards. The campus did not receive any new funds and will continue to see a decrease as these awards are being completed.

State Appropriations

State appropriations decreased by \$1 million. This decrease is attributable to additional one-time funding that each campus received near the end of fiscal year 2012.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Stimulus Funds (ARRA)

Nonoperating revenues from stimulus funds (ARRA) decreased by \$79,000. The Jonesboro campus had an increase of \$34,000 as funds were spent to complete ARRA funded projects. Beebe and Newport had a decrease of \$113,000 as ARRA funding was no longer available.

Grants and Contracts

Nonoperating grants and contracts increased by \$157,000. This was due to a combined effect of decreases in federal grants and contracts, such as Pell grants, and increases in state grants and contracts, such as Arkansas Challenge Lottery.

Sales and Use Taxes

Sales and use taxes increased by \$46,000. This was due to a slight increase in spending in Jackson and Cleburne Counties.

Property Taxes

Property tax revenues decreased by \$53,000. This decrease is due to declines in the assessed property values as determined by Baxter County.

Gifts

Gifts decreased by \$154,000. The majority of this decline was due to a reduction of \$108,000 received by the Mountain Home campus from the ASU Foundation for plant maintenance.

Investment Income

Investment income increased by \$683,000. While the interest rate for bank accounts and certificates of deposits declined, other investments, such as endowment investments, saw an increase.

Gain or Loss on Disposal of Capital Assets

Gains/losses on disposal of capital assets increased by \$876,000. This was due to the sale of land belonging to the Jonesboro campus. In addition, during fiscal year 2012, several houses on the campus were demolished to prepare for the new honors and sorority housing projects.

Expenses

Total expenses increased by \$2.4 million.

Operating Expenses

Total operating expenses increased by \$2.6 million.

Additional information on operating expenses can be found in the tables and charts that follow.

Personal Services

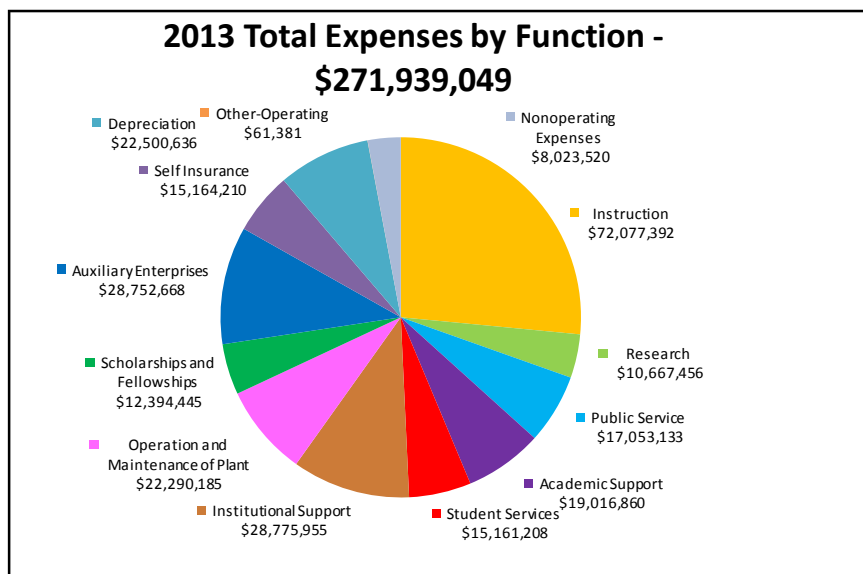
Personal services increased by \$1.3 million. The majority of this increase was the additional amount of other post employment benefits that was recorded for fiscal year 2013. The total for this was approximately \$1.6 million. Additionally, the Newport campus had a decrease in personal services expenses due to the transfer of the bookstore operation to a third party.

Scholarships and Fellowships

Scholarships and fellowships decreased by \$558,000. This was due to the change in the way the Mountain Home campus applies aid as described in the tuition and fee and auxiliary enterprises sections.

Supplies and Services

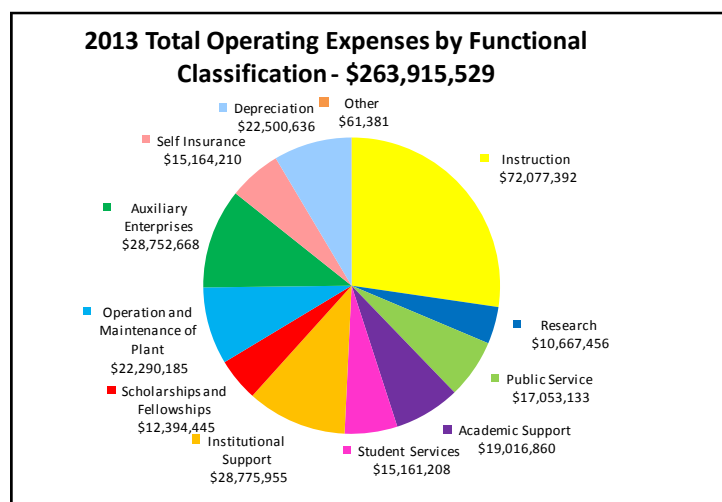
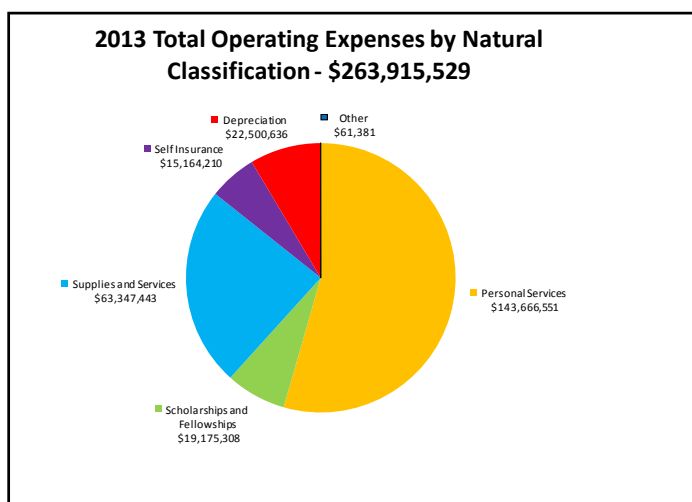
Supplies and services increased by \$1.2 million. This increase was due to increased costs at the Jonesboro campus of \$1.4 million for technology fee spending as well as additional spending for renovations during the year that was expensed. Also, the Mountain Home campus had an overall decrease in supplies and services expenses during the year due to decreases in expenses for the physical plant, utilities and the community development center. Newport also had a decrease due to the change in the bookstore operations and a decrease in grant expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

| Operating Expenses by Function | | | | |
|---------------------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Percent Change |
| Instruction | \$ 72,077,392 | \$ 70,699,702 | \$ 1,377,690 | 1.95% |
| Research | 10,667,456 | 12,880,432 | (2,212,976) | (17.18%) |
| Public Service | 17,053,133 | 17,089,593 | (36,460) | (0.21%) |
| Academic Support | 19,016,860 | 17,369,576 | 1,647,284 | 9.48% |
| Student Services | 15,161,208 | 15,884,804 | (723,596) | (4.56%) |
| Institutional Support | 28,775,955 | 27,649,381 | 1,126,574 | 4.07% |
| Scholarships and Fellowships | 12,394,445 | 13,640,549 | (1,246,104) | (9.14%) |
| Operation and Maintenance of Plant | 22,290,185 | 21,933,940 | 356,245 | 1.62% |
| Auxiliary Enterprises | 28,752,668 | 27,147,006 | 1,605,662 | 5.91% |
| Self Insurance | 15,164,210 | 14,774,378 | 389,832 | 2.64% |
| Depreciation | 22,500,636 | 22,208,187 | 292,449 | 1.32% |
| Other | 61,381 | 49,850 | 11,531 | 23.13% |
| Total Operating Expenses | \$ 263,915,529 | \$ 261,327,398 | \$ 2,588,131 | 0.99% |

| Operating Expenses by Natural Classifications | | | | |
|------------------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Percent Change |
| Personal Services | \$ 143,666,551 | \$ 142,396,694 | \$ 1,269,857 | 0.89% |
| Scholarships and Fellowships | 19,175,308 | 19,733,286 | (557,978) | (2.83%) |
| Supplies and Services | 63,347,443 | 62,165,003 | 1,182,440 | 1.90% |
| Self Insurance | 15,164,210 | 14,774,378 | 389,832 | 2.64% |
| Depreciation | 22,500,636 | 22,208,187 | 292,449 | 1.32% |
| Other | 61,381 | 49,850 | 11,531 | 23.13% |
| Total Operating Expenses | \$ 263,915,529 | \$ 261,327,398 | \$ 2,588,131 | 0.99% |



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Self Insurance

Self insurance expenses increased by \$390,000. This minimal increase was due to increased healthcare costs during the fiscal year.

Depreciation

Depreciation expense increased by \$292,000. There are several ongoing new construction and renovation projects. Depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

Other

Other operating expenses increased by \$12,000. These expenses are related to the Perkins Loan program on the Jonesboro campus. Bad debt expense was higher in fiscal year 2013 when compared to fiscal year 2012.

Nonoperating Expenses

Total nonoperating expenses decreased by \$191,000.

Interest

Interest expense decreased by \$314,000. All the campuses experienced lower interest costs. The decrease is attributed to the refunding of debt that each campus had during the fiscal year.

Other

Other nonoperating expenses increased by \$292,000. This is primarily an increase in expenses to third party trustees who manage either funds held in trust or endowments.

Other Changes

Other revenues, expenses, gains and losses totaled \$4.5 million. This amount decreased by \$6 million.

Capital Appropriations

Capital appropriations decreased by \$5.4 million. This decrease is due to the Jonesboro campus's \$6 million appropriation for the humanities and social sciences building, which was received during fiscal year 2012.

Capital Grants and Gifts

Capital grants and gifts increased by \$966,000. The Jonesboro campus had an increase of \$1 million due to funds received from Union Pacific Railroad for the Marion Berry Parkway project as well as additional funds received from the ASU Foundation for the Johnny Cash boyhood home, education/communication building renovations and student activities center. Newport had a small increase due to the donation of vehicles during the fiscal year.

Stimulus Funds (ARRA) for Capital Projects

This funding decreased by \$246,000. This funding will continue to decrease as these awards are close to being completed.

Additions to Endowments

Additions to endowments decreased by \$1.5 million. This was due to the recognition of the Kays Trust at the Jonesboro campus during fiscal year 2012.

Statement of Cash Flows

The third and final statement presented is the Statement of Cash Flows. This statement presents detailed information about the University's financial activities from the perspective of their effect on cash. The information is presented in five components. The first presents cash inflows and outflows resulting from the University's normal operating activities. The second component presents cash flows from noncapital financing activities; that is, cash received from or spent for activities that do not result from normal operations, capital financing activities, or investing. The third component presents cash inflows and outflows resulting from capital and related financing activities such as debt issuance, lease agreements, and capital appropriations, grants, or gifts. The fourth component presents cash flows resulting from investing activities such as purchases and liquidations of investments and interest, gains, and losses generated by these activities. The fifth component of the Statement of Cash Flows is a reconciliation of the net operating revenues (expenses) for the fiscal year as reported on the Statement of Revenues, Expenses and Changes in Net Position to the net cash provided (used) by operating activities as presented in component one of the Statement of Cash Flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2013 and June 30, 2012 were as follows:

| Capital Assets (net of accumulated depreciation) | | | | |
|---------------------------------------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Percent Change |
| Land and land improvements | \$ 13,220,865 | \$ 13,130,572 | \$ 90,293 | 0.69% |
| Construction in progress | 38,447,386 | 14,474,812 | 23,972,574 | 165.62% |
| Livestock | 116,630 | 126,905 | (10,275) | (8.10%) |
| Intangibles-Easements | 2,675,000 | 2,627,000 | 48,000 | 1.83% |
| Intangibles-Software | 3,497,166 | 3,690,332 | (193,166) | (5.23%) |
| Buildings | 251,160,206 | 265,115,402 | (13,955,196) | (5.26%) |
| Improvements and infrastructure | 70,701,824 | 60,157,652 | 10,544,172 | 17.53% |
| Equipment | 16,335,928 | 15,518,000 | 817,928 | 5.27% |
| Library/audiovisual holdings | 1,871,324 | 1,986,505 | (115,181) | (5.80%) |
| Total | \$ 398,026,329 | \$ 376,827,180 | \$ 21,199,149 | 5.63% |

Land

The University's value in land and land improvements increased by \$90,293 during fiscal year 2013. This increase is attributable to a property purchase of \$15,000 at the Jonesboro campus and a transfer from construction in progress of \$75,881 at the Beebe campus. The Jonesboro campus also sold a small amount of land (0.86 acres) that had a book value of \$588 during fiscal year 2013.

Construction in progress

Construction in progress increased by 165.62%. This increase was the result of several new construction projects and renovations on the Jonesboro campus that are set to be completed in the near future. The Jonesboro campus's increase of \$21,260,282 is result of construction of new buildings, including Honors Housing, Sorority Housing and the Humanities and Social Sciences Building. Additionally, the campus had ongoing renovations including Kays Hall, Dean B. Ellis Library and the Dyess Colony Project. The Newport campus also showed an increase in construction in progress due to the construction of the new hospitality building at their Jonesboro campus location.

Livestock

The decrease of 8.1% is primarily attributable to a decrease in the Beebe campus livestock herds.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2013.

Intangibles-Software

The University's decrease of \$193,166 was the amount of annual depreciation during the fiscal year. No additions to software occurred in fiscal year 2013.

Buildings

The University's decrease in buildings is a result of fewer building additions when compared to fiscal year 2012. In fiscal year 2012, there were more than \$11 million added to the value of buildings through either current year spending or transfers from construction in progress. This amount for 2013 was \$191,550. Other than depreciation expense, the Jonesboro campus was the only campus that had any additions and deletions to buildings. The campus had one property purchase and one transfer from construction in progress. The property that was purchased, as well as additional buildings in the surrounding location, were demolished during the fiscal year to begin construction on the new Honors Housing and Sorority Housing projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Improvements and infrastructure

The 17.53%, or \$10,544,172, increase in improvements and infrastructure is attributable to several projects at the Jonesboro campus being completed during the fiscal year. These include: College of Business exterior modifications, ABI Commissioning, Johnny Cash Boyhood Home, IT Store, renovations to the Chancellor's house, improvements to the oldest residence halls, and renovations to the Convocation Center. Additionally, the Newport campus's amount increased due to completion of their AREON project.

Equipment

Equipment increased by 5.27%, or \$817,928, during the year. The increase in equipment additions from 2012 to 2013 is due to two high dollar purchases of equipment for the Jonesboro campus. These purchases included a new printing press and a new scoreboard at the Convocation Center.

Library/Audiovisual Holdings

The University's decrease of \$115,181, or 5.80%, is due to lower purchases from fiscal year 2012 to fiscal year 2013.

Additional information on capital assets by campus may be found in Note 4 in the notes to the financial statements.

Debt Administration

The University's financial statements indicate \$183,186,590 in bonds payable, \$4,011,621 in notes payable and \$88,444 in capital leases payable at June 30, 2013.

The Jonesboro campus issued bonds for construction during fiscal year 2013 as listed below by project and amount:

| | |
|-----------------------|-------------|
| Sorority Housing | \$4,470,000 |
| Honors Housing | \$1,255,000 |
| Kays Hall Renovations | \$1,500,000 |

Each campus also issued refunding bonds. A summary of the bonds and the debt that was refunded by campus is below:

| | | |
|---------------|--------------|----------------------------------------------|
| Jonesboro | \$28,895,000 | 2004 Housing Bonds |
| Beebe | \$1,890,000 | 2008 Student Fee Bonds |
| Mountain Home | \$6,995,000 | 2008 Student Fee Bonds and 2009 Note Payable |
| Newport | \$3,740,000 | 2008 Refunding |
| Newport | \$1,875,000 | 2008 Construction |

The University's bonded indebtedness consisted of revenue bonds secured by tuition and fees and auxiliary revenues, such as housing and parking fees. The revenue bonds were issued for student housing, student, faculty and staff parking, property purchases, plant improvements and auxiliary facilities.

The \$4,011,621 in notes payable consisted of two notes for IT (Information and Technology Services) infrastructure on the Jonesboro campus in the amounts of \$2,055,831 and \$95,067, a note payable for the Mountain Home campus in the amount of \$417,442 for a land purchase and \$1,443,281 in notes payable at the Newport campus for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location.

The \$88,444 in capital leases is comprised of a lease for football equipment in the amount of \$74,889 and a vehicle in the amount of \$13,555. Both of these are located on the Jonesboro campus.

Additional information on the University's debt may be found in Notes 5, 6 and 15 in the notes to the financial statements.

Economic Outlook

The economic outlook of the University remains sound.

Economic conditions at the national level are unstable at the time of this report. It is still unclear how the government shutdown and sequestration will affect the State of Arkansas and the University long term. However, state economic conditions continue to remain relatively stable. Interest rates continued at low levels although some improvement in endowment and other long-term investments were realized.

As in the previous year, this positively affected the University's ability to strategically manage its long-term debt through restructuring and lowered borrowing costs. The University's strong debt credit rating of A1 allows it to obtain competitive financing for capital construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

At the state level, revenue collections marginally exceeded the forecast of the Arkansas Department of Finance and Administration. Growth in state revenues is forecasted to continue slowly through 2014.

State appropriations for fiscal year 2013 were slightly lower than 2012 but consistent with forecasted revenues. This indicates a stable state economy. Revenues decreased 0.3% from fiscal year 2012 to fiscal year 2013. Revenues are expected to increase 1.53% from 2013 to 2014.

The University continues to see an increase in the state lottery scholarship program. The program was begun during the 2010 – 2011 academic year. Revenues from the program increased 4.54% from fiscal year 2012 to fiscal year 2013. The University will continue to benefit as this program makes higher education more affordable for the residents of Arkansas.

Revenues from grants and contracts decreased during the year. This is due in part to the increasing difficulty in obtaining external funding following continued federal and state budget cuts. These budget constraints are likely to continue and the University will, accordingly, continue to pursue new avenues for research.

The University will continue to strategically manage the challenges posed by the current economic situation and will continue to develop and expand new and innovative funding opportunities in furtherance of its mission.

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets:

| | |
|--------------------------------------------------------------|-------------------|
| Cash and cash equivalents | \$ 44,519,148 |
| Short-term investments | 739,958 |
| Accounts receivable (less allowances of \$942,356) | 13,623,790 |
| Notes and deposits receivable (less allowances of \$230,381) | 1,028,937 |
| Accrued interest and late charges | 103,927 |
| Inventories | 1,845,498 |
| Deposits with trustees | 2,876,862 |
| Unamortized bond issuance costs | 111,994 |
| Prepaid expenses | 137,303 |
| Total Current Assets | 64,987,417 |

Noncurrent Assets:

| | |
|-------------------------------------------------------------------|--------------------|
| Cash and cash equivalents | 22,328,637 |
| Restricted cash and cash equivalents | 5,573,730 |
| Endowment investments | 12,588,729 |
| Other long-term investments | 17,405,023 |
| Accrued interest and late charges | 385,312 |
| Deposits with trustees | 6,787,382 |
| Accounts receivable | 68,452 |
| Notes and deposits receivable (less allowances of \$1,072,707) | 4,797,532 |
| Unamortized bond issuance costs | 2,199,179 |
| Capital assets (net of accumulated depreciation of \$265,485,623) | 398,026,329 |
| Total Noncurrent Assets | 470,160,305 |
| TOTAL ASSETS | 535,147,722 |

LIABILITIES

Current Liabilities:

| | |
|------------------------------------------|-------------------|
| Accounts payable and accrued liabilities | 10,178,381 |
| Bonds, notes and leases payable | 8,167,262 |
| Compensated absences | 7,328,543 |
| Unearned revenue | 4,297,280 |
| Funds held in trust for others | 966,707 |
| Deposits | 879,669 |
| Interest payable | 2,157,562 |
| Other liabilities | 68,348 |
| Total Current Liabilities | 34,043,752 |

Noncurrent Liabilities:

| | |
|-----------------------------------------------|--------------------|
| Accounts payable and accrued liabilities | 334,667 |
| Bonds, notes and leases payable | 179,119,393 |
| Compensated absences | 3,331,159 |
| Accrued other postemployment benefits payable | 7,486,899 |
| Deposits | 429,128 |
| Refundable federal advances | 7,478,506 |
| Total Noncurrent Liabilities | 198,179,752 |
| TOTAL LIABILITIES | 232,223,504 |

NET POSITION

| | |
|----------------------------------------|-----------------------|
| Net investment in capital assets | 218,122,176 |
| Restricted for nonexpendable purposes: | |
| Scholarships and fellowships | 4,672,647 |
| Loans | 951,064 |
| Other | 8,158,845 |
| Restricted for expendable purposes: | |
| Scholarships and fellowships | 558,481 |
| Research | 143,792 |
| Loans | 20,000 |
| Capital projects | 8,158,796 |
| Other | 2,211,765 |
| Unrestricted | 59,926,652 |
| TOTAL NET POSITION | \$ 302,924,218 |

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

| | |
|--------------------------------------------------------------------------|--------------------|
| Student tuition and fees (net of scholarship allowances of \$46,007,592) | \$ 54,188,183 |
| Grants and contracts | 27,839,857 |
| Sales and services of educational departments | 1,871,734 |
| Auxiliary enterprises (net of scholarship allowances of \$10,086,006) | 24,706,113 |
| Self-insurance | 3,740,368 |
| Other operating revenues | 1,998,538 |
| TOTAL OPERATING REVENUES | <u>114,344,793</u> |

OPERATING EXPENSES

| | |
|---------------------------------|----------------------|
| Personal services | 143,666,551 |
| Scholarships and fellowships | 19,175,308 |
| Supplies and services | 63,347,443 |
| Self-insurance | 15,164,210 |
| Depreciation | 22,500,636 |
| Other | 61,381 |
| TOTAL OPERATING EXPENSES | <u>263,915,529</u> |
| OPERATING INCOME (LOSS) | <u>(149,570,736)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|---------------------------------------------|--------------------|
| Federal appropriations | 3,579,588 |
| State appropriations | 92,408,687 |
| Stimulus funds (ARRA) | 162,094 |
| Grants and contracts | 53,786,731 |
| Sales and use taxes | 2,821,506 |
| Property taxes | 1,285,901 |
| Gifts | 1,159,225 |
| Investment income | 1,487,484 |
| Interest on capital asset - related debt | (7,451,756) |
| Bond issuance costs | (80,500) |
| Gain or loss on disposal of capital assets | 234,147 |
| Refunds to grantors | (88,010) |
| Other nonoperating revenues (expenses) | (403,254) |
| NET NONOPERATING REVENUES (EXPENSES) | <u>148,901,843</u> |

INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES (668,893)

| | |
|-------------------------------------------------------|-----------|
| Capital appropriations | 2,409,353 |
| Capital grants and gifts | 1,619,695 |
| Stimulus funds (ARRA) for capital projects | 40,305 |
| Additions to endowments | 1,035 |
| Adjustments to capital assets | 205,822 |
| Capitalization of library holdings at rate per volume | 105,109 |
| Livestock additions | 205 |
| Accrued interest on bond issues | 86,746 |

INCREASE (DECREASE) IN NET POSITION 3,799,377

NET POSITION - BEGINNING OF YEAR 299,124,841

NET POSITION - END OF YEAR \$ 302,924,218

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | |
|--------------------------------------------------------------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Student tuition and fees | \$ 55,338,323 |
| Grants and contracts | 28,340,328 |
| Auxiliary enterprises revenues | 24,834,062 |
| Sales and services of educational departments | 1,872,110 |
| Self-insurance program receipts | 3,740,368 |
| Collection of principal and interest related to student loans | 901,407 |
| Other receipts | 2,119,300 |
| Payments to employees | (121,145,102) |
| Payments for employee benefits | (21,920,623) |
| Payments to suppliers | (63,362,558) |
| Scholarships and fellowships | (19,175,308) |
| Self-insurance program payments | (15,114,966) |
| Loans issued to students | (935,733) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(124,508,392)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Federal appropriations | 3,910,914 |
| State appropriations | 92,408,687 |
| Stimulus funds (ARRA) | 151,483 |
| Grants and contracts | 53,824,157 |
| Private gifts and grants | 1,447,681 |
| Sales and use taxes | 2,822,367 |
| Property taxes | 1,302,462 |
| Direct lending, PLUS and FFEL loan receipts | 85,287,329 |
| Direct lending, PLUS and FFEL loan payments | (84,377,275) |
| Other agency funds - net | 447,120 |
| Refunds to grantors | (89,683) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>157,135,242</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from capital debt | 1,500,000 |
| Distributions from trustee of current year bond proceeds and interest earnings | 1,034,355 |
| Distributions from trustee of prior year bond proceeds and interest earnings | 12,380,654 |
| Capital appropriations | 2,409,353 |
| Capital gift and grants | 1,389,560 |
| Stimulus (ARRA) funds for capital projects | 46,594 |
| Proceeds from sale of capital assets | 347,608 |
| Purchases of capital assets | (40,312,616) |
| Payments to trustees for bond principal | (6,999,998) |
| Payments to trustees for bond interest and fees | (7,252,845) |
| Payments to debt holders for principal (other than bonds) | (1,118,962) |
| Payments to debt holders for interest and fees (other than bonds) | (145,110) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(36,721,407)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sales and maturities of investments | 10,420,612 |
| Interest on investments (net of fees) | 672,426 |
| Purchases of investments | (11,183,654) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(90,616)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (4,185,173) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 76,606,688 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 72,421,515</u></u> |

This statement is continued on the next page.

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

STATEMENT OF CASH FLOWS (CONTINUED)

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

| | |
|-------------------------------------------------------------------------------------------------------|-------------------------|
| Operating income (loss) | \$ (149,570,736) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 22,500,636 |
| Change in assets and liabilities: | |
| Receivables, net | (168,732) |
| Inventories | (229,076) |
| Prepaid expenses | 40,459 |
| Accounts and salaries payable | (158,184) |
| Other postemployment benefits payable | 1,633,439 |
| Unearned revenue | 2,047,018 |
| Deposits | (44,612) |
| Refundable federal advances | 79,896 |
| Compensated absences | (648,554) |
| Other liabilities | 10,054 |
| Net cash provided (used) by operating activities | <u>\$ (124,508,392)</u> |

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of \$159,611

The University issued construction bonds of \$1,500,000, at a discount of \$21,470. The proceeds of this issue, along with accrued interest of \$2,110, were utilized as follows: \$1,435,581 was remitted to the bond trustee; and \$45,059 was used to pay the bond issuance costs.

The University issued construction bonds of \$4,470,000. The proceeds of this issue, along with accrued interest of \$9,407 were utilized as follows: \$4,362,911 was remitted to the bond trustee; and \$116,496 was used to pay the bond issuance costs.

The University issued construction bonds of \$1,255,000, at a discount of \$20,592. The proceeds of this issue, along with accrued interest of \$1,907, were utilized as follows: \$1,203,031 was remitted to the bond trustee; and \$33,284 was used to pay the bond issuance costs.

The University issued refunding bonds of \$28,895,000, at a premium of \$1,411,804. The proceeds of this issue, along with accrued interest of \$52,051, were utilized as follows: \$29,968,536 was remitted to an escrow agent; \$333,975 was used to pay the bond issuance costs; and \$56,344 was remitted to the bond trustee.

Interest earned on reserve accounts held by trustee-\$417

Interest paid from accounts held by trustee-\$7,063

Amount earned on endowment investments held by third parties -\$305,740

Amount of interest earned on CD's reinvested with CD's-\$3,509

BEEBE

The University issued refunding bonds of \$1,890,000, at a discount of \$22,383. The proceeds of this issue, along with accrued interest of \$2,337, were utilized as follows: \$1,805,240 was remitted to an escrow agent; \$57,437 was used to pay the bond issuance costs; and \$7,277 was remitted to the bond trustee.

Interest paid from accounts held by trustee-\$7,276

Amount earned on endowment investments held by third parties -\$81,895

Amount of interest earned on CD's reinvested with CD's-\$27,746

MOUNTAIN HOME

The University issued refunding bonds of \$6,995,000. The proceeds of this issue, along with accrued interest of \$11,215, were utilized as follows: \$2,317,345 was remitted to a creditor bank; \$4,490,589 was remitted to an escrow agent; \$183,764 was used to pay the bond issuance costs; and \$14,517 was remitted to the bond trustee.

NEWPORT

The University issued refunding bonds of \$3,740,000. The proceeds of this issue, along with accrued interest of \$5,397, were utilized as follows: \$3,636,627 was remitted to an escrow agent; \$100,970 was used to pay the bond issuance costs; and \$7,800 was remitted to the bond trustee.

The University issued refunding bonds of \$1,875,000, at a discount of \$22,327. The proceeds of this issue, along with accrued interest of \$2,323, were utilized as follows: \$1,800,216 was remitted to an escrow agent; \$50,232 was used to pay the bond issuance costs; and \$4,548 was remitted to the bond trustee.

Vehicle from state purchasing program-\$20,941

Interest earned on reserve accounts held by trustee-\$1,917

Amount of interest earned on CD's reinvested with CD's-\$646

Bond trustee payment to escrow agent-\$167,367.

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets

Cash and cash equivalents \$ 44,519,148

Noncurrent Assets

Cash and cash equivalents 22,328,637

Restricted cash and cash equivalents 5,573,730

Total cash and cash equivalents - June 30, 2013

\$ 72,421,515

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

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

| | |
|----------------------------------------------------------------------|-----------------------------|
| ASSETS | |
| Cash | \$ 292,983 |
| Repurchase agreement | 7,072,651 |
| Certificate of deposit | 1,843,050 |
| Short-term investment | 87,723 |
| Prepaid expenses | 10,269 |
| Unconditional promises to give, net | 1,442,071 |
| Long-term investments | 43,833,748 |
| Cash surrender value of life insurance | 6,710 |
| Property and equipment, net | 1,065,816 |
| Other assests | 4,165 |
| TOTAL ASSETS | <u><u>\$ 55,659,186</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 81,643 |
| Notes payable | 4,053 |
| Annuities payable | 111,700 |
| Amounts held on behalf of Arkansas State University related entities | 9,892,101 |
| TOTAL LIABILITIES | <u><u>10,089,497</u></u> |
| NET ASSETS | |
| Unrestricted | 2,461,558 |
| Temporarily restricted | 8,556,041 |
| Permanently restricted | 34,552,090 |
| TOTAL NET ASSETS | <u><u>45,569,689</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 55,659,186</u></u> |

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|------------------------------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| SUPPORT | | | | |
| SUPPORT AND RECLASSIFICATIONS | | | | |
| Contributions | \$ 282,493 | \$ 4,512,916 | \$ 1,138,421 | \$ 5,933,830 |
| Contributed services | 355,876 | | | 355,876 |
| Investment return, net | 54,690 | 1,352,629 | 1,549,953 | 2,957,272 |
| Other income | 423,818 | 318,293 | 1,716 | 743,827 |
| Net assets released from restrictions | <u>3,595,132</u> | <u>(3,595,132)</u> | | - |
| TOTAL SUPPORT | <u>4,712,009</u> | <u>2,588,706</u> | <u>2,690,090</u> | <u>9,990,805</u> |
| EXPENSES AND LOSSES | | | | |
| PROGRAM SERVICES | | | | |
| Academic activities | 642,184 | | | 642,184 |
| Administrative | 129,658 | | | 129,658 |
| Student activities | 50,934 | | | 50,934 |
| SUPPORTING SERVICES | | | | |
| Management and general | 518,248 | | | 518,248 |
| Fundraising | 401,273 | | | 401,273 |
| Transfers to Arkansas State University | 2,888,267 | | | 2,888,267 |
| Transfers to Other Affiliates | <u>3,650</u> | | | <u>3,650</u> |
| TOTAL EXPENSES AND LOSSES | <u>4,634,214</u> | <u>-</u> | <u>-</u> | <u>4,634,214</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>77,795</u> | <u>2,588,706</u> | <u>2,690,090</u> | <u>5,356,591</u> |
| NET ASSETS AT BEGINNING OF YEAR | 2,436,225 | 5,873,738 | 31,903,135 | 40,213,098 |
| RECLASSIFICATION AND INTERNAL TRANSFERS | <u>(52,462)</u> | <u>93,597</u> | <u>(41,135)</u> | <u>-</u> |
| TOTAL AFTER RECLASSIFICATION AND INTERNAL TRANSFERS | <u>2,383,763</u> | <u>5,967,335</u> | <u>31,862,000</u> | <u>40,213,098</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 2,461,558</u> | <u>\$ 8,556,041</u> | <u>\$ 34,552,090</u> | <u>\$ 45,569,689</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Jonesboro

Arkansas State University-Jonesboro, an Institution of Higher Education of the State of Arkansas, developed from one of four State agricultural schools established in 1909 by an act of the Arkansas General Assembly. The University opened as a vocational high school in 1910 and was reorganized as a junior college in 1918. The name was changed to State Agricultural and Mechanical College by an act of the Legislature in 1925. Authority to extend the curriculum, offer senior college work, and grant degrees was granted in 1931. In 1933, the Legislature changed the name of the College to Arkansas State College. Master-level programs were begun in 1955. In January 1967, the Legislature passed an act authorizing a change in the name of Arkansas State College to Arkansas State University, effective July 1, 1967. The University's first doctoral degree in Educational Leadership was awarded in 1992.

Beebe

Arkansas State University-Beebe began in 1927 as Junior Agricultural School of Central Arkansas. In 1955, the Arkansas General Assembly designated the school a campus of Arkansas State College. The branch campus was designated as Arkansas State College-Beebe Branch. The institution established a campus at the Little Rock Air Force Base in 1965. The campus became Arkansas State University-Beebe in 1967. Act 90 of 2001 eliminated the word "branch" from the references to campuses of Arkansas State University.

ASU-Heber Springs, a Center of ASU-Beebe, was officially established by Act 426 of 1999 in response to the community's desire to have a two-year college presence in Cleburne County.

Effective July 1, 2003, Foothills Technical Institute in Searcy merged with ASU-Beebe to become ASU-Searcy, a Technical Campus of ASU-Beebe.

Mountain Home

In 1991, the Arkansas General Assembly created Mountain Home Technical College through the merger of Baxter County Community/Technical Center and the North Arkansas Community/Technical Center in Mountain Home. On October 19, 1993, the voters of Baxter County authorized the levy of a two mill tax to support operations at the Arkansas State University-Mountain Home campus. The institution was designated Arkansas State University-Mountain Home in 1995.

Newport

Under the provisions of Ark. Code Ann. § 6-53-405, White River Technical College was consolidated with Arkansas State University-Beebe campus effective July 1, 1992 and named Arkansas State University-Newport. Subsequently, the Newport campus separated itself from Beebe to become a stand-alone campus.

Effective July 1, 2001, Delta Technical Institute was merged to the University to become the Arkansas State University Technical Center. The Technical Center is part of the Newport campus.

System

In 1998, the Arkansas State University Board of Trustees approved the recognition and designation of the Arkansas State University System to encompass the campuses and locations.

The Arkansas State University System is governed by the Board of Trustees, which consists of five persons appointed by the Governor of the State of Arkansas. Terms of appointments are for five years and Board members may be re-appointed by the Governor for a second five year term.

Component Units

The Arkansas State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of Arkansas State University (the University). The Foundation acts primarily as a fundraising and asset management organization to develop and supplement the resources that are available to the University in support of its mission and programs. The 33 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation may only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University under the guidelines established by Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. Accordingly, the financial statements of the Foundation are discretely presented in the University's financial statements in accordance with the provisions of GASB Statement Number 39.

During the year ended June 30, 2013, the Foundation transferred property, equipment and funds of \$2,888,267 to the University for academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

The Foundation reports under the requirements of the Not-for-Profit Organizations Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial statements.

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, followed this in November 1999. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The use of net position as the residual of all other elements presented in a statement of financial position has also been identified. This statement amends the net asset reporting requirement in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The consolidated University financial statements were prepared from the separate statements of the four (4) campuses. Other than the receipt and disbursement of student financial aid between the campuses, financial transactions among the campuses were not considered material in amount or consequence and, accordingly, were not eliminated from the consolidated statements.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audiovisual holdings and construction in progress are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at cost or estimated fair value. Library holdings are recorded at cost or a stated rate per volume. For the campuses that record library holdings at a stated rate per volume, the additions for the fiscal year are displayed as a separate line item on the Statement of Revenues, Expenses and Changes in Net Position. Library holdings that are capitalized do not include periodicals, microfilm, microfiche and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred.

Depreciation is calculated using the straight-line method over the estimated lives of the assets, generally 15 to 30 years for buildings, 15 years for improvements and infrastructure, 10 years for library and audiovisual holdings, and 3 to 20 years for equipment. Capital assets are presented net of accumulated depreciation where applicable. Depreciation is begun the fiscal year following the date of acquisition. No depreciation is taken the year of disposal.

Easements are considered intangible assets and are capitalized at either the cost at the date of acquisition or fair market value at the date of donation in the case of gifts.

Software costing \$1,000,000 or more is capitalized as an intangible asset and is amortized over the life of the software.

Operating and Nonoperating Revenues

Revenues of the University are classified as either operating or nonoperating according to the following criteria:

Operating Revenues: Operating revenues result from activities that have characteristics of exchange transactions; that is, the University receives payment in exchange for

providing services or products to students or other constituencies. Student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary operations, net of scholarship discounts and allowances, and most federal, state, local and private grants are the main categories of operating revenues for the University.

Nonoperating Revenues: Nonoperating revenues are those revenues that result from nonexchange transactions or from activities specifically defined as nonoperating by the GASB. Examples of nonoperating revenues include state appropriations, certain grants and contracts, sales and use taxes, property taxes and investment income. State appropriations from the state are considered nonoperating under the definitions set forth by the GASB because the University does not provide a direct and commensurate benefit to the legislature in exchange for them.

Cash Equivalents

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of assets the University is legally entitled to, but for which payment has not been received as of the close of the fiscal year at June 30, 2013. The various sources of the University's receivables are detailed in a subsequent note. Receivables are presented net of any estimated uncollectible amounts in accordance with generally accepted accounting principles.

Investments

The University accounts for its investments, except for nonparticipating contracts, at fair 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. Nonparticipating contracts are reported at cost.

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

Inventories

Inventories are valued at cost with cost being generally determined on a first-in, first-out or average basis.

Noncurrent Cash and Investments

Cash and investments that are externally restricted for endowment scholarships and other purposes or to purchase or construct capital assets are classified as noncurrent assets in the Statement of Net Position. Additionally, this classification includes other long-term investments with original maturity dates greater than one year.

Restricted/Unrestricted Resources

The University has no formal policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. University personnel decide which resources to use at the time expenses are incurred.

NOTES TO FINANCIAL STATEMENTS

Unearned Revenues

Unearned revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2013 are treated as unearned revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

Employee vacation and sick leave earned, but not paid, and related matching costs are recorded as a liability and expense on the University's financial statements as required by generally accepted accounting principles. An estimate is made to allocate this liability between its current and noncurrent components.

Deposits with Trustees

Deposits with trustees are externally restricted and held by various banks for the University. They are maintained in order to make debt service payments, to maintain sinking or reserve funds as required by bond covenants, or to purchase or construct capital assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and related matching costs and other liabilities that will not be paid within the next fiscal year; (3) estimated amounts for deposits held that will not be paid within the next fiscal year; (4) other postemployment benefits payable (Note 12); (5) accounts payable for construction retainages that will not be paid within the next fiscal year and (6) the refundable federal portion of the Perkins Loan Program.

Property Taxes

The Mountain Home campus receives property tax revenues. These property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Sales and Use Taxes

Effective January 2003, the electors of Jackson County, by a majority vote, approved the levy of a one-half of one percent (1/2%) sales and use tax for the ASU-Newport campus. This tax will be utilized for capital improvements and operation and maintenance. Additionally, the electors of Cleburne County approved the levy of a one-half of one percent (1/2%) sales and use tax for the Heber Springs campus. The tax will also be utilized for capital improvements and operation and maintenance.

Funds Held in Trust for Others

The University holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the University.

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: This classification represents the University's total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this category.

Restricted Net Position: Within this classification there are two (2) categories of net assets:

Restricted, expendable: Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend only in accordance with restrictions imposed by external parties.

Restricted, nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds for which donors or other external parties have stipulated that the principal or corpus is to be maintained inviolate and in perpetuity and invested only for the purpose of producing income which may either be expended in accordance with the donors' or external parties' stipulations or added to the principal.

Unrestricted Net Position: Unrestricted net position represents resources of the University that are unrelated to capital items and not externally restricted. These resources may be expended at the discretion of the University's governing board in the educational and general operations of the University and in furtherance of its mission.

Scholarship Discounts and Allowances

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the University's stated rates and charges and the amount actually paid by students and/or third parties making payments on behalf of the students. Under this approach, scholarships awarded by the University are considered as reductions in tuition and fee revenues rather than as expenses. Additionally, certain governmental grants, such as Pell grants, and payments from other federal, state or nongovernmental programs, are required to be recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are applied to tuition, fees, and other student charges, the University has reported a corresponding scholarship discount or allowance.

NOTES TO FINANCIAL STATEMENTS

**NOTE 2.
PUBLIC FUND DEPOSITS AND INVESTMENTS**

Cash deposits are carried at cost. The University's cash deposits at year end are shown below:

| | Carrying Amount | Bank Balance |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Insured (FDIC) | \$ 3,901,519 | \$ 3,901,519 |
| Collateralized: Collateral held by the pledging bank or pledging bank's trust department in the University's name | 78,730,150 | 80,265,336 |
| Total Deposits | <u><u>\$ 82,631,669</u></u> | <u><u>\$ 84,166,855</u></u> |

The above deposits do not include cash on deposit in the state treasury and cash on hand maintained by the University in the amounts of \$3,613,972 and \$78,820 at June 30, 2013, respectively. The above total deposits include certificates of deposits of \$13,902,904 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$42 reported as deposits with trustees.

Deposits with Trustees

At June 30, 2013, the University's deposits with trustees, excluding money market checking accounts of \$42, of \$9,664,202 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury fund. This fund was rated AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 52 days.

The deposits with trustees consisted of funds either obligated as debt reserves for the University's bond issues or earmarked for specific capital projects.

University Investments (Excluding Endowment Funds)

At June 30, 2013, the University's investments, excluding endowment funds, consisted of corporate bonds of \$1,303,799 and U.S. agencies of \$2,938,278. The corporate bonds will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|-----------------------|--------------|------------|--------------------------|--------------|
| \$ 402,249 | \$ 438,535 | \$152,168 | \$ 310,847 | \$ 1,303,799 |

The U.S. agencies will mature as follows:

| Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|-----------------------|--------------|------------|--------------------------|--------------|
| \$ - | \$ 133,754 | \$869,962 | \$ 1,934,562 | \$ 2,938,278 |

NOTES TO FINANCIAL STATEMENTS

Credit risk – The credit quality ratings of the corporate bonds by Moody’s Investors Service are shown below:

| Aaa | Aa | A | Baa | Not Rated | Total |
|------|------|------------|------------|------------|--------------|
| \$ - | \$ - | \$ 733,241 | \$ 152,168 | \$ 418,390 | \$ 1,303,799 |

The credit quality ratings of the U.S. agencies by Moody’s Investors Service are shown below:

| Aaa | Aa | A | Baa | Not Rated | Total |
|--------------|------|-----------|------|-----------|--------------|
| \$ 2,883,301 | \$ - | \$ 54,977 | \$ - | \$ - | \$ 2,938,278 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 6.265 years at June 30, 2013. The U.S. agencies had an estimated weighted average maturity of 13.377 years at June 30, 2013. The University’s investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

Concentration of credit risk – The University does not limit the amount of operating funds invested in any one issuer.

