

---

# ARKANSAS STATE UNIVERSITY SYSTEM

---



---

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

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



# **Comprehensive Annual Financial Report**

## **For the Year Ended June 30, 2014**

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

---

**Prepared by:**

**Arkansas State University-Jonesboro  
Office of Finance and Administration  
Controller's Office  
Myra Goodwin, Controller  
Brandy Hampton, Associate Controller  
P. O. Box 2100  
State University, AR 72467**

**(870)972-2024**

**[www.astate.edu](http://www.astate.edu)**

This page is intentionally blank.

## Table of Contents

### Introductory Section

|                                      |   |
|--------------------------------------|---|
| President’s Letter .....             | 1 |
| Vision, Mission and Goals .....      | 2 |
| Letter of Transmittal .....          | 3 |
| GFOA Certificate of Excellence ..... | 7 |
| Board of Trustees .....              | 8 |
| Organization Chart .....             | 9 |

### Financial Section

|                                    |    |
|------------------------------------|----|
| Independent Auditor’s Report ..... | 12 |
|------------------------------------|----|

|  |    |
|--|----|
| Management’s Discussion and Analysis (Unaudited) ..... | 14 |
|--|----|

#### Basic Financial Statements

|  |    |
|--|----|
| Statement of Net Position .....                                    | 25 |
| Statement of Revenues, Expenses, and Changes in Net Position ..... | 26 |
| Statement of Cash Flows .....                                      | 27 |
| Statement of Financial Position - ASU Foundation, Inc. ....        | 29 |
| Statement of Activities - ASU Foundation, Inc. ....                | 30 |
| Notes to Financial Statements .....                                | 31 |
| Note 1—Summary of Significant Accounting Principles .....          | 31 |
| Note 2—Public Fund Deposits and Investments .....                  | 34 |
| Note 3—Income Taxes .....  | 37 |
| Note 4—Capital Assets .....  | 38 |
| Note 5—Long-Term Liabilities .....                                 | 42 |
| Note 6—Capital Leases .....  | 46 |
| Note 7—Commitments .....   | 47 |
| Note 8—Retirement Plans .....                                      | 48 |
| Note 9—Natural Classifications by Function .....                   | 49 |
| Note 10—Receivable and Payable Balances .....                      | 49 |
| Note 11—Museum Collection .....                                    | 50 |
| Note 12—Other Post Employment Benefits .....                       | 50 |
| Note 13—Self Insurance Program .....                               | 55 |
| Note 14—Endowment Funds .....                                      | 55 |
| Note 15—Pledged Revenues .....                                     | 56 |
| Note 16—Risk Management .....                                      | 61 |
| Note 17—Financial Statement Restatement .....                      | 61 |
| Note 18—Optional Voluntary Retirement Incentive Program .....      | 62 |
| Note 19—Subsequent Events .....                                    | 62 |

|  |    |
|--|----|
| Required Supplementary Information ..... | 63 |
|--|----|

#### Supplemental Information

|                                      |    |
|--------------------------------------|----|
| Combining Financial Statements ..... | 67 |
|--------------------------------------|----|

### Statistical Section

|  |    |
|--|----|
| Schedule of Changes in Net Position .....                    | 73 |
| Schedule of Major Sources of Revenue .....                   | 74 |
| Schedule of Expenses by Use .....                            | 75 |
| Schedule of Net Position by Component .....                  | 76 |
| Outstanding Debt per Student .....                           | 77 |
| Bonds Secured by Pledged Revenues .....                      | 78 |
| Enrollment and Degree History .....                          | 79 |
| Enrollment Sources by Campus .....                           | 79 |
| Annual Tuition and Required Fees .....                       | 80 |
| Capital Asset Usage .....                                    | 80 |
| Number of Employees by Campus .....                          | 81 |
| Principal Employers in the State of Arkansas .....           | 81 |
| State of Arkansas Demographic and Economic Information ..... | 81 |

This page is intentionally blank.



# **Introductory Section (Unaudited)**

This page is intentionally blank.



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 12, 2014

Fiscal year 2014 was another positive year for the Arkansas State University System. The consolidated annual financial report that follows presents the results of our endeavors.

Enrollment during Fall 2013 was 21,417 compared to 21,976 for Fall 2012. During fiscal year 2014, 6,506 certificates and degrees were awarded to our students compared to 6,682 during fiscal year 2013.

Each campus is currently involved in creating a better environment for our students, faculty and staff. The Jonesboro campus has several projects underway including the new Humanities and Social Sciences Building and the Student Activities Center. ASU Beebe was designated the safest two-year institution in the nation. ASU Mountain Home completed construction of the Vada Sheid Community Development Center. ASU Newport held an inaugural dinner in the Fowler Family Hospitality Services Building to honor the Fowler family.

State appropriation revenues are expected to increase slightly from the fiscal year 2014 levels. There is some uncertainty 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, contain costs, and provide a quality education.

We believe the slight improvement in the national economy points to future growth that may provide further opportunities to improve our campuses. We will continue to seek innovative strategies that allow us to provide a diverse educational experience and to serve our state and each of our local communities.

Sincerely,

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

Dr. Charles L. Welch  
President

---

[www.asusystem.edu](http://www.asusystem.edu)



## 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 12, 2014

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, 2014. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, deferred inflows, deferred outflows, 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 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 in gaining an understanding of the University's financial activities and position for the fiscal year ended June 30, 2014.

### **University Profile**

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

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

---

[www.asusystem.edu](http://www.asusystem.edu)

# Transmittal Letter (Continued)

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 created to restructure the individual campuses as a system.

The governing body of the University is its Board of Trustees which is comprised of five members appointed by the Governor of Arkansas.

Arkansas State University follows Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. Based on the criteria of this standard, the University has determined 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 on a system-wide basis. In addition to the President's Office, administrative functions of system administration include legal 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, 2014, the ASU System conferred 1,552 graduate degrees, 1,824 bachelor's degrees, 1,479 associate degrees and 1,651 certificates. Preliminary enrollment across the ASU System for the Fall 2014 semester totals over 20,000.

## **Highlights, Progress, and Initiatives**

- ASU Jonesboro has partnered with the New York Institute of Technology to open a branch campus in Jonesboro for the purpose of offering the Doctorate of Osteopathic Medicine. The medical school has a projected startup cost of \$10 million with a targeted opening date of August 2016. A-State will invest \$4 million to renovate and furnish Wilson Hall, and

## Transmittal Letter (Continued)

NYIT will invest \$6 million for startup operating funds and faculty in the first three years.

- The ASU System welcomed Dr. Sandra Massey as the new chancellor of the Newport campus.
- ASU Jonesboro celebrated the groundbreaking of the new campus in Queretaro, Mexico. The campus is expected to welcome students in the Fall of 2017, and will be the first location in history of an American public university in Mexico.
- Construction was completed at the beginning of FY 14 of five sorority houses and a new honors residential facility on the Jonesboro campus. With the addition of the sorority houses, membership for sororities increased by 42%.
- The ASU Beebe Agriculture Department was recognized as one of six programs nationwide that received the National Association of Agricultural Educators award.
- Liberty Bank Stadium in Jonesboro was renamed Centennial Bank Stadium. In addition, a section of Stadium Boulevard was renamed Red Wolf Boulevard.
- The ASU Jonesboro campus welcomed Shawnie Carrier as executive assistant to the Chancellor and Jason Penry as the vice chancellor for Advancement.
- An optional voluntary retirement program was implemented on the Jonesboro campus. This is intended to reward long-term employees and provide cost savings.
- In the Fall of 2013, ASU Jonesboro had the most talented freshmen class, the largest band, the largest number of honors students, and the most students living on campus in ASU history. The first year retention rate was 73.2%, which is 4.5% above the state rate.
- ASU Beebe nursing students again received a 100% pass rate on the state nursing board examinations.
- The Warren Haley Endowment for the Cultural Arts was established on the Mountain Home campus. Mr. Haley has donated a number of pieces of artwork and through his endowment will perpetuate his support of the arts.

# Transmittal Letter (Continued)

- Bonds were issued by the Jonesboro campus for new construction. These projects include completion of a Humanities and Social Sciences building and construction of a Student Activities Center. Both facilities are expected to be open by the Fall of 2015.

## **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, 2013. 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 2013 was the second year Arkansas State University had submitted a CAFR and received this recognition. We will continue to submit our CAFR to the GFOA.

## **Economic Indicators**

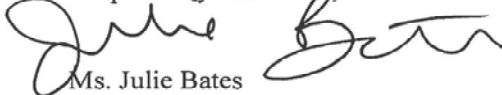
Net general revenues for the state decreased 0.1% for fiscal year 2014. This was a result of decreased collections from individual income taxes and tobacco taxes. The state's unemployment rate as of June 2014 was 6.2%, a decrease from 7.2% in June 2013. This rate was 0.1% above the national rate. This improvement will increase stability in the state economy.

## **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 2014 minimally decreased at 0.87%. Total assets and deferred outflows increased by 6.02%, while liabilities increased by 10.18%. Additional information about these percentages and the overall financial health of the University may be found in management's discussion and analysis contained in this report.

While fiscal year 2014 was a productive year for the ASU System, the University will seek opportunities provided by improving economic conditions and will continue to provide innovative educational experiences for our students.

Respectfully submitted,



Ms. Julie Bates  
Vice President for Finance



GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Arkansas State  
University System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