Endowment Investments

Except for the endowment investments of the R.E. Lee Wilson, Sr. Trust and the V.C. and Bertie H. Kays Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. The Jonesboro campus’s portion of the investment pool was 17.64% or \$7,620,441 and consisted of the following types of investments:

| Type | Amount |
|---------------------------------|--------------|
| Domestic Equities Mutual Funds | \$ 2,776,058 |
| Domestic Equities Securities | 437,566 |
| Alternative Assets | 94,919 |
| Alternative Assets Mutual Funds | 190,362 |
| Cash Equivalents | 17,087 |
| Bonds/Fixed Income | 3,437,441 |
| International Securities | 667,008 |
| Total | \$ 7,620,441 |

The Beebe campus’s portion of the investment pool was 0.34% or \$146,914 and consisted of the following types of investments:

| Type | Amount |
|---------------------------------|------------|
| Domestic Equities Mutual Funds | \$ 53,521 |
| Domestic Equities Securities | 8,436 |
| Alternative Assets | 1,829 |
| Alternative Assets Mutual Funds | 3,670 |
| Cash Equivalents | 327 |
| Bonds/Fixed Income | 66,272 |
| International Securities | 12,859 |
| Total | \$ 146,914 |

NOTES TO FINANCIAL STATEMENTS

The Foundation provides for investments in various investment securities, which generally are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment activities will occur.

R.E. Lee Wilson, Sr. Trust Investments

The R.E. Lee Wilson, Sr. Trust of \$3,294,269 consisted of the following types of investments held in trust by a third party:

| Type | Amount |
|------------------|---------------------|
| Mutual Funds | \$ 2,492,989 |
| Corporate Bonds | 395,106 |
| Cash Equivalents | 127,877 |
| U.S. Agencies | 278,297 |
| Total | \$ 3,294,269 |

The corporate bonds and U.S. agencies will mature as follows:

| | Less than one year | 1 to 5 years | 6-10 years | Greater than 10 years | Total |
|-----------------|-----------------------|-------------------|---------------------|--------------------------|-------------------|
| Corporate Bonds | \$ 36,948 | \$ 202,208 | \$ 128,361 | \$ 27,589 | \$ 395,106 |
| U.S. Agencies | | 81,282 | 70,276 | 126,739 | 278,297 |
| Total | \$ 36,948 | \$ 283,490 | \$198,637.00 | \$ 154,328 | \$ 673,403 |

Credit risk – The credit quality ratings of the corporate bonds and U.S. agencies by Moody’s Investor Services are below:

| | Aaa | Aa | A | Baa | Not Rated | Total |
|-----------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Corporate Bonds | \$ 14,635 | \$ 58,274 | \$ 183,567 | \$ 138,630 | | \$ 395,106 |
| U.S. Agencies | 165,293 | | | | \$ 113,004 | 278,297 |
| Total | \$ 179,928 | \$ 58,274 | \$ 183,567 | \$ 138,630 | \$ 113,004 | \$ 673,403 |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 5.426 and 11.992 years, respectively, at June 30, 2013.

V.C. and Bertie H. Kays Educational Trust Investments

The V.C. and Bertie H. Kays Educational Trust of \$1,527,105 consisted of the following types of investments held in trust by a third party:

| Type | Amount |
|------------------|---------------------|
| Mutual Funds | \$ 512,147 |
| Corporate Bonds | 569,636 |
| Cash Equivalents | 65,385 |
| U.S. Agencies | 379,937 |
| Total | \$ 1,527,105 |

NOTES TO FINANCIAL STATEMENTS

The corporate bonds and U.S. agencies will mature as follows:

| | <u>Less than one year</u> | <u>1 to 5 years</u> | <u>6-10 years</u> | <u>Greater than 10 years</u> | <u>Total</u> |
|-----------------|-------------------------------|--------------------------|--------------------------|----------------------------------|--------------------------|
| Corporate Bonds | \$ 52,351 | \$ 296,058 | \$ 181,562 | \$ 39,665 | \$ 569,636 |
| U.S. Agencies | | 119,824 | 105,829 | 154,284 | 379,937 |
| Total | <u>\$ 52,351</u> | <u>\$ 415,882</u> | <u>\$ 287,391</u> | <u>\$ 193,949</u> | <u>\$ 949,573</u> |

Credit risk – The credit quality ratings of the corporate bonds and U.S. agencies by Moody’s Investor Services are below:

| | <u>Aaa</u> | <u>Aa</u> | <u>A</u> | <u>Baa</u> | <u>Not Rated</u> | <u>Total</u> |
|-----------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Corporate Bonds | \$ 21,464 | \$ 83,683 | \$ 264,174 | \$ 200,315 | | \$ 569,636 |
| U.S. Agencies | 242,912 | | | | \$ 137,025 | 379,937 |
| Total | <u>\$ 264,376</u> | <u>\$ 83,683</u> | <u>\$ 264,174</u> | <u>\$ 200,315</u> | <u>\$ 137,025</u> | <u>\$ 949,573</u> |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 5.414 and 11.151 years, respectively, at June 30, 2013.

NOTE 3. INCOME TAXES

The Institution is tax exempt under the Internal Revenue Service code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

| Arkansas State University-Jonesboro | | | | | |
|----------------------------------------------------|-----------------------|-----------------------|------------------------|---------------------|-----------------------|
| | Balance | | | | Balance |
| | July 1, 2012 | Additions | Transfers | Retirements | June 30, 2013 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 6,536,235 | \$ 15,000 | | \$ (588) | \$ 6,550,647 |
| Livestock for educational purposes | 39,095 | 205 | | | 39,300 |
| Construction-in-progress | 13,090,871 | 32,245,421 | \$ (10,922,333) | (62,806) | 34,351,153 |
| Intangibles-Easements | 2,627,000 | 48,000 | | | 2,675,000 |
| Total nondepreciable capital assets | \$ 22,293,201 | \$ 32,308,626 | \$ (10,922,333) | \$ (63,394) | \$ 43,616,100 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 63,853,555 | \$ 1,195,331 | \$ 10,830,783 | | \$ 75,879,669 |
| Buildings | 307,288,806 | 100,000 | 91,550 | \$ (210,688) | 307,269,668 |
| Equipment | 43,414,883 | 4,607,108 | | (3,703,372) | 44,318,619 |
| Library/audiovisual holdings | 12,175,759 | 74,520 | | | 12,250,279 |
| Intangibles-Software | 5,828,610 | | | | 5,828,610 |
| Total other capital assets | 432,561,613 | 5,976,959 | 10,922,333 | (3,914,060) | 445,546,845 |
| Less accumulated depreciation/amortization: | | | | | |
| Improvements and infrastructure | 15,826,988 | 2,694,350 | | | 18,521,338 |
| Buildings | 129,767,437 | 8,782,969 | | (40,203) | 138,510,203 |
| Equipment | 31,204,475 | 3,297,751 | | (3,647,567) | 30,854,659 |
| Library/audiovisual holdings | 11,113,995 | 167,388 | | | 11,281,383 |
| Intangibles-Software | 2,138,278 | 193,166 | | | 2,331,444 |
| Total accumulated depreciation/amortization | 190,051,173 | 15,135,624 | - | (3,687,770) | 201,499,027 |
| Other capital assets, net | \$ 242,510,440 | \$ (9,158,665) | \$ 10,922,333 | \$ (226,290) | \$ 244,047,818 |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 22,293,201 | \$ 32,308,626 | \$ (10,922,333) | \$ (63,394) | \$ 43,616,100 |
| Other capital assets, at cost | 432,561,613 | 5,976,959 | 10,922,333 | (3,914,060) | 445,546,845 |
| Total cost of capital assets | 454,854,814 | 38,285,585 | - | (3,977,454) | 489,162,945 |
| Less accumulated depreciation/amortization | 190,051,173 | 15,135,624 | - | (3,687,770) | 201,499,027 |
| Capital Assets, net | \$ 264,803,641 | \$ 23,149,961 | \$ - | \$ (289,684) | \$ 287,663,918 |

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Beebe | | | | | |
|--------------------------------------------|----------------------|-----------------------|-----------------------|--------------------|----------------------|
| | Balance | | | | Balance |
| | July 1, 2012 | Additions | Transfers | Retirements | June 30, 2013 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 3,185,106 | | \$ 75,881 | | \$ 3,260,987 |
| Livestock for educational purposes | 87,810 | | | \$ (10,480) | 77,330 |
| Construction-in-progress | 1,198,720 | \$ 1,619,753 | (1,984,177) | | 834,296 |
| Total nondepreciable capital assets | \$ 4,471,636 | \$ 1,619,753 | \$ (1,908,296) | \$ (10,480) | \$ 4,172,613 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 12,422,945 | | \$ 1,908,296 | | \$ 14,331,241 |
| Buildings | 66,301,410 | | | | 66,301,410 |
| Equipment | 5,532,899 | \$ 175,509 | | \$ (199,408) | 5,509,000 |
| Library/audiovisual holdings | 2,287,169 | 92,476 | | (10,005) | 2,369,640 |
| Total other capital assets | 86,544,423 | 267,985 | 1,908,296 | (209,413) | 88,511,291 |
| Less accumulated depreciation: | | | | | |
| Improvements and infrastructure | 3,188,353 | 763,025 | | | 3,951,378 |
| Buildings | 20,397,381 | 1,478,323 | | | 21,875,704 |
| Equipment | 4,095,384 | 464,282 | | (199,408) | 4,360,258 |
| Library/audiovisual holdings | 1,547,018 | 128,691 | | (10,005) | 1,665,704 |
| Total accumulated depreciation | 29,228,136 | 2,834,321 | - | (209,413) | 31,853,044 |
| Other capital assets, net | \$ 57,316,287 | \$ (2,566,336) | \$ 1,908,296 | \$ - | \$ 56,658,247 |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 4,471,636 | \$ 1,619,753 | \$ (1,908,296) | \$ (10,480) | \$ 4,172,613 |
| Other capital assets, at cost | 86,544,423 | 267,985 | 1,908,296 | (209,413) | 88,511,291 |
| Total cost of capital assets | 91,016,059 | 1,887,738 | - | (219,893) | 92,683,904 |
| Less accumulated depreciation | 29,228,136 | 2,834,321 | - | (209,413) | 31,853,044 |
| Capital Assets, net | \$ 61,787,923 | \$ (946,583) | \$ - | \$ (10,480) | \$ 60,830,860 |

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Mountain Home | | | | | |
|------------------------------------------------|----------------------|-----------------------|------------------|--------------------|----------------------|
| | Balance | | | | Balance |
| | July 1, 2012 | Additions | Transfers | Retirements | June 30, 2013 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 2,934,808 | | | | \$ 2,934,808 |
| Construction-in-progress | - | \$ 29,425 | | | 29,425 |
| Total nondepreciable capital assets | \$ 2,934,808 | \$ 29,425 | \$ - | \$ - | \$ 2,964,233 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 2,280,289 | | | | \$ 2,280,289 |
| Buildings | 37,130,095 | | | | 37,130,095 |
| Equipment | 1,436,632 | \$ 166,109 | | \$ (5,522) | 1,597,219 |
| Library/audiovisual holdings | 852,771 | 30,589 | | | 883,360 |
| Total other capital assets | 41,699,787 | 196,698 | - | (5,522) | 41,890,963 |
| Less accumulated depreciation: | | | | | |
| Improvements and infrastructure | 1,458,328 | 152,020 | | | 1,610,348 |
| Buildings | 12,540,842 | 2,475,340 | | | 15,016,182 |
| Equipment | 950,525 | 135,807 | | (5,522) | 1,080,810 |
| Library/audiovisual holdings | 740,521 | 22,188 | | | 762,709 |
| Total accumulated depreciation | 15,690,216 | 2,785,355 | - | (5,522) | 18,470,049 |
| Other capital assets, net | \$ 26,009,571 | \$ (2,588,657) | \$ - | \$ - | \$ 23,420,914 |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 2,934,808 | \$ 29,425 | \$ - | \$ - | \$ 2,964,233 |
| Other capital assets, at cost | 41,699,787 | 196,698 | - | (5,522) | 41,890,963 |
| Total cost of capital assets | 44,634,595 | 226,123 | - | (5,522) | 44,855,196 |
| Less accumulated depreciation | 15,690,216 | 2,785,355 | - | (5,522) | 18,470,049 |
| Capital Assets, net | \$ 28,944,379 | \$ (2,559,232) | \$ - | \$ - | \$ 26,385,147 |

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Newport | | | | | |
|--------------------------------------------|----------------------|-----------------------|------------------|--------------------|----------------------|
| | Balance | | | | Balance |
| | July 1, 2012 | Additions | Transfers | Retirements | June 30, 2013 |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 474,423 | | | | \$ 474,423 |
| Construction-in-progress | 185,221 | \$ 3,108,520 | | \$ (61,229) | 3,232,512 |
| Total nondepreciable capital assets | \$ 659,644 | \$ 3,108,520 | \$ - | \$ (61,229) | \$ 3,706,935 |
| Other capital assets: | | | | | |
| Improvements and infrastructure | \$ 2,423,222 | \$ 372,577 | | | \$ 2,795,799 |
| Buildings | 26,855,062 | | | | 26,855,062 |
| Equipment | 3,025,834 | 178,306 | | \$ (148,887) | 3,055,253 |
| Library/audiovisual holdings | 377,430 | 20,385 | | (957) | 396,858 |
| Total other capital assets | 32,681,548 | 571,268 | - | (149,844) | 33,102,972 |
| Less accumulated depreciation: | | | | | |
| Improvements and infrastructure | 348,690 | 153,420 | | | 502,110 |
| Buildings | 9,754,311 | 1,239,629 | | | 10,993,940 |
| Equipment | 1,641,864 | 337,442 | | (130,870) | 1,848,436 |
| Library/audiovisual holdings | 305,090 | 14,845 | | (918) | 319,017 |
| Total accumulated depreciation | 12,049,955 | 1,745,336 | - | (131,788) | 13,663,503 |
| Other capital assets, net | \$ 20,631,593 | \$ (1,174,068) | \$ - | \$ (18,056) | \$ 19,439,469 |
| Capital Asset Summary: | | | | | |
| Nondepreciable capital assets | \$ 659,644 | \$ 3,108,520 | \$ - | \$ (61,229) | \$ 3,706,935 |
| Other capital assets, at cost | 32,681,548 | 571,268 | - | (149,844) | 33,102,972 |
| Total cost of capital assets | 33,341,192 | 3,679,788 | - | (211,073) | 36,809,907 |
| Less accumulated depreciation | 12,049,955 | 1,745,336 | - | (131,788) | 13,663,503 |
| Capital Assets, net | \$ 21,291,237 | \$ 1,934,452 | \$ - | \$ (79,285) | \$ 23,146,404 |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

The summary of long-term debt is as follows:

| Arkansas State University-Jonesboro | | | | | |
|--------------------------------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2013 | Maturities To June 30, 2013 |
| 9/15/2005 | 4/1/2025 | 3 - 5% | \$ 19,230,000 | \$ 13,590,000 | \$ 5,640,000 |
| 6/1/2007 | 3/1/2037 | 3.65 - 5% | 17,065,000 | 14,970,000 | 2,095,000 |
| 6/1/2007 | 3/1/2037 | 3.65 - 5% | 30,300,000 | 26,340,000 | 3,960,000 |
| 3/19/2009 | 3/1/2039 | 3 - 5.1% | 9,290,000 | 8,735,000 | 555,000 |
| 5/31/2010 | 5/31/2015 | 6.74% | 27,178 | 13,555 | 13,623 |
| 10/8/2010 | 9/8/2015 | 0.46% | 4,568,514 | 2,055,831 | 2,512,683 |
| 12/7/2010 | 3/1/2031 | 2 - 4.125% | 6,075,000 | 5,370,000 | 705,000 |
| 12/7/2010 | 3/1/2031 | 2 - 4.125% | 2,600,000 | 2,290,000 | 310,000 |
| 12/7/2010 | 12/1/2027 | 2 - 4% | 3,435,000 | 2,365,000 | 1,070,000 |
| 8/15/2011 | 8/15/2015 | 15.58% | 126,260 | 74,889 | 51,371 |
| 1/16/2012 | 1/16/2016 | 4.09% | 249,803 | 95,067 | 154,736 |
| 3/1/2012 | 3/1/2034 | 0.7 - 4.8% | 5,340,000 | 5,080,000 | 260,000 |
| 3/1/2012 | 3/1/2034 | 2 - 3.6% | 2,775,000 | 2,455,000 | 320,000 |
| 3/1/2012 | 3/1/2042 | 0.9 - 5.2% | 6,510,000 | 6,510,000 | - |
| 3/1/2012 | 3/1/2042 | 2 - 4% | 6,875,000 | 6,875,000 | - |
| 3/1/2012 | 3/1/2037 | 2 - 4% | 3,425,000 | 3,335,000 | 90,000 |
| 12/1/2012 | 3/1/2042 | 0.866 - 4.7% | 4,470,000 | 4,470,000 | - |
| 12/1/2012 | 3/1/2042 | 1.375 - 3.5% | 1,255,000 | 1,255,000 | - |
| 12/1/2012 | 3/1/2037 | 1.375 - 3.375% | 1,500,000 | 1,500,000 | - |
| 3/1/2013 | 3/1/2034 | 1 - 5% | 28,895,000 | 28,895,000 | - |
| Unamortized discount | | | (163,516) | (147,725) | (15,791) |
| Unamortized premium | | | 1,665,635 | 1,652,207 | 13,428 |
| Deferral on debt defeasance | | | (1,538,383) | (1,511,230) | (27,153) |
| Totals | | | <u>\$ 153,975,491</u> | <u>\$ 136,267,594</u> | <u>\$ 17,707,897</u> |

| Arkansas State University-Beebe | | | | | |
|----------------------------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| Date of Issue | Date of Final Maturity | Rate of Interest | Amount Authorized and Issued | Debt Outstanding June 30, 2013 | Maturities To June 30, 2013 |
| 9/15/2005 | 12/1/2023 | 2.8 - 4.15% | \$ 3,330,000 | \$ 2,170,000 | \$ 1,160,000 |
| 12/1/2005 | 12/1/2035 | 3.5 - 5% | 15,170,000 | 13,125,000 | 2,045,000 |
| 3/1/2006 | 9/1/2035 | 3.25 - 5% | 11,000,000 | 9,505,000 | 1,495,000 |
| 4/1/2010 | 4/1/2040 | 2 - 4.65% | 9,125,000 | 8,175,000 | 950,000 |
| 12/1/2012 | 12/1/2032 | 1 - 3% | 1,890,000 | 1,890,000 | - |
| Unamortized discount | | | (137,102) | (124,991) | (12,111) |
| Deferral on debt defeasance | | | (10,240) | (9,984) | (256) |
| Totals | | | <u>\$ 40,367,658</u> | <u>\$ 34,730,025</u> | <u>\$ 5,637,633</u> |

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Mountain Home | | | | | |
|-----------------------------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Rate of Interest</u> | <u>Amount Authorized and Issued</u> | <u>Debt Outstanding June 30, 2013</u> | <u>Maturities To June 30, 2013</u> |
| 8/1/1999 | 4/10/2019 | 4.80% | \$ 1,032,704 | \$ 417,442 | \$ 615,262 |
| 12/1/2010 | 12/1/2017 | 2.2 - 2.6% | 2,920,000 | 2,125,000 | 795,000 |
| 12/1/2012 | 12/1/2032 | 0.666 - 4.25% | 6,995,000 | 6,995,000 | - |
| Unamortized premium | | | 28,993 | 18,638 | 10,355 |
| Deferral on debt defeasance | | | (36,884) | (32,210) | (4,674) |
| Totals | | | <u>\$ 10,939,813</u> | <u>\$ 9,523,870</u> | <u>\$ 1,415,943</u> |

| Arkansas State University-Newport | | | | | |
|-----------------------------------|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Rate of Interest</u> | <u>Amount Authorized and Issued</u> | <u>Debt Outstanding June 30, 2013</u> | <u>Maturities To June 30, 2013</u> |
| 7/23/2012 | 7/23/2027 | 3.75% | \$ 1,500,000 | \$ 1,443,281 | \$ 56,719 |
| 12/1/2012 | 5/1/2028 | 0.666 - 3.82% | 3,740,000 | 3,550,000 | 190,000 |
| 12/1/2012 | 12/1/2032 | 1 - 3% | 1,875,000 | 1,875,000 | - |
| Unamortized discount | | | (22,328) | (21,770) | (558) |
| Deferral on debt defeasance | | | (83,980) | (81,345) | (2,635) |
| Totals | | | <u>\$ 7,008,692</u> | <u>\$ 6,765,166</u> | <u>\$ 243,526</u> |

The changes in long-term liabilities are as follows:

| Arkansas State University-Jonesboro | | | | | |
|-------------------------------------|-----------------------------|----------------------|----------------------|------------------------------|------------------------------------|
| | <u>Balance July 1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2013</u> | <u>Amounts Due Within One Year</u> |
| Bonds payable | \$ 131,162,381 | \$ 36,171,205 | \$ 33,305,334 * | \$ 134,028,252 | \$ 5,043,173 |
| Notes payable | 3,094,444 | | 943,546 | 2,150,898 | 944,451 |
| Capital leases payable | 116,486 | | 28,042 | 88,444 | 30,473 |
| Compensated absences | 8,792,964 | 5,165,569 | 5,623,676 | 8,334,857 | 5,918,771 |
| Totals | <u>\$ 143,166,275</u> | <u>\$ 41,336,774</u> | <u>\$ 39,900,598</u> | <u>\$ 144,602,451</u> | <u>\$ 11,936,868</u> |

*Includes advance refunding of \$28,650,000

| Arkansas State University-Beebe | | | | | |
|---------------------------------|-----------------------------|---------------------|---------------------|------------------------------|------------------------------------|
| | <u>Balance July 1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2013</u> | <u>Amounts Due Within One Year</u> |
| Bonds payable | \$ 36,207,982 | \$ 1,857,377 | \$ 3,335,334 * | \$ 34,730,025 | \$ 1,014,518 |
| Compensated absences | 1,434,703 | 1,033,960 | 1,002,728 | 1,465,935 | 995,568 |
| Totals | <u>\$ 37,642,685</u> | <u>\$ 2,891,337</u> | <u>\$ 4,338,062</u> | <u>\$ 36,195,960</u> | <u>\$ 2,010,086</u> |

*Includes refunding of \$1,795,000

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Mountain Home | | | | | |
|------------------------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|--------------------------------------------|
| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Amounts Due Within One Year |
| Bonds payable | \$ 7,148,906 | \$ 6,969,411 | \$ 5,011,889 * | \$ 9,106,428 | \$ 716,248 |
| Notes payable | 2,816,080 | | 2,398,638 ** | 417,442 | 61,592 |
| Compensated absences | 435,422 | 255,848 | 253,691 | 437,579 | 35,006 |
| Totals | <u>\$ 10,400,408</u> | <u>\$ 7,225,259</u> | <u>\$ 7,664,218</u> | <u>\$ 9,961,449</u> | <u>\$ 812,846</u> |

*Includes refunding of \$4,465,000
**Includes refunding of \$2,307,983

| Arkansas State University-Newport | | | | | |
|------------------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|--------------------------------------------|
| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Amounts Due Within One Year |
| Bonds payable | \$ 5,580,000 | \$ 5,508,692 | \$ 5,766,807 * | \$ 5,321,885 | \$ 278,614 |
| Notes payable | | 1,500,000 | 56,719 | 1,443,281 | 78,193 |
| Compensated absences | 645,167 | 392,475 | 616,311 | 421,331 | 379,198 |
| Totals | <u>\$ 6,225,167</u> | <u>\$ 7,401,167</u> | <u>\$ 6,439,837</u> | <u>\$ 7,186,497</u> | <u>\$ 736,005</u> |

*Includes advance refunding of \$3,730,000 and refunding of \$1,790,000

Total long-term debt principal and interest payments are as follows:

| Arkansas State University-Jonesboro | | | |
|--------------------------------------------|---------------------------|----------------------|-----------------------|
| Year ended June 30, | Principal | Interest | Total |
| 2014 | \$ 6,018,097 * | \$ 5,551,054 ** | \$ 11,569,151 |
| 2015 | 5,970,718 | 5,345,589 | 11,316,307 |
| 2016 | 5,430,045 | 5,192,452 | 10,622,497 |
| 2017 | 5,293,173 | 5,025,222 | 10,318,395 |
| 2018 | 5,473,173 | 4,851,904 | 10,325,077 |
| 2019 - 2023 | 29,405,863 | 20,928,836 | 50,334,699 |
| 2024 - 2028 | 26,735,386 | 14,752,079 | 41,487,465 |
| 2029 - 2033 | 27,969,660 | 9,160,060 | 37,129,720 |
| 2034 - 2038 | 19,294,906 | 3,355,984 | 22,650,890 |
| 2039 - 2042 | 4,676,573 | 509,604 | 5,186,177 |
| Totals | <u>\$ 136,267,594 ***</u> | <u>\$ 74,672,784</u> | <u>\$ 210,940,378</u> |

*Includes discount amortization of \$6,200, premium amortization of \$78,021, and deferral on debt defeasance of \$73,649.
**Includes interest payable of \$1,803,684 recorded as a current liability at June 30, 2013.
***Total principal of \$136,267,594 includes discount amortization of \$147,725, premium amortization of \$1,652,207, and deferral on debt defeasance of \$1,511,230.