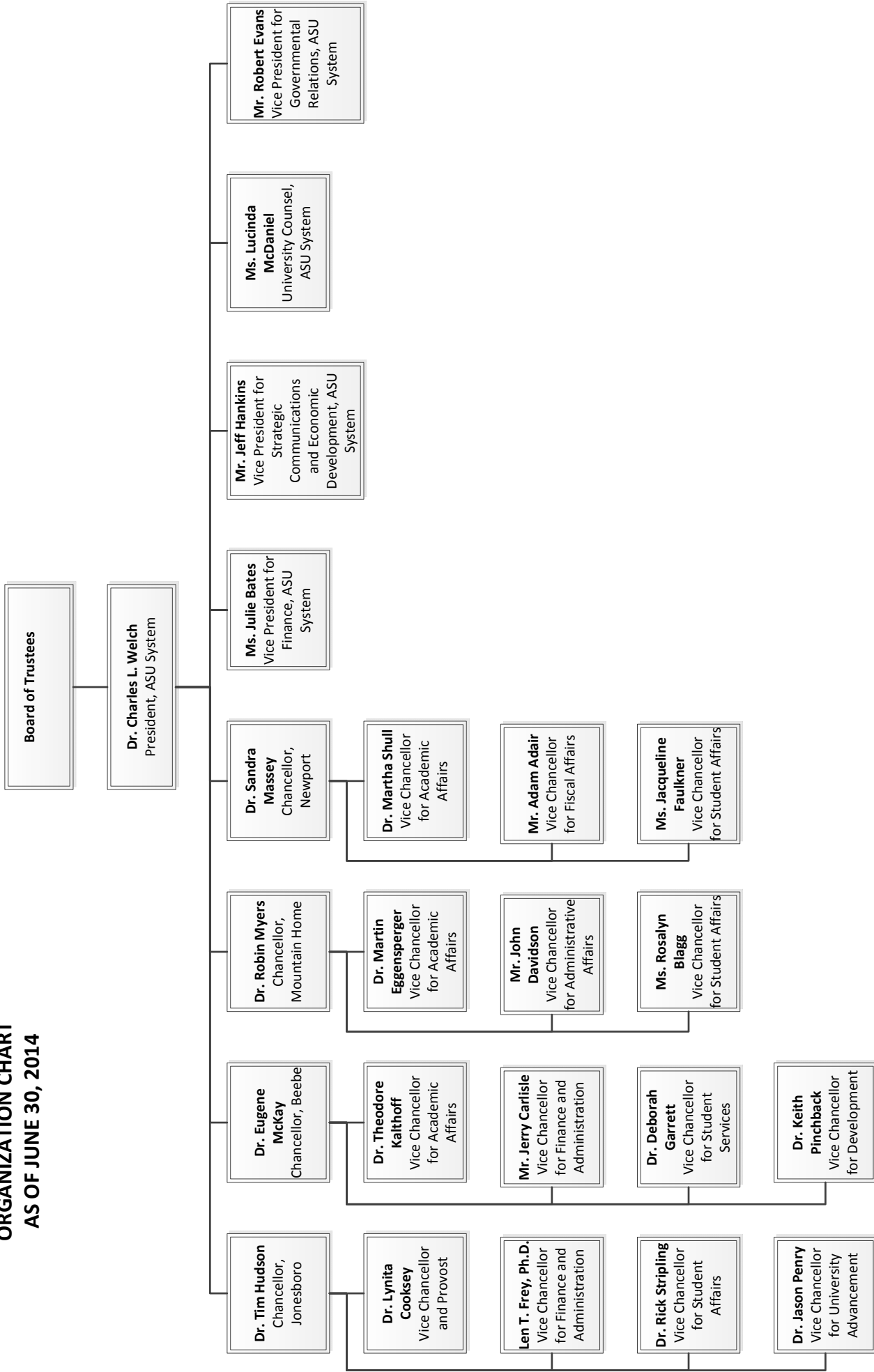
**Governor of the State of Arkansas  
Mr. Mike Beebe**

**Board of Trustees  
As of June 30, 2014**

Mr. Dan Pierce, Chair ..... Jonesboro, Arkansas  
Mr. Charles Luter, Vice Chair ..... Paragould, Arkansas  
Mr. Howard L. Slinkard, Secretary ..... Rogers, Arkansas  
Mr. Ron Rhodes, Member ..... Cherokee Village, Arkansas  
Dr. Tim Langford, Member ..... Little Rock, Arkansas



**ARKANSAS STATE UNIVERSITY SYSTEM  
ORGANIZATION CHART  
AS OF JUNE 30, 2014**





This page is intentionally blank.



# 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, 2014, 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, 2014, 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](http://www.arklegaudit.gov)

# Independent Auditor's Report (Continued)

## ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the 2013 financial statements have been restated due to the adoption of Governmental Accounting Standards Board Statement no. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Prior Year Comparative Information***

We have previously audited the University's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated November 19, 2013. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 18, 2014 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 18, 2014  
EDHE12514



## 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, 2014. 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, 2013 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.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement is related to Statement No. 63 in that it establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

The University's financial statements for the year ended June 30, 2014 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, 2014 and 2013 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, deferred inflows, deferred outflows and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2014, 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 to the right.

Readers of the Statement of Net Position can determine answers to the following key questions as of June 30, 2014:

- 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?

| Condensed Statement of Net Position       |                       |                       |                         |                   |
|---|-----------------------|-----------------------|-------------------------|-------------------|
|   | 2014                  | 2013                  | Increase/<br>(Decrease) | Percent<br>Change |
| <b>Assets and Deferred Outflows:</b>      |                       |                       |                         |                   |
| Current Assets                            | \$ 67,851,002         | \$ 64,908,337         | \$ 2,942,665            | 4.53%             |
| Capital Assets, net                       | 403,527,792           | 398,026,329           | 5,501,463               | 1.38%             |
| Other Noncurrent Assets                   | 94,502,641            | 70,634,363            | 23,868,278              | 33.79%            |
| Deferred Outflows                         | 1,552,446             | 1,634,769             | (82,323)                | (5.04%)           |
| <b>Total Assets and Deferred Outflows</b> | <b>\$ 567,433,881</b> | <b>\$ 535,203,798</b> | <b>\$ 32,230,083</b>    | <b>6.02%</b>      |
| <b>Liabilities:</b>                       |                       |                       |                         |                   |
| Current Liabilities                       | \$ 37,921,486         | \$ 34,126,095         | \$ 3,795,391            | 11.12%            |
| Noncurrent Liabilities                    | 219,735,337           | 199,732,178           | 20,003,159              | 10.01%            |
| <b>Total Liabilities</b>                  | <b>257,656,823</b>    | <b>233,858,273</b>    | <b>23,798,550</b>       | <b>10.18%</b>     |
| <b>Net Position:</b>                      |                       |                       |                         |                   |
| Net Investment in Capital Assets          | 214,836,136           | 216,938,842           | (2,102,706)             | (0.97%)           |
| Restricted, Nonexpendable                 | 15,057,533            | 13,782,556            | 1,274,977               | 9.25%             |
| Restricted, Expendable                    | 17,171,213            | 11,092,834            | 6,078,379               | 54.80%            |
| Unrestricted                              | 62,712,176            | 59,531,293            | 3,180,883               | 5.34%             |
| <b>Total Net Position</b>                 | <b>309,777,058</b>    | <b>301,345,525</b>    | <b>8,431,533</b>        | <b>2.80%</b>      |
| <b>Total Liabilities and Net Position</b> | <b>\$ 567,433,881</b> | <b>\$ 535,203,798</b> | <b>\$ 32,230,083</b>    | <b>6.02%</b>      |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### **Assets and Deferred Outflows**

Total assets and deferred outflows increased by \$32.3 million.

#### **Current Assets**

Current assets increased by \$2.9 million. Cash and cash equivalents increased by \$1.9 million. The Jonesboro campus had an increase of \$2 million. This increase was due to conservative levels of spending during fiscal year 2014. The other campuses had a combined decrease of \$200,000. Short-term investments increased by \$113,000. Jonesboro had an increase of \$298,000 due to the recognition of the investments held by the Foundation for license plate scholarship recipients. The Newport campus had a decrease of \$185,000 due to redirecting some of the short-term investments to long-term investments. Accounts receivable decreased by \$96,000. Gross receivables decreased by \$63,000. Allowances for doubtful accounts increased by \$33,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. This has proven to be an effective method as accounts receivables declined for the second consecutive year. Inventories increased by \$1.2 million. This was due to a re-valuation of supplies inventory held by the IT department on the Jonesboro campus as well as an increase in the bookstore inventory on the Beebe campus due to the anticipation of the upcoming fall semester. Deposits with trustees decreased by \$183,000. This was a minimal decrease due to the timing of construction payments on the projects funded with bond proceeds at the Jonesboro campus of sorority housing, honors housing, renovations to Kays Hall, Student Activities Center and Humanities and Social Sciences Building.

#### **Capital Assets, net**

Capital assets, net increased by \$5.5 million. Accumulated depreciation increased from \$265,485,623 in 2013 to \$283,372,367 in 2014. This increase is due to new equipment, additional buildings, and renovations that were added in 2013 and began depreciating in 2014. The increase in accumulated depreciation was offset by the addition of \$30.2 million in capital assets and the retirement of \$6.8 million in capital assets with accumulated depreciation of \$6 million. Of the \$30.2 million added to capital assets, \$22.2 million was construction in progress.

#### **Other Assets**

Other assets increased by \$23.9 million. Noncurrent cash increased by \$2.8 million while restricted cash increased by \$5.9 million. Noncurrent cash increased due to ongoing construction projects at the Jonesboro campus, including the Child Development and Research Center and renovations to the Convocation Center and Village apartments. The increase in restricted cash was due to revenues received for capital construction projects from the state's general improvement funds. These projects include: Humanities and Social Sciences building, Delta Heritage restorations and renovations to the System Office. Endowment investments increased by \$1.6 million. This was due to increases in investment gains due to the improving economic conditions. Other long-term investments increased by \$1.3 million. This was a result of additional long-term investment purchases at the Jonesboro campus. Deposits with trustees increased by \$12 million. The Jonesboro campus issued construction bonds for the Student Activities Center and the Humanities and Social Sciences building.

### **Deferred Outflows**

Deferred outflows decreased by \$82,000. This amount is the amortization of the gain or loss on prior year refunding bonds. The campuses did not issue any refunding bonds during fiscal year 2014.

### **Liabilities**

Total liabilities increased by \$24 million.

#### **Current Liabilities**

Current liabilities increased by \$3.8 million. Accounts payable and accrued liabilities increased by \$2 million. This was attributable to an increase in amounts due to vendors at the end of the year as well as construction and retainages payable at the Jonesboro campus. Also, bonds, notes and leases payable increased by \$637,000 and was attributable to the new bond issues at the Jonesboro campus for construction projects. Unearned revenues increased by \$1.2 million. This was due to amounts received for grants and contracts that were recorded as unearned revenue at the end of 2014. Also, there were additional funds due to the second summer session and online programs at the Jonesboro campus.