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Beebe | | | |
|----------------------------------------|--------------------------|----------------------|----------------------|
| Year ended June 30, | Principal | Interest | Total |
| 2014 | \$ 1,014,518 * | \$ 1,512,736 ** | \$ 2,527,254 |
| 2015 | 1,049,518 | 1,477,785 | 2,527,303 |
| 2016 | 1,089,518 | 1,440,336 | 2,529,854 |
| 2017 | 1,134,518 | 1,400,110 | 2,534,628 |
| 2018 | 1,169,518 | 1,357,484 | 2,527,002 |
| 2019 - 2023 | 6,562,591 | 6,053,195 | 12,615,786 |
| 2024 - 2028 | 6,997,591 | 4,627,641 | 11,625,232 |
| 2029 - 2033 | 8,508,406 | 2,862,284 | 11,370,690 |
| 2034 - 2038 | 6,730,746 | 779,775 | 7,510,521 |
| 2039 - 2040 | 473,101 | 22,320 | 495,421 |
| Totals | \$ 34,730,025 *** | \$ 21,533,666 | \$ 56,263,691 |

*Includes discount amortization of \$4,970, and deferral on debt defeasance of \$512.

**Includes interest payable of \$294,338 recorded as a current liability at June 30, 2013.

***Total principal of \$34,730,025 includes discount amortization of \$124,991 and deferral on debt defeasance of \$9,984.

| Arkansas State University-Mountain Home | | | |
|------------------------------------------------|-------------------------|---------------------|----------------------|
| Year ended June 30, | Principal | Interest | Total |
| 2014 | \$ 777,840 * | \$ 271,835 ** | \$ 1,049,675 |
| 2015 | 785,832 | 258,257 | 1,044,089 |
| 2016 | 798,970 | 243,735 | 1,042,705 |
| 2017 | 822,259 | 227,401 | 1,049,660 |
| 2018 | 839,444 | 208,637 | 1,048,081 |
| 2019 - 2023 | 1,776,679 | 871,438 | 2,648,117 |
| 2024 - 2028 | 1,983,603 | 567,268 | 2,550,871 |
| 2029 - 2033 | 1,739,243 | 165,643 | 1,904,886 |
| Totals | \$ 9,523,870 *** | \$ 2,814,214 | \$ 12,338,084 |

*Includes premium amortization of \$4,142 and deferral on debt defeasance of \$2,893.

**Includes interest payable of \$28,807 recorded as a current liability at June 30, 2013.

***Total principal of \$9,523,870 includes premium amortization of \$18,638 and deferral on debt defeasance of \$32,210.

NOTES TO FINANCIAL STATEMENTS

| Arkansas State University-Newport | | | |
|------------------------------------------|-------------------------|---------------------|---------------------|
| Year ended June 30, | Principal | Interest | Total |
| 2014 | \$ 356,807 * | \$ 197,692 ** | \$ 554,499 |
| 2015 | 364,781 | 192,009 | 556,790 |
| 2016 | 367,742 | 185,604 | 553,346 |
| 2017 | 376,067 | 177,907 | 553,974 |
| 2018 | 379,393 | 169,809 | 549,202 |
| 2019 - 2023 | 2,096,353 | 685,755 | 2,782,108 |
| 2024 - 2028 | 2,266,346 | 306,027 | 2,572,373 |
| 2029 - 2033 | 557,677 | 43,424 | 601,101 |
| Totals | <u>\$ 6,765,166 ***</u> | <u>\$ 1,958,227</u> | <u>\$ 8,723,393</u> |

*Includes discount amortization of \$1,116 and deferral on debt defeasance of \$5,270.

**Includes interest payable of \$30,733 recorded as a current liability at June 30, 2013.

***Total principal of \$6,765,166 includes discount amortization of \$21,770 and deferral on debt defeasance of \$81,345.

Refunding of Debt

Arkansas State University-Jonesboro

On March 1, 2013, the University issued \$28,895,000 in tax exempt refunding bonds for the Jonesboro campus with interest rates of 1 to 5 percent to advance refund \$28,650,000 of outstanding bonds dated March 1, 2004 with interest rates of 3 to 5 percent. Net proceeds of \$29,968,536, after payment of \$333,975 for bond issuance costs and a premium of \$1,411,804 were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of \$29,968,435, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on March 1, 2014. The University advance refunded the bonds to reduce its total debt service payments by \$4,305,050 over the next twenty (20) years and to obtain an economic gain of \$3,153,059. The University received accrued interest of \$52,051 and an additional \$4,293 from the bond issue to apply toward the debt payments of the new issue.

Arkansas State University-Beebe

On December 1, 2012, the University issued \$1,890,000 in tax exempt refunding bonds for the Beebe campus with interest rates of 1 to 3 percent to refund \$1,795,000 of outstanding bonds dated January 15, 2008 with interest rates of 3 to 4.375 percent. Net proceeds of \$1,805,240 after payment of \$57,437 for bond issuance costs and a discount of \$22,383 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of \$4,940 were received. The bonds were called on January 22, 2013. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,240. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$247,476 over the next twenty (20) years and to obtain an economic gain of \$190,896. The University received accrued interest of \$2,337 from the bond issue to apply toward the debt payments of the new issue.

Arkansas State University-Mountain Home

On December 1, 2012, the University issued \$6,995,000 in taxable refunding bonds for the Mountain Home campus with interest rates of 0.666 to 4.25 percent to refund \$4,465,000 of outstanding bonds dated January 29, 2008 with interest rates of 4.2 to 4.5 percent and a note payable of \$2,307,983 dated October 23, 2009 with an interest rate of 5.5%. Payment of \$2,317,345 was remitted from the bond trustee to the bank for payment of the loan. The loan was paid in full on December 20, 2012. Interest paid on the loan was \$9,362. Net proceeds of \$4,490,589 after payment of \$183,764 for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on January 22, 2013. Additionally, bond proceeds of \$3,302 were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,589. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$544,199 over the next twenty (20) years and to obtain an economic gain of \$431,415. The University received accrued interest of \$11,215 from the bond issue to apply toward the debt payments of the new issue.

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport

On December 1, 2012, the University issued \$3,740,000 in taxable refunding bonds for the Newport campus with interest rates of 0.666 to 3.82 percent to advance refund \$3,730,000 of outstanding bonds dated April 30, 2008 with interest rates of 2.75 to 4.50 percent. Net proceeds of \$3,636,627, after payment of \$100,970 for bond issuance costs plus an additional \$167,137 of 2008 Series debt service reserve funds, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on May 1, 2013. Additionally, bond proceeds of \$2,403 were received. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$73,764. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2028 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by \$327,415 over the next twenty-five (25) years and to obtain an economic gain of \$91,410. The University received accrued interest of \$5,397 from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, the University issued \$1,875,000 in tax exempt refunding bonds for the Newport campus with interest rates of 1 to 3 percent to refund \$1,790,000 of outstanding bonds dated January 29, 2008 with interest rates of 3 to 4.375 percent. Net proceeds of \$1,800,216, after payment of \$50,232 for bond issuance costs and a discount of \$22,327 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on December 1, 2012. Additionally, bond proceeds of \$2,225 were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,216. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by \$258,564 over the next twenty (20) years and to obtain an economic gain of \$198,398. The University received accrued interest of \$2,323 from the bond issue to apply toward the debt payments of the new issue.

**NOTE 6.
CAPITAL LEASES**

The net value of assets held under capital leases totaled \$107,045 at June 30, 2013. The present value of the net minimum lease payments is as follows:

| Type of Asset | Asset Amount | Accumulated Depreciation | Net Amount |
|--------------------|-------------------|--------------------------|-------------------|
| Athletic Equipment | \$ 126,260 | \$ 42,087 | \$ 84,173 |
| Vehicle | 31,976 | 9,104 | 22,872 |
| Total | <u>\$ 158,236</u> | <u>\$ 51,191</u> | <u>\$ 107,045</u> |

| Fiscal Year Ending June 30, | Amount |
|---------------------------------------------------|------------------|
| 2014 | \$ 37,020 |
| 2015 | 36,392 |
| 2016 | 29,461 |
| Total Minimum Lease Payments | <u>102,873</u> |
| Less: Amount Representing Interest | 14,429 |
| Total Present Value of Net Minimum Lease Payments | <u>\$ 88,444</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. COMMITMENTS

The University was contractually obligated for the following at June 30, 2013:

A. Construction Contracts

| Project Title | Estimated Completion Date | Contract Balance |
|-----------------------------------------|------------------------------|---------------------|
| Jonesboro | | |
| Fine Arts Recital Hall | July 2013 | \$ 77,971 |
| Collegiate Park | July 2013 | 96,235 |
| Nursing Building Renovations | July 2013 | 291,043 |
| Football Stadium ADA Renovations | August 2013 | 67,856 |
| Convocation Center ADA Renovations | August 2013 | 108,425 |
| HPESS Bldg Exterior Envelope | August 2013 | 206,987 |
| Driver Street Pedestrian Improvements | August 2013 | 376,958 |
| Football Stadium Lighting | August 2013 | 572,227 |
| Parking Lot Renovations | August 2013 | 678,177 |
| Honors Housing | August 2013 | 1,492,865 |
| Kays Hall Renovations | August 2013 | 1,655,189 |
| Sorority Housing | August 2013 | 1,711,331 |
| Library First Floor | October 2013 | 169,515 |
| Ed-Comm Building Generator | December 2013 | 147,048 |
| Dyess Colony Phase III | December 2013 | 247,765 |
| Humanities and Social Sciences Building | August 2015 | 2,809,952 |
| Beebe | | |
| Student Center Expansion | August 2013 | 1,212,154 |
| Newport | | |
| Physical Plant Building-Jonesboro | September 2013 | 208,871 |

B. Operating Leases (Noncapital leases with initial or remaining noncancellable lease terms in excess of 1 year)

Various leases for office space, laundry services, copiers, computers and other office equipment with terms ranging from 24 to 84 months

1. Future minimum rental payments (aggregate) at June 30, 2013: \$1,736,821
2. Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

| Year Ended June 30, | Amount |
|---------------------|-----------|
| 2014 | \$660,030 |
| 2015 | 340,449 |
| 2016 | 188,876 |
| 2017 | 139,720 |
| 2018 | 138,063 |
| 2019 - 2020 | 269,683 |

Rental payments for the above operating leases, for the year ended June 30, 2013, were approximately \$815,007.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLANS

Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)

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

Funding Policy. Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum contribution is 6%. The University contributes 10% of earnings for all applicable employees. Vesting occurs for all participants immediately. The University's and participants' contributions for the year ended June 30, 2013 were \$7,528,891 and \$4,839,132, respectively.

Arkansas Teacher Retirement System

Plan Description. The University contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan for employees who do not elect a qualified alternative retirement plan. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and non-contributory plans (prior to 7-1-1999). Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%. Vesting occurs for all participants after 5 years of service. The University's contributions to ATRS for the years ended June 30, 2013, 2012 and 2011 were \$1,443,130, \$1,602,067, and \$1,669,301, respectively, equal to the required contributions for each year.

As of July 1, 2011, the University no longer offers new employees the option of electing Arkansas Teacher Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan.

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 provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans (prior to 7-1-2005). Contributory members are required by law to contribute 5% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.24% of annual covered payroll. Vesting occurs for all participants after 5 years of service. The University's contributions to APERS for the years ended June 30, 2013, 2012 and 2011 were \$1,177,142, \$1,186,714 and \$978,538, respectively, equal to the required contributions for each year.

As of January 1, 2012, the University no longer offers new employees the option of electing Arkansas Public Employees Retirement System as a retirement plan. Employees who had already elected this option will continue to participate in the plan.

Variable Annuity Life Insurance Company (VALIC)

Plan Description. The University contributes to VALIC, a defined contribution plan. The plan is a 403(b) program as defined by Internal Revenue Service Code of 1986 as amended, and is administered by VALIC. VALIC provides insurance policies that become the property of the participant when issued.

Funding Policy. Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum percentage is 6%. The University's contributory rate is 10% for all applicable employees. Vesting occurs for all participants immediately. The participants' and the University's contributions for the year ended June 30, 2013 were \$852,934 and \$1,209,192, respectively.

NOTES TO FINANCIAL STATEMENTS

**NOTE 9.
NATURAL CLASSIFICATIONS BY FUNCTION**

The University's operating expenses by function for the year ended June 30, 2013 were as follows:

| | Personal Services | Scholarships and Fellowships | Supplies and Services | Self Insurance | Depreciation | Other | Total |
|------------------------------------------------|------------------------------|-----------------------------------------|----------------------------------|---------------------------|----------------------|------------------|-----------------------|
| Instruction | \$ 61,855,901 | \$ 1,605,567 | \$ 8,615,924 | | | | \$ 72,077,392 |
| Research | 7,829,324 | 279,638 | 2,558,494 | | | | 10,667,456 |
| Public Service | 11,051,302 | 629,049 | 5,372,782 | | | | 17,053,133 |
| Academic Support | 11,752,040 | 78,328 | 7,186,492 | | | | 19,016,860 |
| Student Services | 11,493,307 | 311,944 | 3,355,957 | | | | 15,161,208 |
| Institutional Support | 19,152,023 | 4,250 | 9,619,682 | | | | 28,775,955 |
| Scholarships and Fellowships | | 12,394,445 | | | | | 12,394,445 |
| Operations and Maintenance of Plant | 11,612,412 | | 10,677,773 | | | | 22,290,185 |
| Auxiliary Enterprises | 8,920,242 | 3,872,087 | 15,960,339 | | | | 28,752,668 |
| Self Insurance | | | | \$ 15,164,210 | | | 15,164,210 |
| Depreciation | | | | | \$ 22,500,636 | | 22,500,636 |
| Other | | | | | | \$ 61,381 | 61,381 |
| Total | <u>\$ 143,666,551</u> | <u>\$ 19,175,308</u> | <u>\$ 63,347,443</u> | <u>\$ 15,164,210</u> | <u>\$ 22,500,636</u> | <u>\$ 61,381</u> | <u>\$ 263,915,529</u> |

**NOTE 10.
RECEIVABLE AND PAYABLE BALANCES**

Accounts Receivable at June 30, 2013 as reported in the Statement of Net Position, were as follows:

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|--------------------------|----------------------|-------------------|----------------------|
| Student receivables, net | \$ 5,040,523 | | \$ 5,040,523 |
| Grants and contracts | 4,652,723 | | 4,652,723 |
| Sales and use tax | 450,147 | | 450,147 |
| Property tax accrual | 797,929 | | 797,929 |
| Auxiliary enterprises | 472,012 | | 472,012 |
| Loan cancellations | 1,529,512 | | 1,529,512 |
| Miscellaneous | 680,944 | \$ 68,452 | 749,396 |
| Totals | <u>\$ 13,623,790</u> | <u>\$ 68,452</u> | <u>\$ 13,692,242</u> |

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$942,356 at June 30, 2013. Grants and contracts receivable are comprised of amounts due for sponsored research projects, scholarships and other restricted activities. Auxiliary enterprises receivables consist of amounts due at year end for vending, bookstore and other types of auxiliaries. The loan cancellation amount is the amount due from the U.S. Department of Education for cancellations pertaining to the Federal Perkins Loan Program.

Notes and Deposits Receivable at June 30, 2013 were as follows:

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|-----------------------|---------------------|---------------------|---------------------|
| Notes receivable, net | \$ 1,028,937 | \$ 4,790,965 | \$ 5,819,902 |
| Deposits receivable | | 6,567 | 6,567 |
| Totals | <u>\$ 1,028,937</u> | <u>\$ 4,797,532</u> | <u>\$ 5,826,469</u> |

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2013 was reduced by an allowance for doubtful accounts of \$230,381 for the current portion and \$1,072,707 for the noncurrent portion.

NOTES TO FINANCIAL STATEMENTS

Accounts Payable and Accrued Liabilities at June 30, 2013 are detailed below:

| | Current | Noncurrent | Total |
|------------------------------------------|----------------------|-------------------|----------------------|
| Vendors | \$ 7,591,449 | \$ 334,667 | \$ 7,926,116 |
| Students | 3,654 | | 3,654 |
| Sales tax and use tax | 70,188 | | 70,188 |
| Health claims | 1,072,950 | | 1,072,950 |
| Salaries and other payroll related items | 1,340,607 | | 1,340,607 |
| Miscellaneous | 99,533 | | 99,533 |
| Totals | \$ 10,178,381 | \$ 334,667 | \$ 10,513,048 |

NOTE 11. MUSEUM COLLECTION

The financial statements do not include the University's museum collection, which consists of numerous historical relics, artifacts, displays and memorabilia. The total value of this collection has not been established.

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

The University offers postemployment health care benefits to all employees who officially retire from the University and meet certain age- and service-related requirements. Health care benefits are offered through Arkansas State University's Self Insured Retiree Medical Plan (the Plan).

Employees between the ages of fifty-five (55) and sixty (60) shall become eligible for retirement benefits in the calendar year in which the sum of their age and the number of years of continuous full-time service to the University totals seventy (70). Employees sixty (60) years of age and older are eligible for retirement benefits in the calendar year in which they have at least ten (10) years of continuous full-time service to the University. Employees electing retirement will receive the following benefits:

- Medical insurance (including spouse and unmarried dependents, if covered at the time the employee retires or unless a qualifying event occurs) will be provided at one-half of the total cost (one-half of what ASU pays and half of the employee premium).
- Life insurance and accidental death and dismemberment benefits equal to the scheduled amount at the time of the retiree's retirement will continue at no cost to the retiree; and
- Continuing eligibility of the retiree, their spouse and unmarried dependent children for tuition discounts in effect for current university employees.

The benefits provided to retirees enumerated above will terminate at the earlier of the age at which the retiree becomes eligible for Medicare coverage or the date the retiree becomes eligible for similar benefits under any other arrangement for members in a group, whether insured or self-insured.

The benefits provided to the spouse of the retiree enumerated above shall terminate the earlier of either a) when such benefits terminate for the early retiree or b) the spouse becomes eligible for Medicare. Should the spouse of a retiree not have reached the age of Medicare eligibility at the time benefits to the retiree are terminated, the retiree may pay the total cost of continuing such coverage until such time as the spouse becomes eligible for Medicare.

The University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program and a preferred care program. The authority under which the Plan's benefit provisions are established or amended is the University Board of Trustees. Recommendations for modifications are brought to the Board by the University's President. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forward by the University's President and approved by the Board of Trustees.

In accordance with GASB Statement No. 45, the University accrued an additional \$1,633,439 in retiree healthcare expense during fiscal year 2013. This compares to \$1,575,750 accrued during fiscal year 2012.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Arkansas State University Office of Employee Services, P.O. Box 1500, State University, Arkansas 72467.