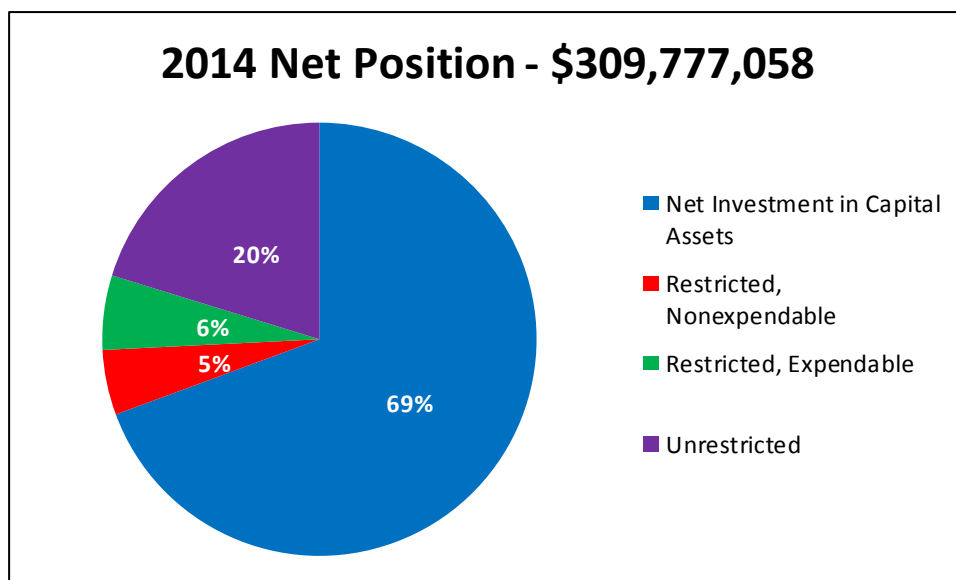
#### **Noncurrent Liabilities**

Noncurrent liabilities increased by \$20 million. \$18 million of this increase was in bonds, notes and leases payable. This increase was due to the construction bonds issued by the Jonesboro campus. Also, other postemployment benefits realized an increase of \$1.9 million. The estimate of this liability continues to increase each year due to the increasing costs of retirement benefits.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Net Position

Total net position increased by \$8.4 million. The percentage of each net position category is displayed in the chart below.



### Net investment in capital assets

Net investment in capital assets decreased by \$2.1 million. This decrease was related to the rate of depreciation on existing assets compared to the rate that assets are constructed or purchased.

### Restricted, Nonexpendable

Restricted, nonexpendable net position increased by \$1.3 million.

- *Scholarships and Fellowships*—Restricted, nonexpendable net position for scholarships and fellowships increased by \$441,000. This was due to the Jonesboro campus's increase in endowment investments held by the Foundation for scholarship purposes.
- *Loans*—The restricted, nonexpendable net position for loans decreased slightly in the amount of \$19,000. This was due to a small decrease in the Perkins Loan activity.
- *Other*—Restricted, nonexpendable net position for other purposes than those mentioned above increased by \$853,000. 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 increased by \$6.1 million.

- *Scholarships and Fellowships*—Restricted, expendable net position for scholarships and fellowships increased by \$501,000. \$400,000 of this increase was due to the recognition of the license plate scholarship program held by the ASU Foundation. The remaining increase was due to investment earnings on funds held for scholarships and fellowships.
- *Research*—Restricted, expendable net position for research declined by \$101,000. 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 2013 and fiscal year 2014.
- *Capital Projects*—The restricted, expendable net position for capital projects increased by \$5.9 million. This was related to the receipt of capital appropriations at the Jonesboro campus as discussed previously.
- *Other*—The restricted, expendable net position for other purposes than those listed above decreased by \$173,000. 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 level.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Unrestricted

Unrestricted net position increased by \$3.2 million. This demonstrates the ASU System's commitment to conservative spending and cost containment efforts.

### 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, 2014.

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 2014 compared to fiscal year 2013 is shown below.

| <b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b> |                       |                       |                         |                   |
|--|-----------------------|-----------------------|-------------------------|-------------------|
|  | 2014                  | 2013                  | Increase/<br>(Decrease) | Percent<br>Change |
| Operating Revenues   |                       |                       |                         |                   |
| Tuition and Fees, Net  | \$ 54,202,184         | \$ 54,188,183         | \$ 14,001               | 0.03%             |
| Grants and Contracts   | 23,149,541            | 27,839,857            | (4,690,316)             | (16.85%)          |
| Auxiliary Enterprises, Net   | 25,985,508            | 24,706,113            | 1,279,395               | 5.18%             |
| Other  | 8,013,856             | 7,610,640             | 403,216                 | 5.30%             |
| Total Operating Revenues   | <u>111,351,089</u>    | <u>114,344,793</u>    | <u>(2,993,704)</u>      | (2.62%)           |
| Operating Expenses   | 265,248,995           | 263,915,529           | 1,333,466               | 0.51%             |
| Nonoperating Revenues (Expenses)   |                       |                       |                         |                   |
| Federal Appropriations   | 1,175,443             | 3,579,588             | (2,404,145)             | (67.16%)          |
| State Appropriations   | 94,956,873            | 92,408,687            | 2,548,186               | 2.76%             |
| Grants and Contracts   | 53,132,794            | 53,786,731            | (653,937)               | (1.22%)           |
| Interest   | (7,580,770)           | (7,451,756)           | (129,014)               | 1.73%             |
| Other  | 7,468,686             | 6,033,507             | 1,435,179               | 23.79%            |
| Total Nonoperating   | <u>149,153,026</u>    | <u>148,356,757</u>    | <u>796,269</u>          | 0.54%             |
| Income Before Other Revenues,<br>Expenses, Gains or Losses                   | <u>(4,744,880)</u>    | <u>(1,213,979)</u>    | <u>(3,530,901)</u>      | 290.85%           |
| Capital Appropriations   | 10,259,205            | 2,409,353             | 7,849,852               | 325.81%           |
| Capital Grants and Gifts   | 2,647,335             | 1,619,695             | 1,027,640               | 63.45%            |
| Other  | 269,873               | 439,222               | (169,349)               | (38.56%)          |
| Total  | <u>13,176,413</u>     | <u>4,468,270</u>      | <u>8,708,143</u>        |                   |
| Increase (Decrease) in Net Position  | <u>\$ 8,431,533</u>   | <u>\$ 3,254,291</u>   | <u>\$ 5,177,242</u>     | 159.09%           |
| Net Position, Beginning of Year  | \$ 301,345,525        | \$ 299,124,841        |                         |                   |
| Restatement of Prior Year Balance (Note 17)                                  |                       | <u>\$ (1,033,607)</u> |                         |                   |
| Net Position, Beginning of Year, Restated                                    | <u>\$ 301,345,525</u> | <u>\$ 298,091,234</u> | \$ 3,254,291            | 1.09%             |
| Net Position, End of Year  | \$ 309,777,058        | \$ 301,345,525        | \$ 8,431,533            | 2.80%             |



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Revenues**

Total revenues decreased by \$2.4 million.

**Operating Revenues**

Total operating revenues decreased by \$3 million.

**Tuition and Fees, net**

Net tuition and fees increased by \$14,000. Gross tuition and fee revenue increased by \$1.4 million. This was primarily the result of a modest tuition increase, as well as increased enrollment in certain categories. The increase in tuition and fee revenue also led to an increase in scholarship allowances. Scholarship allowances increased by \$1.4 million. This increase in scholarship allowances caused a decrease in scholarship expense as noted in the scholarship expense section below.

**Grants and Contracts**

Operating grants and contracts decreased by \$4.7 million. All campuses experienced a decrease in operating grants for this fiscal year. The Jonesboro and Mountain Home campuses each had decreases of \$480,000. This decrease was due to a continued decline in available grant resources. The Beebe campus had a decrease of \$1.8 million; however, the bulk of this decrease is the result of a reporting change in which scholarships were moved from operating to nonoperating revenue. The Newport campus had a \$1.9 million decrease due to the completion of the ADTEP grants; they also experienced continued budget reductions for ongoing grants during fiscal year 2014, including Adult Education and Career Pathways grants.

**Sales and Services**

Sales and services increased by \$53,000. This minimal change of \$40,000 for the Jonesboro campus and \$13,000 for the Beebe campus is attributable to normal fluctuations in operations between fiscal years.

**Auxiliary Enterprises, net**

Auxiliary enterprises, net increased by approximately \$1.3 million. The Jonesboro campus experienced an increase of \$1.4 million. This was the result of increased revenues across several of the auxiliary operations at the Jonesboro campus including athletics, residence life, student union, bookstore, and food services. The Beebe campus saw an increase of \$20,000, while the Mountain Home and Newport campuses had decreases of \$67,000 and \$69,000, respectively.

**Self Insurance**

Self insurance revenues increased by \$158,000. This is a result of a minimal increase in premiums that occurred beginning January 1<sup>st</sup>, as well as the continued impact of plan structure changes that began during fiscal year 2013.

**Other**

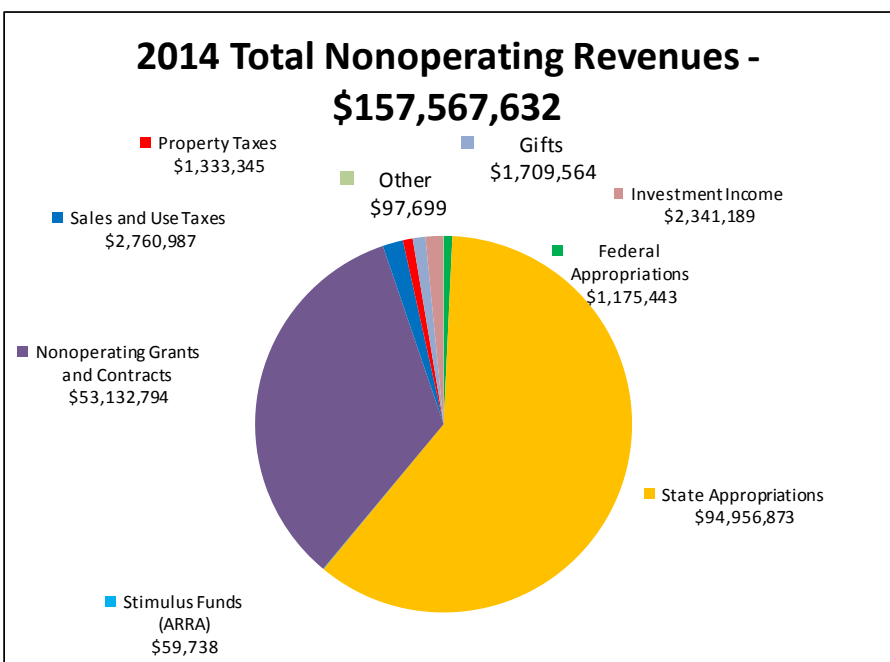
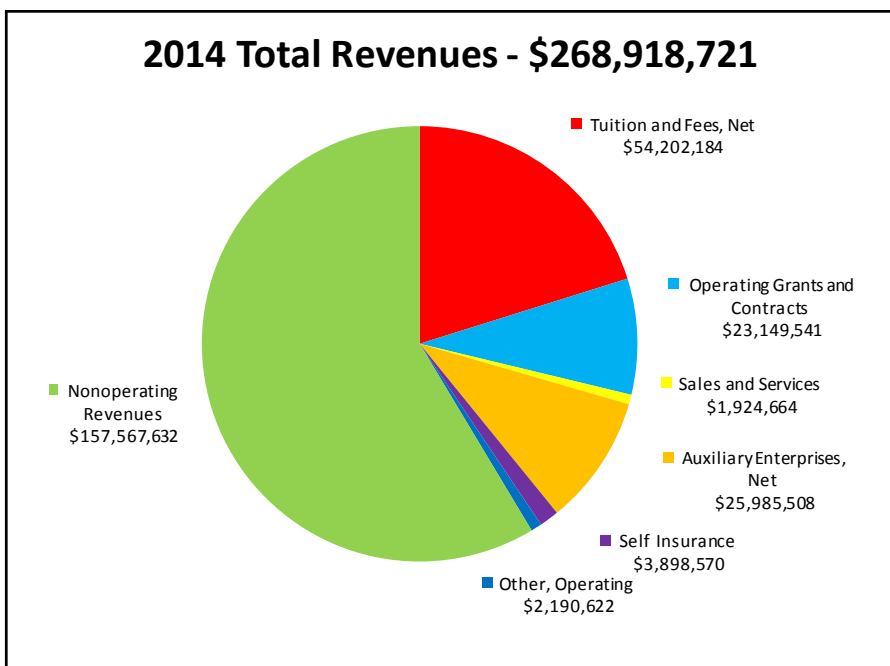
Other operating revenues increased by \$192,000. Of this, \$120,000 was related to increases in revenue for nursing and health programs on the Jonesboro campus. Beebe, Mountain Home and Newport had increases in other operating revenues as well.