The required schedule of funding progress contained in the Required Supplemental Information immediately following the financial statements

NOTES TO FINANCIAL STATEMENTS

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Determination of Annual Required Contribution (ARC) and End of Year Accrual | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------|----------------------|---------------------------------------|
| Cost Element | Fiscal Year Ended | | | |
| | June 30, 2013 | | June 30, 2012 | |
| | Amount | Percent of Payroll¹ | Amount | Percent of Payroll² |
| 1. Beginning of year unfunded actuarial accrued liability | \$ 12,920,854 | 12.87% | \$ 11,980,562 | 11.84% |
| <u>Annual Required Contribution (ARC)</u> | | | | |
| 2. Normal cost | \$ 1,296,097 | | \$ 1,258,347 | |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 659,212 | | 611,239 | |
| 4. Annual Required Contribution (ARC) (2. + 3.) | <u>\$ 1,955,309</u> | 1.95% | <u>\$ 1,869,586</u> | 1.85% |
| <u>Annual OPEB Cost (Expense)</u> | | | | |
| 5. Normal cost | \$ 1,296,097 | | \$ 1,258,347 | |
| 6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 659,212 | | 611,239 | |
| 7. Amortization of the beginning of year accrual | (298,639) | | (218,246) | |
| 8. Interest on beginning of year accrual | 175,604 | | 128,331 | |
| 9. Annual OPEB cost (5. + 6. + 7. + 8.) | <u>\$ 1,832,274</u> | 1.83% | <u>\$ 1,779,671</u> | 1.76% |
| <u>End of Year Accrual (Net OPEB Obligation)</u> | | | | |
| 10. Beginning of year accrual | \$ 5,853,460 | | \$ 4,277,710 | |
| 11. Annual OPEB cost | 1,832,274 | | 1,779,671 | |
| 12. Employer contribution (benefit payments) | 198,835 | | 203,921 | |
| 13. End of year accrual (10. + 11. -12.) ³ | <u>\$ 7,486,899</u> | 7.46% | <u>\$ 5,853,460</u> | 5.78% |
| ¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429. ² Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997. ³ Actual contributions and administrative fees paid in fiscal year 2013 of \$503,743 less participant contributions of \$304,908; \$503,118 and \$299,197, respectively, in fiscal year 2012. The employer contributed 10.9% of annual OPEB cost during fiscal year 2013, compared to 11.5% during fiscal year 2012. | | | | |

NOTES TO FINANCIAL STATEMENTS

| Schedule of Employer Contributions | | | |
|-------------------------------------------|-------------------------|-----------------------------------------|-------------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions⁴ | Percentage Contributed |
| June 30, 2013 | \$1,832,274 | \$ 198,835 | 10.9% |
| June 30, 2012 | 1,779,671 | 203,921 | 11.5% |
| June 30, 2011 | 1,431,823 | 159,693 | 11.2% |

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2013, these amounts are \$503,743 and \$304,908, respectively. For 2012, these amounts are \$503,118 and \$299,197, respectively. For 2011, these amounts are \$666,778 and \$507,085, respectively.

| Schedule of Funding Progress | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|----------------------------------------------------|-------------------------------|----------------------------------------|------------------------------------------------------------------------------|
| The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability. | | | | | | |
| Fiscal Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded/ (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll⁵ (c) | UAAL as a Percentage of Covered Payroll⁵ [(b) - (a) / (c)] |
| June 30, 2013 | \$ - | \$12,920,854 | \$ 12,920,854 | 0% | \$100,382,429 | 12.87% |
| June 30, 2012 | - | 11,980,562 | 11,980,562 | 0% | 101,213,997 | 11.84% |
| June 30, 2011 | - | 10,139,178 | 10,139,178 | 0% | 113,897,937 | 8.90% |

⁵ Payroll as of July 1, 2012, July 1, 2011 and July 1, 2010 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,955,309 for fiscal year 2013 and accrual of \$7,486,899 as of June 30, 2013, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,869,586 and \$5,853,460, respectively, as of June 30, 2012; and \$1,494,998 and \$4,277,710, respectively, as of June 30, 2011.

| Three-Year Schedule of Percentage of OPEB Cost Contributed | | | |
|-------------------------------------------------------------------|-------------------------|--------------------------------------------|----------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| June 30, 2013 | \$1,832,274 | 10.9% | \$ 7,486,899 |
| June 30, 2012 | 1,779,671 | 11.5% | 5,853,460 |
| June 30, 2011 | 1,431,823 | 11.2% | 4,277,710 |

Summary of Key Actuarial Methods and Assumptions

| | |
|-------------------------------|-------------------------------------------------------|
| Valuation year | July 1, 2011 – June 30, 2012 (rolled forward) |
| Actuarial cost method | Projected Unit Credit, level dollar |
| Amortization method | 30 years, level dollar open amortization ⁶ |
| Asset valuation method | N/A |

⁶ Open amortization means a fresh-start each year for the cumulative unrecognized amount.

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions:

| | |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate | 3.0% |
| Inflation rate | 2.5% |
| Projected payroll growth rate | N/A |
| Health care cost trend rate for medical and prescription drugs | Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached. |

General Overview of the Valuation Methodology

The estimation of the retiree healthcare 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 2013. These premiums are used in this roll-forward of plan liabilities per GASB Statement No. 45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

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

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Valuation Year | July 1, 2011 – June 30, 2012, rolled forward |
| Date of Census Data | April 1, 2012 |
| Actuarial Cost Method | Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years. |

| Retiree Premiums | | | |
|----------------------------------|--------------------------|--------------------------|--------------|
| Health (monthly rate) | Employee Cost | Employer Cost | Total |
| Single | \$ 197.68 | \$ 197.68 | \$ 395.36 |
| Family | 405.71 | 405.71 | 811.42 |

| | |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Health Care Trend Rate | Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached. |
| Discount Rate | 3.0% per annum |
| Inflation Rate | 2.5% per annum |
| Spouse Age Difference | Husbands are assumed to be three years older than wives for current and future retirees who are married. |
| Mortality | IRS 2008 Combined Static Mortality Table has been used. |
| Participation Rates | Active employees are assumed to elect the same postretirement health insurance coverage upon retirement. |

NOTES TO FINANCIAL STATEMENTS

Retirement Rates

Employees are assumed to retire according to the following schedule:

| Age | Retirement Rate (Less than 28 years of service) | Retirement Rate (28 or more years of service) |
|--------------|-------------------------------------------------------|-----------------------------------------------------|
| 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 and older | 100% | 100% |

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

| Age | Terminate Rate (Male) | Terminate Rate (Female) |
|-----|--------------------------|----------------------------|
| 25 | 46.0 | 47.0 |
| 30 | 43.4 | 46.6 |
| 35 | 36.4 | 38.8 |
| 40 | 30.0 | 27.4 |
| 45 | 24.5 | 21.2 |
| 50 | 19.0 | 18.8 |
| 55 | 15.7 | 16.2 |
| 60 | 15.0 | 15.0 |
| 65 | 15.0 | 15.0 |
| 70 | 15.0 | 15.0 |
| 75 | 0.0 | 0.0 |
| 80 | 0.0 | 0.0 |

NOTE 13. SELF INSURANCE PROGRAM

Beginning July 1, 1994, Arkansas State University established a self-funded health benefit plan for employees and their eligible dependents. All campuses of the University participate in the program, which is administered by BlueAdvantage administrators.

At June 30, 2013, approximately 4,243 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86.55% of the total premium. The University pays 72.56% of the total premium for those participating in family coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%.

NOTES TO FINANCIAL STATEMENTS

The University estimates its unpaid health claims liability at June 30, 2013 to be \$1,072,950 with BlueAdvantage. This liability is established for incurred but not reported medical and pharmacy claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

| Unpaid Claims Liability | |
|-------------------------------------|---------------------|
| Fiscal Year 2013 | |
| Unpaid claims, 7-1-2012 | \$ 1,225,900 |
| Incurred claims during current year | 14,124,901 |
| Total claims | 15,350,801 |
| | |
| Current year claims paid | \$ 13,064,582 |
| Prior year claims paid | 1,213,269 |
| Total payments | 14,277,851 |
| | |
| Unpaid claims, 6-30-2013 | <u>\$ 1,072,950</u> |

The University purchases specific reinsurance to reduce its exposure to large claims. HCC Life was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$200,000.

NOTE 14.
ENDOWMENT FUNDS

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2013 was \$11,363,747. Of this amount, \$10,786,815 was nonexpendable and the remaining \$576,932 was expendable.

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

For endowments held by the Arkansas State University Foundation, the University’s policy is for annual expenses from the endowment funds not to exceed 4% of the five (5) year average market value as determined at December 31st of the previous year. In periods with no market value appreciation, the University limits the spending to actual income generated by the endowment fund assets.

Arkansas State University-Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value, include bonds/fixed income, mutual funds and other managed investments. The endowment net position at June 30, 2013 was \$146,914. Of this amount, \$143,009 was nonexpendable and the remaining \$3,905 was expendable.

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

It is the University’s policy for any interest earnings to be expensed from the endowment funds for scholarships.

NOTES TO FINANCIAL STATEMENTS

**NOTE 15.
PLEGGED REVENUES**

The University's pledged revenues at June 30, 2013 are as follows:

Arkansas State University-Jonesboro

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2013 Gross Revenue | Amount Issued | 2013 Principal Paid | 2013 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|------------------------------|------------|---------------|----------------------------------------------------------------------------|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2005 Refunding | 9/15/2005 | 4/1/2025 | Refinance Student Union | Student Union Fee | \$ 2,695,549 | \$ 14,342,625 | \$ 663,803 | \$ 536,674 | \$ 10,136,052 | \$ 3,370,666 | 44.54% |
| Series 2005 Refunding | 9/15/2005 | 4/1/2025 | Refinance Parking Garage | Parking Fees | 1,270,189 | 4,887,375 | 226,197 | 182,876 | 3,453,948 | 1,148,584 | 32.21% |
| Series 2007 Student Fee | 6/1/2007 | 3/1/2037 | Construction of Recreation Center | Recreation Center Fee | 1,887,003 | 17,065,000 | 350,000 | 708,480 | 14,970,000 | 10,422,491 | 56.09% |
| Series 2007 Housing | 6/1/2007 | 3/1/2037 | Construction of Honors Hall, Red Wolf apartments,refinance Collegiate Park | Housing Fees | 3,236,844 | 30,300,000 | 855,000 | 1,293,537 | 26,340,000 | 16,605,925 | 66.38% |
| Series 2009 Housing | 3/19/2009 | 3/1/2039 | Construction of Living Learning Community | Housing Fees | 350,418 | 9,290,000 | 190,000 | 406,384 | 8,735,000 | 6,765,256 | 100.00% |
| Series 2010 Refunding | 12/7/2010 | 3/1/2031 | Refinance Series 2001-Family Housing Phase I | Housing Fees | 1,308,678 | 6,075,000 | 240,000 | 186,156 | 5,370,000 | 2,017,004 | 32.56% |
| Series 2010A Refunding | 12/7/2010 | 3/1/2031 | Refinance Series 2001-Track Facility | Gross Tuition and Fees | see below | 2,600,000 | 105,000 | 78,852 | 2,290,000 | 837,615 | 0.23% |
| Series 2010B Refunding | 12/7/2010 | 12/1/2017 | Refinance Series 2002-Renovation of Kays Hall and Tw in Towers | Housing Fees | 1,545,618 | 1,568,376 | 218,628 | 30,412 | 1,134,202 | 77,229 | 16.11% |
| Series 2010B Refunding | 12/7/2010 | 12/1/2027 | Refinance Series 2002-Construction of Fowler Center and property purchases | Gross Tuition and Fees | see below | 1,866,624 | 321,372 | 34,008 | 1,230,798 | 248,258 | 0.44% |
| Series 2012A Taxable Housing | 3/1/2012 | 3/1/2042 | Construction of sorority housing | Housing Fees | - | 6,510,000 | - | - | 6,510,000 | 5,634,069 | 0.00% |
| Series 2012C Taxable Housing | 12/1/2012 | 3/1/2042 | Construction of sorority housing | Housing Fees | - | 4,470,000 | - | - | 4,470,000 | 3,541,232 | 0.00% |
| Series 2012B Housing | 3/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | - | 6,875,000 | - | - | 6,875,000 | 4,301,675 | 0.00% |
| Series 2012D Housing | 12/1/2012 | 3/1/2042 | Construction of honors housing | Housing Fees | - | 1,255,000 | - | - | 1,255,000 | 692,079 | 0.00% |

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Jonesboro (continued)

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2013 Gross Revenue | Amount Issued | 2013 Principal Paid | 2013 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|--------------------------------|----------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2012C Student Fee | 3/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | \$ 1,545,618 | \$ 3,425,000 | \$ 90,000 | \$ 124,106 | \$ 3,335,000 | \$ 1,799,656 | 13.85% |
| Series 2012D Student Fee | 12/1/2012 | 3/1/2037 | Renovation of Kays Hall | Housing Fees | 1,545,618 | 1,500,000 | - | - | 1,500,000 | 626,204 | 0.00% |
| Series 2012A Taxable Refunding | 3/1/2012 | 3/1/2034 | Refinance Series 2004 Student Fee-Property Purchases | Gross Tuition and Fees | see below | 5,340,000 | 260,000 | 181,442 | 5,080,000 | 2,550,143 | 0.55% |
| Series 2012B Refunding | 3/1/2012 | 3/1/2034 | Refinance Series 2004 Student Fee-Refinance Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements | Gross Tuition and Fees | see below | 2,775,000 | 320,000 | 78,919 | 2,455,000 | 935,869 | 0.50% |
| Series 2004 Housing | Refunded below | | Construction of Northpark Quads residence hall | Housing Fees | 3,610,970 | 26,500,000 | 639,118 | 1,078,959 | - | - | 47.58% |
| Series 2013 Refunding | 3/1/2013 | 3/1/2034 | Refinance Series 2004 Housing-Construction of Northpark Quads residence hall | Housing Fees | 3,610,970 | 22,521,103 | - | - | 22,521,103 | 10,186,269 | 0.00% |
| Series 2004 Housing | Refunded below | | Construction of Family Housing Phase II | Housing Fees | 1,308,678 | 7,500,000 | 180,882 | 305,366 | - | - | 37.16% |
| Series 2013 Refunding | 3/1/2013 | 3/1/2034 | Refinance Series 2004 Housing-Construction of Family Housing Phase II | Housing Fees | 1,308,678 | 6,373,897 | - | - | 6,373,897 | 2,882,906 | 0.00% |

Note: Issues with Tuition and Fees pledged, 2013 Gross Revenue—\$80,443,344

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2013 Gross Revenue | Amount Issued | 2013 Principal Paid | 2013 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|-----------------------------------|----------------|----------------|------------------------------------------------------------------------------------|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2005 Refunding | 9/15/2005 | 12/1/2023 | Refinance Student Center | Gross Tuition and Fees | see below | \$ 3,330,000 | \$ 155,000 | \$ 86,203 | \$ 2,170,000 | \$ 504,238 | 2.27% |
| Series 2005B Student Fee | 12/1/2005 | 12/1/2035 | Construction of academic and administrative buildings at the Heber Springs campus | Gross Tuition and Fees | see below | 15,170,000 | 325,000 | 622,275 | 13,125,000 | 8,585,889 | 8.92% |
| Series 2006 Student Fee | 3/1/2006 | 9/1/2035 | Construction of math and science building | Gross Tuition and Fees | see below | 11,000,000 | 240,000 | 440,655 | 9,505,000 | 6,163,669 | 6.41% |
| Series 2010 Auxiliary Enterprises | 4/1/2010 | 4/1/2040 | Construction of new residence halls | Housing Fees | 786,734 | 9,125,000 | 765,000 | 351,330 | 8,175,000 | 5,734,014 | 100.00% |
| Series 2008 Student Fee | Refunded below | Refunded below | Renovation of main building at the Searcy campus | Gross Tuition and Fees | see below | 2,080,000 | 60,000 | 31,723 | - | - | 0.86% |
| Series 2012 Refunding | 12/1/2012 | 12/1/2032 | Refinance Series 2008 Student Fee-Renovation of main building at the Searcy campus | Gross Tuition and Fees | see below | 1,890,000 | - | 25,827 | 1,890,000 | 545,856 | 0.24% |

Note: Issues with Tuition and Fees pledged, 2013 Gross Revenue—\$10,615,153

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2013 Gross Revenue | Amount Issued | 2013 Principal Paid | 2013 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|-----------------------|------------|---------------|--------------------------------------------------------------------------------|---------------------------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2010 Refunding | 12/1/2010 | 12/1/2017 | Refinance Series 2002 Refunding-Construction of the Mountain Home campus | Student Tuition and Fees and Ad Valorem Tax | \$ 5,497,914 | \$ 2,920,000 | \$ 400,000 | \$ 49,155 | \$ 2,125,000 | \$ 119,345 | 8.17% |
| | | | Construction of Community Development Center | Gross Tuition and Fees | see below | 5,180,000 | 145,000 | 94,605 | - | - | 5.69% |
| Series 2012 Refunding | 12/1/2012 | 12/1/2032 | Refinance Series 2008 Student Fee-Construction of Community Development Center | Gross Tuition and Fees | see below | 6,995,000 | - | 106,244 | 6,995,000 | 2,626,921 | 2.52% |

Note: Issues with Tuition and Fee pledged, 2013 Gross Revenue—\$4,212,013

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport

| | Issue Date | Maturity Date | Purpose | Type of Revenue Pledged | 2013 Gross Revenue | Amount Issued | 2013 Principal Paid | 2013 Interest Paid | Principal Outstanding | Interest Outstanding | Percent of Revenue Pledged |
|--------------------------------|----------------|---------------|------------------------------------------------------------------------------------------|-------------------------|--------------------|---------------|---------------------|--------------------|-----------------------|----------------------|----------------------------|
| Series 2012A Taxable Refunding | 12/1/2012 | 5/1/2028 | Refinance Series 2008 Building-Construction of Student Community Building | Gross Tuition and Fees | see below | \$ 3,740,000 | \$ 190,000 | \$ 42,610 | \$ 3,550,000 | \$ 989,940 | 4.72% |
| Series 2008 Building | Refunded below | | Construction of Transportation Technology Center building | Gross Tuition and Fees | see below | 2,075,000 | 60,000 | 37,980 | - | - | 1.99% |
| Series 2012B Refunding | 12/1/2012 | 12/1/2032 | Refinance Series 2008 Building-Construction of Transportation Technology Center building | Gross Tuition and Fees | see below | 1,875,000 | - | 22,016 | 1,875,000 | 541,541 | 0.45% |

Note: Issues with Tuition and Fees pledged, 2013 Gross Revenue—\$4,925,264

NOTES TO FINANCIAL STATEMENTS

NOTE 16. RISK MANAGEMENT

The University is exposed to various risks of loss including, but not necessarily limited to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. In response to this diverse risk exposure, the University has established a comprehensive risk management approach including, where acceptable and prudent, retention of the associated risks to the extent that funds are available from general operations or reserves to cover losses. In those situations where risk retention has been deemed not acceptable or prudent, the University has practiced risk transfer through participation in the State of Arkansas' risk management programs or through the purchase of commercial insurance coverage.

The University participates in the Arkansas Fidelity Bond Trust Fund administered by the Government Bonding Board. The fund provides coverage of actual losses incurred as a result of fraudulent or dishonest acts committed by state officials or employees. Each loss is limited to \$250,000 with a \$2,500 deductible. Premiums for coverage are remitted by the Arkansas Department of Finance and Administration from funds deducted from the University's state treasury funds.

The University secures vehicle insurance coverage and some real property coverage through participation in the Arkansas Multi-Agency Insurance Trust Fund administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow participating agencies an affordable means of insuring their vehicle fleets and real property. The University pays an annual premium for this coverage. The fund provides a coverage pool, but, employs a reinsurance policy to reduce its exposure to large losses.

The University also participates in the Worker's Compensation Revolving Fund administered by the Arkansas Department of Finance and Administration. Premium assessments are determined annually by the Department of Finance and Administration and deducted on a quarterly basis from the University's state treasury funds.

Additional information relating to the state's insurance plans and funds is available in the State of Arkansas' Annual Comprehensive Financial Report.

The individual campuses of the University also purchase commercial insurance coverage to indemnify against unacceptable losses to buildings and other real property. Decisions concerning the appropriate levels and types of coverage and the selection of commercial providers are made by the campus administrators. During the past three fiscal years, no claims have exceeded the amount of coverage. There have been no significant reductions in insurance coverage from the prior year in the major categories of risk.

NOTE 17. SUBSEQUENT EVENTS

Arkansas State University-Jonesboro

1. On August 1, 2013, the University received a \$1,000,000 loan from the Arkansas Department of Higher Education's College Savings Bond Loan Fund. The term of the loan is 10 years and the interest rate is 0.24%. Payments for the loan will begin in August 2014. The proceeds of the loan will be used to construct a pedestrian corridor between residence housing to the academic core of the campus and a new parking lot.
2. On September 20, 2013, the Board of Trustees approved a \$27.7 million bond issue. The proceeds of the bond issue will finance the completion of the Humanities and Social Sciences building and provide for the construction of a student activities center.

The 120,000-square-foot Humanities and Social Sciences Building is a \$36 million project expected to be completed by Fall 2015. It will become the new home of the College of Humanities and Social Sciences and other academic programs. More than \$21 million in General Improvement Funds from the state has been received over time for the project.

The student activities center will be a 78,000-square-foot multipurpose facility for students, athletics, and the community. Estimated cost of the center and the relocation of the soccer complex is \$12 million, and construction work is expected to begin during the first half of 2014.