**Nonoperating Revenues**

Total nonoperating revenues increased by \$642,000.

**Federal Appropriations**

Federal appropriations decreased by \$2.4 million. In prior fiscal years, the Jonesboro campus



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

received several federal earmark awards. The campus did not receive any new funds and will continue to see a decrease as these awards are completed.

### State Appropriations

State appropriations increased overall by \$2.5 million. The Jonesboro campus had an increase of \$1.9 million, primarily in general appropriation funding. Mountain Home and Newport had increases of \$663,000 and \$135,000, while Beebe had a decrease of \$196,000.

### Stimulus Funds (ARRA)

Nonoperating revenues from stimulus funds (ARRA) decreased by \$102,000. All applicable campuses experienced a decrease from fiscal year 2013, as ARRA funds are no longer being awarded and projects are being completed.

### Grants and Contracts

Nonoperating grants and contracts decreased by \$654,000 overall. There was a decrease of \$2.3 million on the Jonesboro campus. A portion of this decrease is related to a change in processing of financial aid, because the Newport campus now disburses its aid instead of the disbursements being processed by Jonesboro. This led to an increase of \$632,000 on the Newport campus. The remainder of the decrease is due to decreases in federal and state scholarships. Beebe had an increase of \$1 million, related to the reporting change for state scholarships described previously in the operating grants and contracts. Mountain Home experienced a minimal increase of \$10,000.

### Sales and Use Taxes

Sales and use taxes decreased by \$61,000. This was due to a slight decrease in spending in Jackson and Cleburne Counties.

### Property Taxes

Property tax revenues increased by \$47,000 on the Mountain Home campus, which is the only campus that receives revenue from property taxes.

### Gifts

Revenues from gifts increased by \$550,000. Jonesboro had an increase of \$442,000, which was primarily an increase in contributions from the Red Wolf Club for athletic facility construction projects. The Newport campus had an increase of \$119,000, while Mountain Home had a slight decrease of \$11,000.

### Investment Income

Investment income increased by \$854,000. While the interest rate for bank accounts and certificates of deposits declined, other investments, such as endowment investments, increased due to the slowly improving market conditions.

## Expenses

Total expenses increased by \$1.1 million.

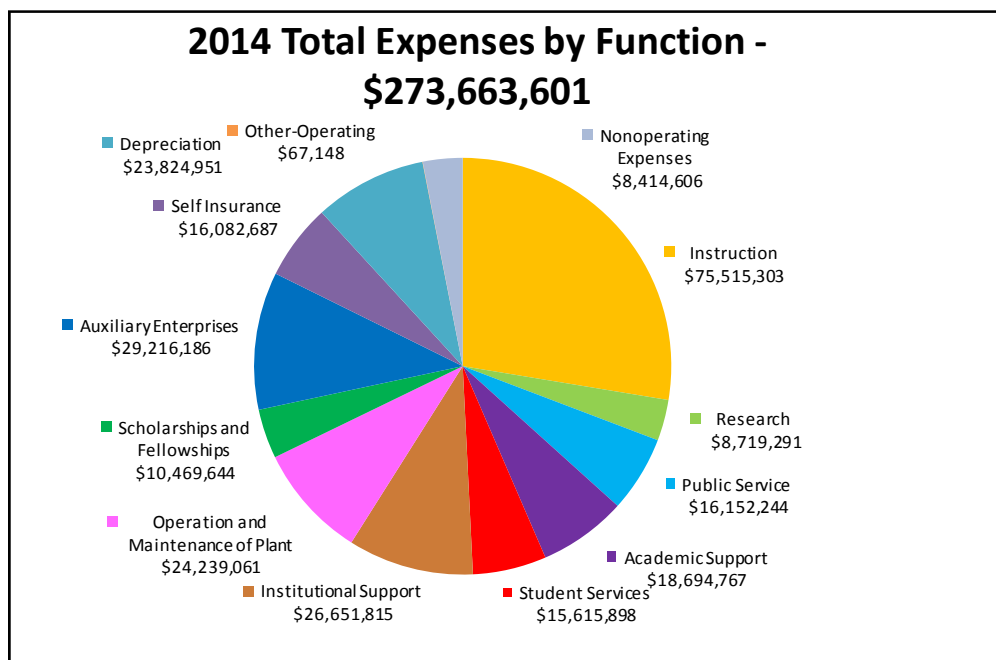
### Operating Expenses

Total operating expenses increased by \$1.3 million.