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefits

| Determination of Annual Required Contribution (ARC) and End of Year Accrual | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------|----------------------|---------------------------------------|
| Cost Element | Fiscal Year Ended | | | |
| | June 30, 2013 | | June 30, 2012 | |
| | Amount | Percent of Payroll¹ | Amount | Percent of Payroll² |
| 1. Beginning of year unfunded actuarial accrued liability | \$ 12,920,854 | 12.87% | \$ 11,980,562 | 11.84% |
| <u>Annual Required Contribution (ARC)</u> | | | | |
| 2. Normal cost | \$ 1,296,097 | | \$ 1,258,347 | |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 659,212 | | 611,239 | |
| 4. Annual Required Contribution (ARC) (2. + 3.) | <u>\$ 1,955,309</u> | 1.95% | <u>\$ 1,869,586</u> | 1.85% |
| <u>Annual OPEB Cost (Expense)</u> | | | | |
| 5. Normal cost | \$ 1,296,097 | | \$ 1,258,347 | |
| 6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 659,212 | | 611,239 | |
| 7. Amortization of the beginning of year accrual | (298,639) | | (218,246) | |
| 8. Interest on beginning of year accrual | 175,604 | | 128,331 | |
| 9. Annual OPEB cost (5. + 6. + 7. + 8.) | <u>\$ 1,832,274</u> | 1.83% | <u>\$ 1,779,671</u> | 1.76% |
| <u>End of Year Accrual (Net OPEB Obligation)</u> | | | | |
| 10. Beginning of year accrual | \$ 5,853,460 | | \$ 4,277,710 | |
| 11. Annual OPEB cost | 1,832,274 | | 1,779,671 | |
| 12. Employer contribution (benefit payments) | 198,835 | | 203,921 | |
| 13. End of year accrual (10. + 11. -12.) ³ | <u>\$ 7,486,899</u> | 7.46% | <u>\$ 5,853,460</u> | 5.78% |
| <p>¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429.</p> <p>² Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997.</p> <p>³ Actual contributions and administrative fees paid in fiscal year 2013 of \$503,743 less participant contributions of \$304,908; \$503,118 and \$299,197, respectively, in fiscal year 2012. The employer contributed 10.9% of annual OPEB cost during fiscal year 2013, compared to 11.5% during fiscal year 2012.</p> | | | | |

REQUIRED SUPPLEMENTARY INFORMATION

| Schedule of Employer Contributions | | | |
|-------------------------------------------|-------------------------|-----------------------------------------|-------------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions⁴ | Percentage Contributed |
| June 30, 2013 | \$1,832,274 | \$ 198,835 | 10.9% |
| June 30, 2012 | 1,779,671 | 203,921 | 11.5% |
| June 30, 2011 | 1,431,823 | 159,693 | 11.2% |

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2013, these amounts are \$503,743 and \$304,908, respectively. For 2012, these amounts are \$503,118 and \$299,197, respectively. For 2011, these amounts are \$666,778 and \$507,085, respectively.

| Schedule of Funding Progress | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|----------------------------------------------------|-------------------------------|----------------------------------------|------------------------------------------------------------------------------|
| The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability. | | | | | | |
| Fiscal Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded/ (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll⁵ (c) | UAAL as a Percentage of Covered Payroll⁵ [(b) - (a) / (c)] |
| June 30, 2013 | \$ - | \$12,920,854 | \$ 12,920,854 | 0% | \$100,382,429 | 12.87% |
| June 30, 2012 | - | 11,980,562 | 11,980,562 | 0% | 101,213,997 | 11.84% |
| June 30, 2011 | - | 10,139,178 | 10,139,178 | 0% | 113,897,937 | 8.90% |

⁵ Payroll as of July 1, 2012, July 1, 2011 and July 1, 2010 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,955,309 for fiscal year 2013 and accrual of \$7,486,899 as of June 30, 2013, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,869,586 and \$5,853,460, respectively, as of June 30, 2012; and \$1,494,998 and \$4,277,710, respectively, as of June 30, 2011.

| Three-Year Schedule of Percentage of OPEB Cost Contributed | | | |
|-------------------------------------------------------------------|-------------------------|--------------------------------------------|----------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| June 30, 2013 | \$1,832,274 | 10.9% | \$ 7,486,899 |
| June 30, 2012 | 1,779,671 | 11.5% | 5,853,460 |
| June 30, 2011 | 1,431,823 | 11.2% | 4,277,710 |

REQUIRED SUPPLEMENTARY INFORMATION

Summary of Key Actuarial Methods and Assumptions

| | |
|-------------------------------|-------------------------------------------------------|
| Valuation year | July 1, 2011 – June 30, 2012 (rolled forward) |
| Actuarial cost method | Projected Unit Credit, level dollar |
| Amortization method | 30 years, level dollar open amortization ⁶ |
| Asset valuation method | N/A |

⁶ Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Actuarial assumptions:

| | |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate | 3.0% |
| Inflation rate | 2.5% |
| Projected payroll growth rate | N/A |
| Health care cost trend rate for medical and prescription drugs | Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached. |

General Overview of the Valuation Methodology

The estimation of the retiree healthcare 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 2013. These premiums are used in this roll-forward of plan liabilities per GASB Statement No. 45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

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

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Valuation Year | July 1, 2011 – June 30, 2012, rolled forward |
| Date of Census Data | April 1, 2012 |
| Actuarial Cost Method | Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years. |

| Retiree Premiums | | | |
|--------------------------|------------------|------------------|-----------|
| Health (monthly rate) | Employee Cost | Employer Cost | Total |
| Single | \$ 197.68 | \$ 197.68 | \$ 395.36 |
| Family | 405.71 | 405.71 | 811.42 |

| | |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Health Care Trend Rate | Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached. |
| Discount Rate | 3.0% per annum |
| Inflation Rate | 2.5% per annum |
| Spouse Age Difference | Husbands are assumed to be three years older than wives for current and future retirees who are married. |

REQUIRED SUPPLEMENTARY INFORMATION

Mortality

IRS 2008 Combined Static Mortality Table has been used.

Participation Rates

Active employees are assumed to elect the same postretirement health insurance coverage upon retirement.

Retirement Rates

Employees are assumed to retire according to the following schedule:

| Age | Retirement Rate (Less than 28 years of service) | Retirement Rate (28 or more years of service) |
|--------------|----------------------------------------------------------------|--------------------------------------------------------------|
| 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 and older | 100% | 100% |

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following schedule (number per 1000 members):

| Age | Terminate Rate (Male) | Terminate Rate (Female) |
|------------|----------------------------------|------------------------------------|
| 25 | 46.0 | 47.0 |
| 30 | 43.4 | 46.6 |
| 35 | 36.4 | 38.8 |
| 40 | 30.0 | 27.4 |
| 45 | 24.5 | 21.2 |
| 50 | 19.0 | 18.8 |
| 55 | 15.7 | 16.2 |
| 60 | 15.0 | 15.0 |
| 65 | 15.0 | 15.0 |
| 70 | 15.0 | 15.0 |
| 75 | 0.0 | 0.0 |
| 80 | 0.0 | 0.0 |



Supplemental Information (Unaudited)

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET POSITION BY CAMPUS
JUNE 30, 2013

| | Jonesboro | Beebe | Mountain Home | Newport | Consolidation Entries | Total |
|-------------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 29,820,951 | \$ 3,846,578 | \$ 6,601,205 | \$ 4,250,414 | | \$ 44,519,148 |
| Short-term investments | 450,000 | | | 289,958 | | 739,958 |
| Accounts receivable (less allowances of \$942,356) | 9,599,120 | 948,184 | 1,549,331 | 1,527,155 | | 13,623,790 |
| Notes and deposits receivable (less allowances of \$230,381) | 1,028,937 | | | | | 1,028,937 |
| Accrued interest and late charges | 101,130 | 2,105 | | 692 | | 103,927 |
| Inventories | 1,486,668 | 355,242 | | 3,588 | | 1,845,498 |
| Deposits with trustees | 2,876,820 | | | 42 | | 2,876,862 |
| Unamortized bond issuance costs | 72,708 | 10,105 | 20,155 | 9,026 | | 111,994 |
| Prepaid expenses | 47,514 | 23,059 | 63,138 | 3,592 | | 137,303 |
| Total Current Assets | 45,483,848 | 5,185,273 | 8,233,829 | 6,084,467 | | 64,987,417 |
| Noncurrent Assets: | | | | | | |
| Cash and cash equivalents | 22,328,637 | | | | | 22,328,637 |
| Restricted cash and cash equivalents | 5,494,100 | | 79,630 | | | 5,573,730 |
| Endowment investments | 12,441,815 | 146,914 | | | | 12,588,729 |
| Other long-term investments | 5,546,372 | 7,977,746 | | 3,880,905 | | 17,405,023 |
| Accrued interest and late charges | 385,312 | | | | | 385,312 |
| Deposits with trustees | 6,787,382 | | | | | 6,787,382 |
| Accounts receivable | 68,452 | | | | | 68,452 |
| Notes and deposits receivable (less allowances of \$1,072,707) | 4,797,532 | | | | | 4,797,532 |
| Unamortized bond issuance costs | 1,574,987 | 278,165 | 208,364 | 137,663 | | 2,199,179 |
| Capital assets (net of accumulated depreciation of \$265,485,623) | 287,663,918 | 60,830,860 | 26,385,147 | 23,146,404 | | 398,026,329 |
| Total Noncurrent Assets | 347,088,507 | 69,233,685 | 26,673,141 | 27,164,972 | | 470,160,305 |
| TOTAL ASSETS | 392,572,355 | 74,418,958 | 34,906,970 | 33,249,439 | | 535,147,722 |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 7,880,425 | 479,429 | 113,264 | 632,313 | \$ 1,072,950 | 10,178,381 |
| Bonds, notes and leases payable | 6,018,097 | 1,014,518 | 777,840 | 356,807 | | 8,167,262 |
| Compensated absences | 5,918,771 | 995,568 | 35,006 | 379,198 | | 7,328,543 |
| Unearned revenue | 3,917,914 | 128,849 | 181,390 | 69,127 | | 4,297,280 |
| Funds held in trust for others | 834,966 | 3,855 | 72,917 | 54,969 | | 966,707 |
| Deposits | 834,635 | 39,859 | | 5,175 | | 879,669 |
| Interest payable | 1,803,684 | 294,338 | 28,807 | 30,733 | | 2,157,562 |
| Other liabilities | 57,906 | 10,442 | | | | 68,348 |
| Total Current Liabilities | 27,266,398 | 2,966,858 | 1,209,224 | 1,528,322 | 1,072,950 | 34,043,752 |
| Noncurrent Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 334,667 | | | | | 334,667 |
| Bonds, notes and leases payable | 130,249,497 | 33,715,507 | 8,746,030 | 6,408,359 | | 179,119,393 |
| Compensated absences | 2,416,086 | 470,367 | 402,573 | 42,133 | | 3,331,159 |
| Accrued other postemployment benefits payable | 2,611,436 | 556,239 | 158,926 | 285,344 | 3,874,954 | 7,486,899 |
| Deposits | 429,128 | | | | | 429,128 |
| Refundable federal advances | 7,478,506 | | | | | 7,478,506 |
| Total Noncurrent Liabilities | 143,519,320 | 34,742,113 | 9,307,529 | 6,735,836 | 3,874,954 | 198,179,752 |
| TOTAL LIABILITIES | 170,785,718 | 37,708,971 | 10,516,753 | 8,264,158 | 4,947,904 | 232,223,504 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 158,115,350 | 26,389,105 | 17,089,795 | 16,527,926 | | 218,122,176 |
| Restricted for nonexpendable purposes: | | | | | | |
| Scholarships and fellowships | 4,529,638 | 143,009 | | | | 4,672,647 |
| Loans | 951,064 | | | | | 951,064 |
| Other | 8,158,845 | | | | | 8,158,845 |
| Restricted for expendable purposes: | | | | | | |
| Scholarships and fellowships | 273,797 | 284,684 | | | | 558,481 |
| Research | 143,792 | | | | | 143,792 |
| Loans | | 20,000 | | | | 20,000 |
| Capital projects | 2,868,769 | 5,210,397 | 79,630 | | | 8,158,796 |
| Other | 984,436 | | 853,085 | 374,244 | | 2,211,765 |
| Unrestricted | 45,760,946 | 4,662,792 | 6,367,707 | 8,083,111 | (4,947,904) | 59,926,652 |
| TOTAL NET POSITION | \$ 221,786,637 | \$ 36,709,987 | \$ 24,390,217 | \$ 24,985,281 | \$ (4,947,904) | \$ 302,924,218 |

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

ARKANSAS STATE UNIVERSITY SYSTEM
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2013**

| | Jonesboro | Beebe | Mountain Home | Newport | Consolidation Entries | Total |
|--------------------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| OPERATING REVENUES | | | | | | |
| Student tuition and fees (net of scholarship allowances of \$46,007,592) | \$ 43,927,865 | \$ 5,849,343 | \$ 1,436,110 | \$ 2,974,865 | | \$ 54,188,183 |
| Grants and contracts | 17,113,328 | 5,580,633 | 1,331,443 | 3,814,453 | | 27,839,857 |
| Sales and services of educational departments | 1,759,232 | 112,502 | | | | 1,871,734 |
| Auxiliary enterprises (net of scholarship allowances of \$10,086,006) | 22,216,893 | 2,161,165 | 205,112 | 122,943 | | 24,706,113 |
| Self-insurance | 3,740,368 | | | | | 3,740,368 |
| Other operating revenues | 1,444,924 | 311,632 | 168,051 | 73,931 | | 1,998,538 |
| TOTAL OPERATING REVENUES | <u>90,202,610</u> | <u>14,015,275</u> | <u>3,140,716</u> | <u>6,986,192</u> | | <u>114,344,793</u> |
| OPERATING EXPENSES | | | | | | |
| Personal services | 106,177,349 | 21,055,267 | 7,344,492 | 9,288,278 | \$ (198,835) | 143,666,551 |
| Scholarships and fellowships | 11,611,026 | 3,842,213 | 1,870,386 | 1,851,683 | | 19,175,308 |
| Supplies and services | 47,061,349 | 7,911,779 | 3,120,237 | 5,254,078 | | 63,347,443 |
| Self-insurance | 15,317,160 | | | | (152,950) | 15,164,210 |
| Depreciation | 15,135,624 | 2,834,321 | 2,785,355 | 1,745,336 | | 22,500,636 |
| Other | 61,381 | | | | | 61,381 |
| TOTAL OPERATING EXPENSES | <u>195,363,889</u> | <u>35,643,580</u> | <u>15,120,470</u> | <u>18,139,375</u> | <u>(351,785)</u> | <u>263,915,529</u> |
| OPERATING INCOME (LOSS) | <u>(105,161,279)</u> | <u>(21,628,305)</u> | <u>(11,979,754)</u> | <u>(11,153,183)</u> | <u>351,785</u> | <u>(149,570,736)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Federal appropriations | 3,579,588 | | | | | 3,579,588 |
| State appropriations | 65,836,286 | 14,268,131 | 4,733,624 | 7,570,646 | | 92,408,687 |
| Stimulus funds (ARRA) | 147,656 | 13,325 | | 1,113 | | 162,094 |
| Grants and contracts | 39,032,822 | 6,420,189 | 4,888,102 | 3,445,618 | | 53,786,731 |
| Sales and use taxes | | 1,832,878 | | 988,628 | | 2,821,506 |
| Property taxes | | | 1,285,901 | | | 1,285,901 |
| Gifts | 969,194 | | 173,231 | 16,800 | | 1,159,225 |
| Investment income | 1,345,635 | 96,825 | 6,050 | 38,974 | | 1,487,484 |
| Interest on capital asset - related debt | (5,330,851) | (1,562,119) | (336,788) | (221,998) | | (7,451,756) |
| Bond issuance costs | (49,763) | (10,664) | (15,560) | (4,513) | | (80,500) |
| Gain or loss on disposal of capital assets | 175,172 | 67,500 | | (8,525) | | 234,147 |
| Refund to grantors | (87,627) | (383) | | | | (88,010) |
| Other nonoperating revenues (expenses) | (114,955) | (277,773) | | (10,526) | | (403,254) |
| NET NON-OPERATING REVENUES (EXPENSES) | <u>105,503,157</u> | <u>20,847,909</u> | <u>10,734,560</u> | <u>11,816,217</u> | <u>-</u> | <u>148,901,843</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | 341,878 | (780,396) | (1,245,194) | 663,034 | 351,785 | (668,893) |
| Capital appropriations | 2,109,353 | | | 300,000 | | 2,409,353 |
| Capital grants and gifts | 1,598,754 | | | 20,941 | | 1,619,695 |
| Stimulus funds (ARRA) for capital projects | 40,305 | | | | | 40,305 |
| Additions to endowments | | 1,035 | | | | 1,035 |
| Adjustments to capital assets | 205,822 | | | | | 205,822 |
| Capitalization of library holdings at rate per volume | 74,520 | | 30,589 | | | 105,109 |
| Livestock additions | 205 | | | | | 205 |
| Accrued interest on bond issues | 65,473 | 2,337 | 11,215 | 7,721 | | 86,746 |
| INCREASE (DECREASE) IN NET POSITION | <u>4,436,310</u> | <u>(777,024)</u> | <u>(1,203,390)</u> | <u>991,696</u> | <u>351,785</u> | <u>3,799,377</u> |
| NET POSITION - BEGINNING OF YEAR | 217,350,327 | 37,487,011 | 25,593,607 | 23,993,585 | (5,299,689) | 299,124,841 |
| NET POSITION - END OF YEAR | <u>\$ 221,786,637</u> | <u>\$ 36,709,987</u> | <u>\$ 24,390,217</u> | <u>\$ 24,985,281</u> | <u>\$ (4,947,904)</u> | <u>\$ 302,924,218</u> |

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2013

| | Jonesboro | Beebe | Mountain Home | Newport | Consolidation Entries | Total |
|-------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | |
| Student tuition and fees | \$ 45,060,286 | \$ 5,869,668 | \$ 1,400,298 | \$ 3,008,071 | | \$ 55,338,323 |
| Grants and contracts | 17,626,784 | 5,436,068 | 1,374,471 | 3,903,005 | | 28,340,328 |
| Auxiliary enterprises revenues | 22,325,954 | 2,173,561 | 200,639 | 133,908 | | 24,834,062 |
| Sales and services of educational departments | 1,759,608 | 112,502 | | | | 1,872,110 |
| Self-insurance program receipts | 3,740,368 | | | | | 3,740,368 |
| Collection of principal and interest related to student loans | 901,407 | | | | | 901,407 |
| Other receipts | 1,552,214 | 325,904 | 167,251 | 73,931 | | 2,119,300 |
| Payments to employees | (91,748,765) | (16,353,453) | (5,629,112) | (7,413,772) | | (121,145,102) |
| Payments for employee benefits | (13,744,659) | (4,363,990) | (1,635,345) | (2,176,629) | | (21,920,623) |
| Payments to suppliers | (47,203,874) | (7,858,602) | (3,158,929) | (5,141,153) | | (63,362,558) |
| Scholarships and fellowships | (11,611,026) | (3,842,213) | (1,870,386) | (1,851,683) | | (19,175,308) |
| Self-insurance program payments | (15,114,966) | | | | | (15,114,966) |
| Loans issued to students | (935,733) | | | | | (935,733) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(87,392,402)</u> | <u>(18,500,555)</u> | <u>(9,151,113)</u> | <u>(9,464,322)</u> | | <u>(124,508,392)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Federal appropriations | 3,910,914 | | | | | 3,910,914 |
| State appropriations | 65,836,286 | 14,268,131 | 4,733,624 | 7,570,646 | | 92,408,687 |
| Stimulus (ARRA) funds | 116,457 | 33,913 | | 1,113 | | 151,483 |
| Grants and contracts | 46,543,885 | 6,420,314 | 310,921 | 549,037 | | 53,824,157 |
| Private gifts and grants | 1,256,615 | 1,035 | 173,231 | 16,800 | | 1,447,681 |
| Payments to other campus for financial aid distribution | (7,474,047) | | | | \$ 7,474,047 | - |
| Payments from ASUJ for financial aid distribution | | | 4,577,181 | 2,896,866 | (7,474,047) | - |
| Sales and use taxes | | 1,844,025 | | 978,342 | | 2,822,367 |
| Property taxes | | | 1,302,462 | | | 1,302,462 |
| Direct lending, PLUS and FFEL loan receipts | 82,038,708 | 3,248,621 | | | | 85,287,329 |
| Direct lending, PLUS and FFEL loan payments | (81,123,861) | (3,253,414) | | | | (84,377,275) |
| Other agency funds - net | 426,401 | (1,635) | 16,523 | 5,831 | | 447,120 |
| Refunds to grantors | (87,627) | (2,056) | | | | (89,683) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>111,443,731</u> | <u>22,558,934</u> | <u>11,113,942</u> | <u>12,018,635</u> | <u>-</u> | <u>157,135,242</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from capital debt | | | | 1,500,000 | | 1,500,000 |
| Distributions from trustee of current year bond proceeds and interest earnings | 1,034,355 | | | | | 1,034,355 |
| Distributions from trustee of prior year bond proceeds and interest earnings | 12,380,654 | | | | | 12,380,654 |
| Capital appropriations | 2,109,353 | | | 300,000 | | 2,409,353 |
| Capital gift and grants | 1,389,560 | | | | | 1,389,560 |
| Stimulus (ARRA) funds for capital projects | 46,594 | | | | | 46,594 |
| Proceeds from sale of capital assets | 274,049 | 67,500 | | 6,059 | | 347,608 |
| Purchases of capital assets | (34,718,008) | (1,884,916) | (195,535) | (3,514,157) | | (40,312,616) |
| Payments to trustees for bond principal | (4,659,998) | (1,545,000) | (545,000) | (250,000) | | (6,999,998) |
| Payments to trustees for bond interest and fees | (5,262,967) | (1,575,494) | (236,987) | (177,397) | | (7,252,845) |
| Payments to debt holders for principal (other than bonds) | (971,588) | | (90,655) | (56,719) | | (1,118,962) |
| Payments to debt holders for interest and fees (other than bonds) | (16,935) | | (76,241) | (51,934) | | (145,110) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(28,394,931)</u> | <u>(4,937,910)</u> | <u>(1,144,418)</u> | <u>(2,244,148)</u> | <u>-</u> | <u>(36,721,407)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from sales and maturities of investments | 2,430,567 | 7,990,045 | | | | 10,420,612 |
| Interest on investments | 545,189 | 81,895 | 6,050 | 39,292 | | 672,426 |
| Purchases of investments | (2,725,000) | (7,950,000) | | (508,654) | | (11,183,654) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>250,756</u> | <u>121,940</u> | <u>6,050</u> | <u>(469,362)</u> | <u>-</u> | <u>(90,616)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(4,092,846)</u> | <u>(757,591)</u> | <u>824,461</u> | <u>(159,197)</u> | | <u>(4,185,173)</u> |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>61,736,534</u> | <u>4,604,169</u> | <u>5,856,374</u> | <u>4,409,611</u> | | <u>76,606,688</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 57,643,688</u> | <u>\$ 3,846,578</u> | <u>\$ 6,680,835</u> | <u>\$ 4,250,414</u> | <u>\$ -</u> | <u>\$ 72,421,515</u> |
| Operating income (loss) | \$ (105,161,279) | \$ (21,628,305) | \$ (11,979,754) | \$ (11,153,183) | \$ 351,785 | \$ (149,570,736) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation expense | 15,135,624 | 2,834,321 | 2,785,355 | 1,745,336 | | 22,500,636 |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | (237,490) | (46,865) | (37,954) | 153,577 | | (168,732) |
| Inventories | (302,630) | (10,965) | | 84,519 | | (229,076) |
| Prepaid expenses | 91,569 | (11,666) | (38,393) | (1,051) | | 40,459 |
| Accounts and salaries payable | 90,171 | 100,230 | (2,055) | (193,580) | (152,950) | (158,184) |
| Other postemployment benefits payable | 1,324,734 | 282,170 | 80,620 | 144,750 | (198,835) | 1,633,439 |
| Deferred revenue | 2,065,220 | (38,526) | 38,911 | (18,587) | | 2,047,018 |
| Deposits | (48,016) | 5,671 | | (2,267) | | (44,612) |
| Refundable federal advances | 79,896 | | | - | | 79,896 |
| Compensated absences | (458,107) | 31,232 | 2,157 | (223,836) | | (648,554) |
| Other liabilities | 27,906 | (17,852) | | | | 10,054 |
| Net cash provided (used) by operating activities | <u>\$ (87,392,402)</u> | <u>\$ (18,500,555)</u> | <u>\$ (9,151,113)</u> | <u>\$ (9,464,322)</u> | <u>\$ -</u> | <u>\$ (124,508,392)</u> |
| Reconciliation of Cash and Cash Equivalents | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 29,820,951 | \$ 3,846,578 | \$ 6,601,205 | \$ 4,250,414 | | \$ 44,519,148 |
| Noncurrent Assets: | | | | | | |
| Cash and Cash Equivalents | 22,328,637 | | | | | \$ 22,328,637 |
| Restricted Cash and Cash Equivalents | 5,494,100 | | 79,630 | | | \$ 5,573,730 |
| Total | <u>\$ 57,643,688</u> | <u>\$ 3,846,578</u> | <u>\$ 6,680,835</u> | <u>\$ 4,250,414</u> | <u>\$ -</u> | <u>\$ 72,421,515</u> |

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



Statistical Section (Unaudited)

**Statistical Section
(Unaudited)**

This section of the report provides information for understanding the financial statements and notes as well as the overall health of the University and the state of Arkansas.

Contents **Page**

Financial Trends **73**

These schedules present information to understand how the University’s financial activities and performance have changed over time.

Debt Capacity **77**

These schedules contain information to assess the University’s current debt levels as well as the ability to issue debt in the future.

Operating Information **79**

These schedules present capital asset data to understand how the University’s financial report relates to the services provided and activities performed.

Demographic and Economic Information **81**

These schedules provide demographic and economic indicators to better understand the environment in which the University’s and the State of Arkansas’s financial activities occur.

Schedule of Changes in Net Position

| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Operating Revenues | | | | | | | | | | |
| Tuition and Fees, net | \$ 54,188,183 | \$ 53,179,741 | \$ 50,458,050 | \$ 49,599,394 | \$ 46,395,525 | \$ 41,233,852 | \$ 37,712,037 | \$ 34,385,605 | \$ 30,468,657 | \$ 27,527,158 |
| Grants and Contracts | 27,839,857 | 30,928,513 | 33,399,265 | 32,927,442 | 28,873,222 | 34,511,606 | 45,210,978 | 42,238,822 | 35,393,907 | 35,747,879 |
| Sales and Services | 1,871,734 | 1,036,266 | 964,531 | 886,927 | 765,520 | 822,233 | 762,381 | 716,885 | 395,710 | 369,262 |
| Auxiliary Enterprises, net | 24,706,113 | 23,926,128 | 21,252,473 | 23,313,170 | 23,161,155 | 22,017,670 | 20,614,549 | 19,049,122 | 19,032,736 | 16,524,913 |
| Self Insurance | 3,740,368 | 3,453,786 | 3,205,048 | 3,074,210 | 2,816,292 | 2,718,232 | 2,264,238 | 9,736,456 | 9,243,663 | 9,609,754 |
| Other | 1,998,538 | 1,880,486 | 2,988,151 | 3,525,323 | 1,474,721 | 1,303,743 | 1,511,140 | 1,728,935 | 2,719,850 | 3,077,752 |
| Total Operating Revenues | 114,344,793 | 114,404,920 | 112,267,518 | 113,326,466 | 103,486,435 | 102,607,336 | 108,075,323 | 107,855,825 | 97,254,523 | 92,856,718 |
| Expenses | | | | | | | | | | |
| Operating Expenses | | | | | | | | | | |
| Personal Services | 143,666,551 | 142,396,694 | 141,193,099 | 131,923,161 | 125,112,683 | 118,371,034 | 110,428,777 | 112,242,519 | 108,217,482 | 102,679,058 |
| Scholarships and Fellowships | 19,175,308 | 19,733,286 | 25,837,301 | 18,413,213 | 12,440,439 | 10,684,615 | 9,520,839 | 7,737,131 | 7,441,160 | 9,579,938 |
| Supplies and Services | 63,347,443 | 62,165,003 | 59,173,498 | 59,735,964 | 56,501,323 | 53,872,766 | 50,312,948 | 44,506,401 | 39,770,753 | 39,469,775 |
| Self Insurance | 15,164,210 | 14,774,378 | 14,397,856 | 11,270,220 | 12,414,970 | 11,925,924 | 11,113,482 | 9,710,449 | 8,850,553 | 7,947,364 |
| Depreciation | 22,500,636 | 22,208,187 | 19,138,033 | 17,488,556 | 15,785,543 | 15,551,238 | 12,054,714 | 10,471,072 | 11,191,206 | 12,038,905 |
| Other | 61,381 | 49,850 | 92,507 | 78,102 | 104,774 | 146,476 | 81,152 | 72,220 | 113,634 | 122,874 |
| Total Operating Expenses | 263,915,529 | 261,327,398 | 259,832,294 | 238,909,216 | 222,359,732 | 210,552,053 | 193,511,912 | 184,739,792 | 175,584,788 | 171,837,914 |
| Operating Loss | (149,570,736) | (146,922,478) | (147,564,776) | (125,582,750) | (118,873,297) | (107,944,717) | (85,436,589) | (76,883,967) | (78,330,265) | (78,981,196) |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Federal Appropriations | 3,579,588 | 5,580,251 | - | 3,544,193 | 776,366 | 35,399 | 183,101 | 504,267 | 14,195 | - |
| State Appropriations | 92,408,687 | 93,460,349 | 91,995,057 | 91,402,392 | 90,818,135 | 92,164,251 | 83,983,692 | 79,543,950 | 73,637,882 | 73,397,713 |
| Stimulus Funds (ARRA) | 162,094 | 241,189 | 2,042,785 | 1,695,457 | - | - | - | - | - | - |
| Grants and Contracts | 53,786,731 | 53,629,309 | 55,310,240 | 40,410,638 | 29,297,438 | 15,665,730 | - | - | - | - |
| Sales and Use Taxes | 2,821,506 | 2,775,286 | 2,710,217 | 2,595,140 | 2,760,722 | 2,697,782 | 2,259,112 | 2,149,978 | 2,018,258 | 2,166,482 |
| Property Taxes | 1,285,901 | 1,338,678 | 1,260,788 | 1,180,217 | 1,117,495 | 1,074,144 | 1,021,436 | 956,465 | 910,623 | 876,862 |
| Gifts | 1,159,225 | 1,313,548 | 1,639,038 | 2,866,816 | 1,145,463 | 2,811,013 | 1,045,309 | 1,152,048 | 1,622,464 | 2,309,636 |
| Investment Income | 1,487,484 | 804,604 | 2,130,476 | 2,588,860 | (1,014,048) | 1,998,031 | 4,617,945 | 3,266,446 | 2,496,693 | 2,124,434 |
| Interest on Capital Asset Related Debt | (7,451,756) | (7,765,915) | (7,469,157) | (4,217,414) | (7,627,925) | (5,915,185) | (2,168,854) | (3,075,257) | (5,037,584) | (79,409) |
| Bond Issuance Costs | (80,500) | (46,465) | (32,506) | (11,684) | - | (400,121) | (656,479) | (382,184) | - | - |
| Gain or Loss on Disposal of Capital Assets | 234,147 | (642,348) | 744,391 | (350,187) | (441,908) | (389,780) | 1,321,904 | 51,190 | (127,969) | 25,385 |
| Refunds to Grantors | (88,010) | (290,916) | (94,297) | (275,252) | (74,323) | (68,288) | (233,212) | (29,597) | (622,366) | 182,446 |
| Other | (403,254) | (111,538) | 2,446 | (1,714,609) | 7,542,082 | 6,870,537 | (413,060) | (1,120,298) | (291,160) | 2,593,455 |
| Net Nonoperating Revenues (Expenses) | 148,901,843 | 150,286,032 | 150,239,478 | 139,714,567 | 124,299,497 | 116,543,513 | 90,960,894 | 83,017,008 | 74,621,036 | 83,597,004 |
| Income Before Other Revenues, Expenses, Gain or Losses | (668,893) | 3,363,554 | 2,674,702 | 14,131,817 | 5,426,200 | 8,598,796 | 5,524,305 | 6,133,041 | (3,709,229) | 4,615,808 |
| Capital Appropriations | 2,409,353 | 7,826,005 | 10,722,718 | 2,923,156 | 8,428,625 | 3,002,314 | 1,728,787 | 3,224,043 | 2,021,802 | 2,296,304 |
| Capital Grants and Gifts | 1,660,000 | 940,473 | 6,810,236 | 4,781,955 | 17,636,054 | 6,199,054 | 895,893 | 352,013 | 2,624,948 | 406,261 |
| Additions to Endowments | 1,035 | 1,476,859 | - | - | - | - | - | - | - | - |
| Adjustments to Capital Assets | 205,822 | 26,739 | 333,485 | 412,965 | (1,430,577) | 133,910 | (2,806,274) | 1,093,659 | 426,746 | (231,879) |
| Capitalization of Library Holdings | 105,109 | 153,639 | 175,735 | 247,905 | 190,680 | 218,820 | 229,250 | 181,825 | 109,375 | 103,950 |
| Livestock Additions | 205 | 1,775 | 1,450 | - | 1,450 | 9,755 | - | 3,815 | - | - |
| Bond Proceeds/Accrued Interest | 86,746 | 28,463 | - | - | - | - | - | - | - | - |
| Increase (Decrease) in Net Position | \$ 3,799,377 | \$ 13,787,269 | \$ 20,747,114 | \$ 22,497,798 | \$ 30,252,432 | \$ 18,162,649 | \$ 5,571,961 | \$ 10,988,396 | \$ 1,473,642 | \$ 7,190,444 |

Source: Controller's Office

| Schedule of Major Sources of Revenue | | | | | | | | | | |
|------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Operating Revenues | | | | | | | | | | |
| Tuition and Fees, net | \$ 54,188,183 | \$ 53,179,741 | \$ 50,458,050 | \$ 49,599,394 | \$ 46,395,525 | \$ 41,233,852 | \$ 37,712,037 | \$ 34,385,605 | \$ 30,468,657 | \$ 27,527,158 |
| Grants and Contracts | 27,839,857 | 30,928,513 | 33,399,265 | 32,927,442 | 28,873,222 | 34,511,606 | 45,210,978 | 42,238,822 | 35,393,907 | 35,747,879 |
| Sales and Services | 1,871,734 | 1,036,266 | 964,531 | 886,927 | 765,520 | 822,233 | 762,381 | 716,885 | 395,710 | 369,262 |
| Auxiliary Enterprises, net | 24,706,113 | 23,926,128 | 21,252,473 | 23,313,170 | 23,161,155 | 22,017,670 | 20,614,549 | 19,049,122 | 19,032,736 | 16,524,913 |
| Self Insurance | 3,740,368 | 3,453,786 | 3,205,048 | 3,074,210 | 2,816,292 | 2,718,232 | 2,264,238 | 9,736,456 | 9,243,663 | 9,609,754 |
| Other | 1,998,538 | 1,880,486 | 2,988,151 | 3,525,323 | 1,474,721 | 1,303,743 | 1,511,140 | 1,728,935 | 2,719,850 | 3,077,752 |
| Total Operating Revenues | 114,344,793 | 114,404,920 | 112,267,518 | 113,326,466 | 103,486,435 | 102,607,336 | 108,075,323 | 107,855,825 | 97,254,523 | 92,856,718 |
| Nonoperating Revenues and Other Changes | | | | | | | | | | |
| Federal Appropriations | 3,579,588 | 5,580,251 | - | 3,544,193 | 776,366 | 35,399 | 183,101 | 504,267 | 14,195 | - |
| State Appropriations | 92,408,687 | 93,460,349 | 91,995,057 | 91,402,392 | 90,818,135 | 92,164,251 | 83,983,692 | 79,543,950 | 73,637,882 | 73,397,713 |
| Stimulus Funds (ARRA) | 202,399 | 241,189 | 2,042,785 | 1,695,457 | - | - | - | - | - | - |
| Grants and Contracts | 53,786,731 | 53,629,309 | 55,310,240 | 40,410,638 | 29,297,438 | 15,665,730 | - | - | - | - |
| Sales and Use Taxes | 2,821,506 | 2,775,286 | 2,710,217 | 2,595,140 | 2,760,722 | 2,697,782 | 2,259,112 | 2,149,978 | 2,018,258 | 2,166,482 |
| Property Taxes | 1,285,901 | 1,338,678 | 1,260,788 | 1,180,217 | 1,117,495 | 1,074,144 | 1,021,436 | 956,465 | 910,623 | 876,862 |
| Gifts | 1,159,225 | 1,313,548 | 1,639,038 | 2,866,816 | 1,145,463 | 2,811,013 | 1,045,309 | 1,152,048 | 1,622,464 | 2,309,636 |
| Investment Income | 1,487,484 | 804,604 | 2,130,476 | 2,588,860 | (1,014,048) | 1,998,031 | 4,617,945 | 3,266,446 | 2,496,693 | 2,124,434 |
| Capital Appropriations | 2,409,353 | 7,826,005 | 10,722,718 | 2,923,156 | 8,428,625 | 3,002,314 | 1,728,787 | 3,224,043 | 2,021,802 | 2,296,304 |
| Capital Grants and Gifts | 1,619,695 | 940,473 | 6,810,236 | 4,781,955 | 17,636,054 | 6,199,054 | 895,893 | 352,013 | 2,624,948 | 406,261 |
| Net Gain on Disposal of Capital Assets | 234,147 | (642,348) | 744,391 | (350,187) | (441,908) | (389,780) | 1,321,904 | 51,190 | (127,969) | 25,385 |
| Capitalization of Library Holdings | 105,109 | 153,639 | 175,735 | 247,905 | 190,680 | 218,820 | 229,250 | 181,825 | 109,375 | 103,950 |
| Livestock Additions | 205 | - | 1,775 | - | 1,450 | 9,755 | - | 3,815 | - | - |
| Net Other Nonoperating Revenues | 87,781 | 1,476,859 | 30,909 | (1,714,609) | 7,542,082 | 6,870,537 | (413,060) | (1,120,298) | (291,160) | 2,593,455 |
| Total Nonoperating Revenues and Other Changes | 161,187,811 | 168,897,842 | 175,574,365 | 152,171,933 | 158,258,554 | 132,357,050 | 96,873,369 | 90,265,742 | 85,037,111 | 86,300,482 |
| Total Revenues and Other Changes | \$ 275,532,604 | \$ 283,302,762 | \$ 287,841,883 | \$ 265,498,399 | \$ 261,744,989 | \$ 234,964,386 | \$ 204,948,692 | \$ 198,121,567 | \$ 182,291,634 | \$ 179,157,200 |

| By Percent of Total Revenues | | | | | | | | | | |
|------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Operating Revenues | | | | | | | | | | |
| Tuition and Fees, net | 19.67% | 18.77% | 17.53% | 18.68% | 17.73% | 17.55% | 18.40% | 17.36% | 16.71% | 15.36% |
| Grants and Contracts | 10.10% | 10.92% | 11.60% | 12.40% | 11.03% | 14.69% | 22.06% | 21.32% | 19.42% | 19.95% |
| Sales and Services | 0.68% | 0.37% | 0.34% | 0.33% | 0.29% | 0.35% | 0.37% | 0.36% | 0.22% | 0.21% |
| Auxiliary Enterprises, net | 8.97% | 8.45% | 7.38% | 8.78% | 8.85% | 9.37% | 10.06% | 9.61% | 10.44% | 9.22% |
| Self Insurance | 1.36% | 1.22% | 1.11% | 1.16% | 1.08% | 1.16% | 1.10% | 4.91% | 5.07% | 5.36% |
| Other | 0.73% | 0.66% | 1.04% | 1.33% | 0.56% | 0.55% | 0.74% | 0.87% | 1.49% | 1.72% |
| Total Operating Revenues | 41.50% | 40.38% | 39.00% | 42.68% | 39.54% | 43.67% | 52.73% | 54.44% | 53.35% | 51.83% |
| Nonoperating Revenues and Other Changes | | | | | | | | | | |
| Federal Appropriations | 1.30% | 1.97% | 0.00% | 1.33% | 0.30% | 0.02% | 0.09% | 0.25% | 0.01% | 0.00% |
| State Appropriations | 33.54% | 32.99% | 31.96% | 34.43% | 34.70% | 39.22% | 40.98% | 40.15% | 40.40% | 40.97% |
| Stimulus Funds (ARRA) | 0.07% | 0.09% | 0.71% | 0.64% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Grants and Contracts | 19.52% | 18.93% | 19.22% | 15.22% | 11.19% | 6.67% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sales and Use Taxes | 1.02% | 0.98% | 0.94% | 0.98% | 1.05% | 1.15% | 1.10% | 1.09% | 1.11% | 1.21% |
| Property Taxes | 0.47% | 0.47% | 0.44% | 0.44% | 0.43% | 0.46% | 0.50% | 0.48% | 0.50% | 0.49% |
| Gifts | 0.42% | 0.46% | 0.57% | 1.08% | 0.44% | 1.20% | 0.51% | 0.58% | 0.89% | 1.29% |
| Investment Income | 0.54% | 0.28% | 0.74% | 0.98% | -0.39% | 0.85% | 2.25% | 1.65% | 1.37% | 1.19% |
| Capital Appropriations | 0.87% | 2.76% | 3.73% | 1.10% | 3.22% | 1.28% | 0.84% | 1.63% | 1.11% | 1.28% |
| Capital Grants and Gifts | 0.59% | 0.33% | 2.37% | 1.80% | 6.74% | 2.64% | 0.44% | 0.18% | 1.44% | 0.23% |
| Net Gain on Disposal of Capital Assets | 0.08% | -0.23% | 0.26% | -0.13% | -0.17% | -0.17% | 0.64% | 0.03% | -0.07% | 0.01% |
| Capitalization of Library Holdings | 0.04% | 0.05% | 0.06% | 0.09% | 0.07% | 0.09% | 0.11% | 0.09% | 0.06% | 0.06% |
| Livestock Additions | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net Other Nonoperating Revenues | 0.03% | 0.52% | 0.01% | -0.65% | 2.88% | 2.92% | -0.20% | -0.57% | -0.16% | 1.45% |
| Total Nonoperating Revenues and Other Changes | 58.50% | 59.62% | 61.00% | 57.32% | 60.46% | 56.33% | 47.27% | 45.56% | 46.65% | 48.17% |
| Total Revenues and Other Changes | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Controller's Office

Schedule of Expenses by Use

| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Expenses | | | | | | | | | | |
| Personal Services | \$ 143,666,551 | \$ 142,396,694 | \$ 141,193,099 | \$ 131,923,161 | \$ 125,112,683 | \$ 118,371,034 | \$ 110,428,777 | \$ 112,242,519 | \$ 108,217,482 | \$ 102,679,058 |
| Scholarships and Fellowships | 19,175,308 | 19,733,286 | 25,837,301 | 18,413,213 | 12,440,439 | 10,684,615 | 9,520,839 | 7,737,131 | 7,441,160 | 9,579,938 |
| Supplies and Services | 63,347,443 | 62,165,003 | 59,173,498 | 59,735,964 | 56,501,323 | 53,872,766 | 50,312,948 | 44,506,401 | 39,770,753 | 39,469,775 |
| Self Insurance | 15,164,210 | 14,774,378 | 14,397,856 | 11,270,220 | 12,414,970 | 11,925,924 | 11,113,482 | 9,710,449 | 8,850,553 | 7,947,364 |
| Depreciation | 22,500,636 | 22,208,187 | 19,138,033 | 17,488,556 | 15,785,543 | 15,551,238 | 12,054,714 | 10,471,072 | 11,191,206 | 12,038,905 |
| Other | 61,381 | 49,850 | 92,507 | 78,102 | 104,774 | 146,476 | 81,152 | 72,220 | 113,634 | 122,874 |
| Total Operating Expenses | 263,915,529 | 261,327,398 | 259,832,294 | 238,909,216 | 222,359,732 | 210,552,053 | 193,511,912 | 184,739,792 | 175,584,788 | 171,837,914 |
| Nonoperating Expenses and Other Changes | | | | | | | | | | |
| Interest on Capital Asset Related Debt | 7,451,756 | 7,765,915 | 7,469,157 | 4,217,414 | 7,627,925 | 5,915,185 | 2,168,854 | 3,075,257 | 5,037,584 | 79,409 |
| Net Adjustments to Capital Assets | (205,822) | (26,739) | (333,485) | (412,965) | 1,430,577 | (133,910) | 2,806,274 | (1,093,659) | (426,746) | 231,879 |
| Refunds to Grantors | 88,010 | 290,916 | 94,297 | 275,252 | 74,323 | 68,288 | 233,212 | 29,597 | 622,366 | (182,446) |
| Bond Issuance Costs | 80,500 | 46,465 | 32,506 | 11,684 | - | 400,121 | 656,479 | 382,184 | - | - |
| Other | 403,254 | 111,538 | - | - | - | - | - | - | - | - |
| Total Nonoperating Expenses and Other Changes | 7,817,698 | 8,188,095 | 7,262,475 | 4,091,385 | 9,132,825 | 6,249,684 | 5,864,819 | 2,393,379 | 5,233,204 | 128,842 |
| Total Expenses and Other Changes | \$ 271,733,227 | \$ 269,515,493 | \$ 267,094,769 | \$ 243,000,601 | \$ 231,492,557 | \$ 216,801,737 | \$ 199,376,731 | \$ 187,133,171 | \$ 180,817,992 | \$ 171,966,756 |

By Percentage of Total Expenses

| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating Expenses | | | | | | | | | | |
| Personal Services | 52.87% | 52.83% | 52.86% | 54.29% | 54.05% | 54.60% | 55.39% | 59.98% | 59.85% | 59.71% |
| Scholarships and Fellowships | 7.06% | 7.32% | 9.67% | 7.58% | 5.37% | 4.93% | 4.78% | 4.13% | 4.12% | 5.57% |
| Supplies and Services | 23.31% | 23.07% | 22.15% | 24.58% | 24.41% | 24.85% | 25.24% | 23.78% | 21.99% | 22.95% |
| Self Insurance | 5.58% | 5.48% | 5.39% | 4.64% | 5.36% | 5.50% | 5.57% | 5.19% | 4.89% | 4.62% |
| Depreciation | 8.28% | 8.24% | 7.17% | 7.20% | 6.82% | 7.17% | 6.05% | 5.60% | 6.19% | 7.00% |
| Other | 0.02% | 0.02% | 0.03% | 0.03% | 0.05% | 0.07% | 0.04% | 0.04% | 0.06% | 0.07% |
| Total Operating Expenses | 97.12% | 96.96% | 97.28% | 98.32% | 96.05% | 97.12% | 97.06% | 98.72% | 97.11% | 99.93% |
| Nonoperating Expenses and Other Changes | | | | | | | | | | |
| Interest on Capital Asset Related Debt | 2.74% | 2.88% | 2.80% | 1.74% | 3.30% | 2.73% | 1.09% | 1.64% | 2.79% | 0.05% |
| Net Adjustments to Prior Year Capital Assets | -0.08% | -0.01% | -0.12% | -0.17% | 0.62% | -0.06% | 1.41% | -0.58% | -0.24% | 0.13% |
| Refunds to Grantors | 0.03% | 0.11% | 0.04% | 0.11% | 0.03% | 0.03% | 0.02% | 0.02% | 0.34% | -0.11% |
| Bond Issuance Costs | 0.03% | 0.02% | 0.01% | 0.00% | 0.00% | 0.18% | 0.33% | 0.20% | 0.00% | 0.00% |
| Other | 0.15% | 0.04% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Nonoperating Expenses and Other Changes | 2.88% | 3.04% | 2.72% | 1.68% | 3.95% | 2.88% | 2.94% | 1.28% | 2.89% | 0.07% |
| Total Expenses and Other Changes | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Controller's Office

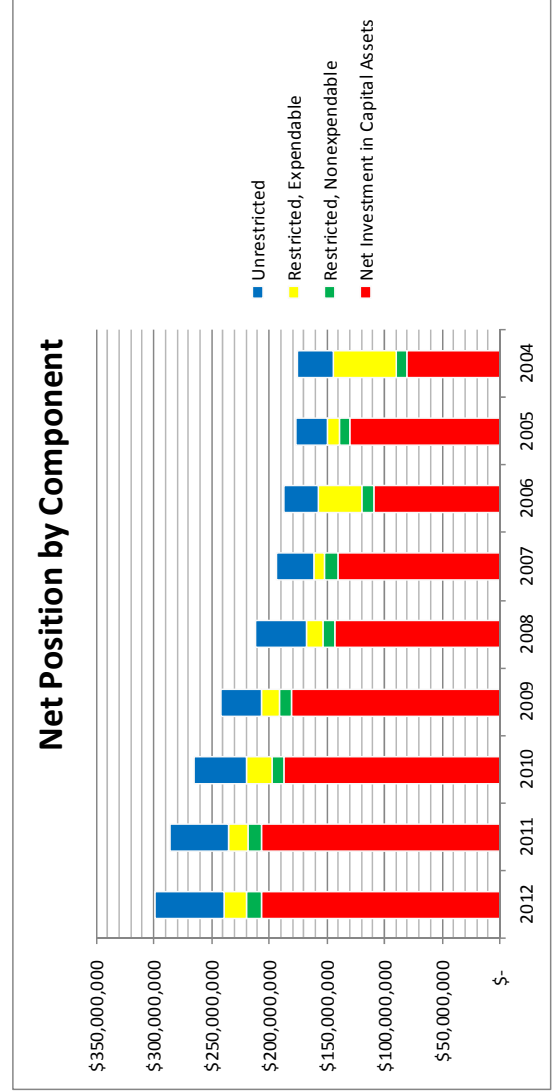
Schedule of Net Position by Component

| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Investment in Capital Assets | \$ 218,122,176 | \$ 205,872,011 | \$ 206,297,618 | \$ 186,931,513 | \$ 180,153,062 | \$ 142,234,133 | \$ 140,318,054 | \$ 109,319,863 | \$ 129,359,062 | \$ 80,219,320 |
| Restricted, Nonexpendable | 13,782,556 | 13,097,190 | 11,957,122 | 11,025,202 | 10,182,498 | 10,429,210 | 11,222,923 | 9,957,681 | 9,528,813 | 9,462,551 |
| Restricted, Expendable | 11,092,834 | 20,096,584 | 16,396,814 | 21,749,103 | 16,640,890 | 14,917,284 | 9,647,464 | 38,126,940 | 9,972,495 | 54,863,862 |
| Unrestricted | 59,926,652 | 60,059,056 | 50,686,018 | 44,884,640 | 34,433,459 | 43,576,850 | 31,806,387 | 30,018,383 | 27,574,101 | 30,902,313 |
| Total Net Position | \$ 302,924,218 | \$ 299,124,841 | \$ 285,337,572 | \$ 264,590,458 | \$ 241,409,909 | \$ 211,157,477 | \$ 192,994,828 | \$ 187,422,867 | \$ 176,434,471 | \$ 175,448,046 |

Net Position Components by Percent of Total

| Fiscal Year Ended June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Investment in Capital Assets | 72.01% | 68.82% | 72.30% | 70.65% | 74.63% | 67.36% | 72.71% | 58.33% | 73.32% | 45.72% |
| Restricted, Nonexpendable | 4.55% | 4.38% | 4.19% | 4.17% | 4.22% | 4.94% | 5.82% | 5.31% | 5.40% | 5.39% |
| Restricted, Expendable | 3.66% | 6.72% | 5.75% | 8.22% | 6.89% | 7.06% | 5.00% | 20.34% | 5.65% | 31.27% |
| Unrestricted | 19.78% | 20.08% | 17.76% | 16.96% | 14.26% | 20.64% | 16.48% | 16.02% | 15.63% | 17.61% |
| Total Net Position | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Controller's Office



| Outstanding Debt per Student | | | | | | | | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| As of June 30, | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenue Bonds | \$ 183,186,590 | \$ 180,099,269 | \$ 169,000,285 | \$ 174,167,092 | \$ 170,463,943 | \$ 166,175,000 | \$ 161,505,000 | \$ 125,835,000 | \$ 102,534,000 | \$ 105,706,676 |
| Notes | 4,011,621 | 5,910,524 | 6,830,588 | 3,072,181 | 2,556,173 | 3,959,772 | 5,268,592 | 6,007,604 | 6,986,784 | 3,883,774 |
| Capital Leases | 88,444 | 118,486 | - | 10,335 | 19,905 | 725,402 | 1,150,352 | 1,547,697 | 1,895,122 | 491,097 |
| Total Outstanding Debt | \$ 187,286,655 | \$ 186,128,279 | \$ 175,830,873 | \$ 177,249,608 | \$ 173,040,021 | \$ 170,860,174 | \$ 167,923,944 | \$ 133,390,301 | \$ 111,415,906 | \$ 110,081,547 |
| Student FTE | 15,453 | 15,466 | 15,469 | 14,752 | 13,983 | 13,331 | 12,935 | 12,447 | 12,332 | 12,372 |
| Total Debt per Student | \$ 12,120 | \$ 12,035 | \$ 11,367 | \$ 12,015 | \$ 12,375 | \$ 12,817 | \$ 12,982 | \$ 10,717 | \$ 9,035 | \$ 8,898 |

Sources: Office of Institutional Research and Planning; Controller's Office

Bonds Secured by Pledged Revenues

Educational & General Bonds

Debt Service Requirements

Total Revenue Available for Debt

| Fiscal Year Ended June 30, | Tuition and Fees | Property Taxes | Total Revenue Available for Debt | | | Principal | Interest | Total | Coverage Ratio |
|----------------------------|------------------|----------------|----------------------------------|--------------------|-----------|--------------|--------------|-------|----------------|
| | | | Service | Operating Expenses | Revenues | | | | |
| 2013 | \$ 100,195,774 | \$ 1,285,901 | \$ 101,481,675 | \$ | 2,931,372 | \$ 2,615,167 | \$ 5,546,539 | 18.30 | |
| 2012 | 98,514,698 | 1,338,678 | 99,853,376 | | 2,849,454 | 2,937,709 | 5,787,163 | 17.25 | |
| 2011 | 94,499,066 | 1,260,788 | 95,759,854 | | 2,660,000 | 3,056,750 | 5,716,750 | 16.75 | |
| 2010 | 85,290,759 | 1,180,217 | 86,470,976 | | 2,545,000 | 3,252,088 | 5,797,088 | 14.92 | |
| 2009 | 77,465,017 | 1,117,495 | 78,582,512 | | 2,495,000 | 3,234,441 | 5,729,441 | 13.72 | |
| 2008 | 65,045,464 | 1,074,144 | 66,119,608 | | 2,485,000 | 2,545,794 | 5,030,794 | 13.14 | |
| 2007 | 62,234,099 | 1,021,436 | 63,255,535 | | 1,965,000 | 2,346,021 | 4,311,021 | 14.67 | |
| 2006 | 57,231,049 | 956,465 | 58,187,514 | | 1,623,835 | 1,884,376 | 3,508,211 | 16.59 | |
| 2005 | 52,454,205 | 910,623 | 53,364,828 | | 1,856,000 | 1,292,064 | 3,148,064 | 16.95 | |
| 2004 | 46,403,489 | 876,862 | 47,280,351 | | 1,425,000 | 805,957 | 2,230,957 | 21.19 | |

Auxiliary Bonds

Debt Service Requirements

Net Revenue Available for Debt

| Fiscal Year Ended June 30, | Revenues | Operating Expenses | Net Revenue Available for Debt | | | Principal | Interest | Total | Coverage Ratio |
|----------------------------|---------------|--------------------|--------------------------------|--------------------|-----------|--------------|--------------|-------|----------------|
| | | | Service | Operating Expenses | Revenues | | | | |
| 2013 | \$ 18,800,928 | \$ 8,349,112 | \$ 10,451,817 | \$ | 4,068,628 | \$ 4,495,800 | \$ 8,564,428 | 1.22 | |
| 2012 | 17,957,702 | 7,776,904 | 10,180,798 | | 3,275,546 | 4,522,009 | 7,797,555 | 1.31 | |
| 2011 | 16,666,814 | 7,197,473 | 9,469,341 | | 2,960,000 | 4,537,205 | 7,497,205 | 1.26 | |
| 2010 | 15,389,208 | 6,275,919 | 9,113,289 | | 2,635,000 | 3,501,975 | 6,136,975 | 1.48 | |
| 2009 | 14,417,264 | 6,430,792 | 7,986,472 | | 2,255,000 | 2,888,363 | 5,143,363 | 1.55 | |
| 2008 | 13,798,183 | 6,600,579 | 7,197,604 | | 1,860,000 | 2,776,193 | 4,636,193 | 1.55 | |
| 2007 | 12,735,135 | 5,680,928 | 7,054,207 | | 2,105,000 | 2,533,734 | 4,638,734 | 1.52 | |
| 2006 | 11,044,011 | 5,131,758 | 5,912,253 | | 780,000 | 1,144,237 | 1,924,237 | 3.07 | |
| 2005 | 9,404,523 | 4,396,837 | 5,007,686 | | 1,170,000 | 1,834,312 | 3,004,312 | 1.67 | |
| 2004 | 10,104,739 | 4,084,239 | 6,020,500 | | 1,210,000 | 1,898,240 | 3,108,240 | 1.94 | |

Note: Auxiliary revenue bonds are secured by revenues from these sources: student housing, student union, dining services, parking, and vending.

Source: Controller's Office

Enrollment and Degree History

Enrollment Information

Certificates and Degrees Awarded

| Year | Enrollment (fall term) | | | | Undergraduate Students | | | | Graduate Students | | | | Certificates | | | | Associate Degrees | | | | Bachelor's Degrees | | | | Graduate Degrees | | | | | | | |
|---------|------------------------|-------------|----------|----------|------------------------|-------------|----------|----------|-------------------|-------------|----------|----------|--------------|-------------|----------|----------|-------------------|-------------|----------|----------|--------------------|-------------|----------|----------|------------------|-------------|----------|----------|-------|-------------|----------|----------|
| | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students |
| 2012-13 | 21,976 | 15,453 | 18,267 | 3,709 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 | 1,685 | 1,603 | 1,721 | 1,739 |
| 2011-12 | 22,065 | 15,466 | 18,278 | 3,787 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 | 1,378 | 1,619 | 1,641 | 1,892 |
| 2010-11 | 21,783 | 15,469 | 18,419 | 3,364 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 | 1,429 | 1,572 | 1,582 | 1,363 |
| 2009-10 | 20,201 | 14,752 | 18,069 | 2,132 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 | 1,314 | 1,244 | 1,552 | 725 |
| 2008-09 | 18,947 | 13,983 | 17,221 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 | 1,656 | 1,120 | 472 | 1,726 |
| 2007-08 | 17,795 | 13,331 | 16,311 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 | 1,694 | 924 | 461 | 1,484 |
| 2006-07 | 17,274 | 12,935 | 15,887 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 | 1,447 | 960 | 422 | 1,387 |
| 2005-06 | 16,698 | 12,447 | 15,422 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 | 1,537 | 850 | 435 | 1,276 |
| 2004-05 | 16,485 | 12,332 | 15,239 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 | 1,364 | 905 | 420 | 1,246 |
| 2003-04 | 16,653 | 12,372 | 15,493 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 | 1,194 | 793 | 377 | 1,160 |

Source: Office of Institutional Research and Planning

Enrollment Sources by Campus

| Year | Arkansas | | | | | | | | | | | | Out of State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------|-----------|-------------|----------|----------|-------|-------------|----------|----------|---------------|-------------|----------|----------|--------------|-------------|----------|----------|-----------|-------------|----------|----------|-------|-------------|----------|----------|---------------|-------------|----------|----------|---------|-------------|----------|----------|-----|----|---|---|--------|-------|-------|-------|-------|----|-----|----|-----|----|---|---|-------|-------|-------|-------|-------|----|----|-----|----|---|---|-------|-------|-------|-------|-------|----|----|-----|-----|----|---|---|-------|-------|-------|-------|-------|----|----|----|-----|----|---|---|-------|-------|-------|-------|-------|----|----|----|-----|----|---|---|-------|-------|-------|-----|-------|----|----|-----|-----|---|---|---|-------|-------|-------|-----|-------|----|----|-----|-----|---|---|----|
| | Jonesboro | | | | Beebe | | | | Mountain Home | | | | Newport | | | | Jonesboro | | | | Beebe | | | | Mountain Home | | | | Newport | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | FTE | (fall term) | Students | Students | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012-13 | 10,708 | 4,543 | 1,329 | 2,000 | 2,311 | 49 | 84 | 27 | 858 | 51 | 0 | 16 | 10,698 | 4,566 | 1,376 | 1,975 | 2,414 | 61 | 96 | 19 | 788 | 62 | 0 | 10 | 10,761 | 4,628 | 1,480 | 2,057 | 2,079 | 44 | 103 | 36 | 575 | 11 | 0 | 9 | 10,474 | 4,425 | 1,411 | 2,023 | 1,263 | 52 | 105 | 14 | 419 | 14 | 1 | 0 | 9,998 | 4,381 | 1,217 | 1,625 | 1,170 | 77 | 77 | 322 | 15 | 2 | 0 | 9,500 | 4,238 | 1,160 | 1,311 | 1,237 | 60 | 18 | 124 | 132 | 13 | 1 | 1 | 9,459 | 3,992 | 1,115 | 1,230 | 1,141 | 66 | 66 | 58 | 127 | 15 | 1 | 4 | 9,165 | 3,910 | 1,136 | 1,265 | 1,113 | 41 | 82 | 61 | 136 | 25 | 1 | 2 | 9,225 | 3,616 | 1,231 | 910 | 1,102 | 17 | 78 | 113 | 181 | 3 | 3 | 6 | 9,333 | 3,615 | 1,257 | 846 | 1,062 | 16 | 90 | 242 | 178 | 1 | 0 | 13 |

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

| Annual Tuition and Required Fees | | | | | | | | | | |
|-------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Undergraduate* | | | | | | | | | | |
| Resident | | | | | | | | | | |
| Jonesboro | \$ 7,180 | \$ 6,934 | \$ 6,640 | \$ 6,370 | \$ 6,370 | \$ 6,010 | \$ 5,710 | \$ 5,440 | \$ 5,155 | \$ 4,810 |
| Beebe | 2,970 | 2,850 | 2,790 | 2,670 | 2,670 | 2,550 | 2,460 | 2,280 | 2,160 | 2,040 |
| Mountain Home | 3,150 | 3,030 | 2,910 | 2,760 | 2,760 | 2,370 | 2,370 | 2,280 | 2,160 | 2,040 |
| Newport | 2,850 | 2,700 | 2,550 | 2,400 | 2,400 | 2,340 | 2,280 | 2,190 | 2,070 | 1,950 |
| Nonresident | | | | | | | | | | |
| Jonesboro | 12,610 | 12,238 | 14,860 | 14,290 | 14,290 | 13,390 | 12,760 | 12,145 | 11,515 | 10,720 |
| Beebe | 4,830 | 4,650 | 4,530 | 4,350 | 4,350 | 4,140 | 3,990 | 3,750 | 3,540 | 3,300 |
| Mountain Home | 4,950 | 4,770 | 4,560 | 4,410 | 4,410 | 3,900 | 3,900 | 3,750 | 3,540 | 3,300 |
| Newport | 4,500 | 4,290 | 4,140 | 3,930 | 3,930 | 3,930 | 3,810 | 3,660 | 3,450 | 3,210 |
| Graduate** | | | | | | | | | | |
| Resident | | | | | | | | | | |
| Jonesboro | 5,198 | 5,030 | 4,820 | 4,640 | 4,640 | 4,370 | 4,145 | 3,947 | 3,740 | 3,488 |
| Nonresident | | | | | | | | | | |
| Jonesboro | 9,338 | 9,073 | 10,850 | 10,436 | 10,436 | 9,770 | 9,329 | 8,879 | 8,420 | 7,844 |
| *Undergraduate rates are based on a 15 hour load | | | | | | | | | | |
| **Graduate rates are based on a 9 hour load | | | | | | | | | | |
| Source: Office of Institutional Research and Planning | | | | | | | | | | |

| Capital Asset Usage | | | | | | | | | | |
|------------------------------------------|------|------|------|------|------|------|------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Academic and Administrative Buildings | 143 | 142 | 143 | 137 | 136 | 140 | 138 | 138 | 136 | 136 |
| Auxiliary Buildings | 158 | 164 | 182 | 180 | 178 | 186 | 191 | 185 | 171 | 171 |
| Total | 301 | 306 | 325 | 317 | 314 | 326 | 329 | 323 | 307 | 307 |
| Source: Campus Financial Offices | | | | | | | | | | |

| Number of Employees by Campus | | | | | |
|-------------------------------|-----------|-------|---------------|---------|-------|
| Year | Jonesboro | Beebe | Mountain Home | Newport | Total |
| 2012-13 | 1,582 | 342 | 120 | 149 | 2,193 |
| 2011-12 | 1,550 | 333 | 124 | 151 | 2,158 |
| 2010-11 | 1,519 | 344 | 123 | 149 | 2,135 |
| 2009-10 | 1,521 | 343 | 114 | 147 | 2,125 |
| 2008-09 | 1,435 | 339 | 108 | 152 | 2,034 |
| 2007-08 | 1,434 | 332 | 105 | 145 | 2,016 |
| 2006-07 | 1,370 | 309 | 74 | 148 | 1,901 |
| 2005-06 | 1,342 | 298 | 91 | 140 | 1,871 |
| 2004-05 | 1,329 | 294 | 87 | 128 | 1,838 |
| 2003-04 | 1,330 | 287 | 86 | 129 | 1,832 |

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

| Principal Employers in the State of Arkansas Current Fiscal Year as Compared to 2004 | | |
|-----------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Rank | 2013 | 2004 |
| 1 | State of Arkansas | State of Arkansas |
| 2 | Wal-Mart Stores, Inc. | Wal-Mart Stores, Inc. |
| 3 | Tyson Foods, Inc. | Tyson Foods, Inc. |
| 4 | Federal Government | Federal Government |
| 5 | Baptist Health, Inc. | J.B. Hunt Transport Service, Inc. |
| 6 | Sisters of Mercy Health System | Baptist Health, Inc. |
| 7 | Arkansas Children's Hospital | Triad Hospitals, Inc. |
| 8 | J.B. Hunt Transport Service, Inc. | ALLTEL Corporation |
| 9 | The Kroger Company | Pilgrim's Pride Corporation |
| 10 | Union Pacific Railroad Company | Whirlpool Corporation |

Note: 2013 numbers are based on the last quarter of 2012.

Information regarding number of employees is considered confidential and is not publicly disclosed.

Source: Arkansas Economic Development Commission

| State of Arkansas Demographic and Economic Information | | | | |
|--------------------------------------------------------|--------------------------------|-------------------------------|-------------------------------|----------------------------------|
| Year | Total Population (in 000's) | Per Capita Personal Income | State Unemployment Rate | National Unemployment Rate |
| 2013 | 2,971 | 35,293 | 7.3% | 7.6% |
| 2012 | 2,957 | 34,591 | 7.2% | 8.2% |
| 2011 | 2,931 | 34,141 | 7.8% | 9.1% |
| 2010 | 2,924 | 33,057 | 7.9% | 9.4% |
| 2009 | 2,902 | 32,176 | 7.4% | 9.5% |
| 2008 | 2,879 | 32,470 | 5.3% | 5.6% |
| 2007 | 2,853 | 31,306 | 5.2% | 4.6% |
| 2006 | 2,824 | 29,359 | 5.3% | 4.6% |
| 2005 | 2,787 | 27,799 | 5.1% | 5.0% |
| 2004 | 2,755 | 26,762 | 5.6% | 5.6% |

Source: Arkansas Department of Finance and Administration