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

### Personal Services

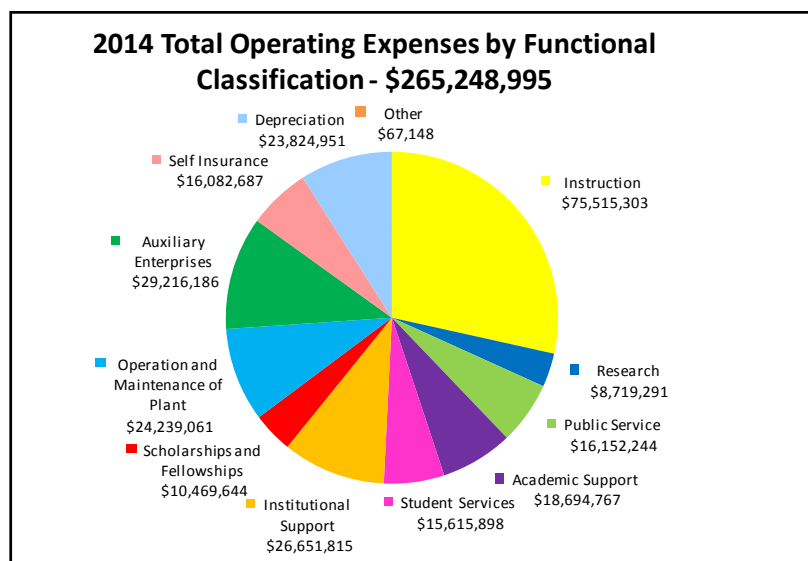
Personal services increased by \$3.3 million. The majority of this increase was the additional amount of other post employment benefits that was recorded for fiscal year 2014. The total for this was approximately \$1.8 million. The Jonesboro campus also implemented an optional voluntary retirement incentive program for fiscal year 2014. In accordance with GASB 47, *Accounting for Termination Benefits*, the campus has recognized the liability and ex-



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

pense in 2014 when the offer was accepted. The amount totaled \$764,528. Additional information about this program may be found in Note 18. Additionally, the campuses were able to provide modest salary increases for faculty and staff indicating the significance of how valuable faculty and staff are to the mission of the University.

| <b>Operating Expenses by Function</b> |                              |                              |                            |                   |
|---------------------------------------|------------------------------|------------------------------|----------------------------|-------------------|
|                                       | 2014                         | 2013                         | Increase/<br>(Decrease)    | Percent<br>Change |
| Instruction                           | \$ 75,515,303                | \$ 72,077,392                | \$ 3,437,911               | 4.77%             |
| Research                              | 8,719,291                    | 10,667,456                   | (1,948,165)                | (18.26%)          |
| Public Service                        | 16,152,244                   | 17,053,133                   | (900,889)                  | (5.28%)           |
| Academic Support                      | 18,694,767                   | 19,016,860                   | (322,093)                  | (1.69%)           |
| Student Services                      | 15,615,898                   | 15,161,208                   | 454,690                    | 3.00%             |
| Institutional Support                 | 26,651,815                   | 28,775,955                   | (2,124,140)                | (7.38%)           |
| Scholarships and Fellowships          | 10,469,644                   | 12,394,445                   | (1,924,801)                | (15.53%)          |
| Operation and Maintenance of Plant    | 24,239,061                   | 22,290,185                   | 1,948,876                  | 8.74%             |
| Auxiliary Enterprises                 | 29,216,186                   | 28,752,668                   | 463,518                    | 1.61%             |
| Self Insurance                        | 16,082,687                   | 15,164,210                   | 918,477                    | 6.06%             |
| Depreciation                          | 23,824,951                   | 22,500,636                   | 1,324,315                  | 5.89%             |
| Other                                 | 67,148                       | 61,381                       | 5,767                      | 9.40%             |
| <b>Total Operating Expenses</b>       | <b><u>\$ 265,248,995</u></b> | <b><u>\$ 263,915,529</u></b> | <b><u>\$ 1,333,466</u></b> | <b>0.51%</b>      |



| <b>Operating Expenses by Natural Classifications</b> |                              |                              |                            |                   |
|--|------------------------------|------------------------------|----------------------------|-------------------|
|  | 2014                         | 2013                         | Increase/<br>(Decrease)    | Percent<br>Change |
| Personal Services                                    | \$ 146,974,378               | \$ 143,666,551               | \$ 3,307,827               | 2.30%             |
| Scholarships and Fellowships                         | 17,274,330                   | 19,175,308                   | (1,900,978)                | (9.91%)           |
| Supplies and Services                                | 61,025,501                   | 63,347,443                   | (2,321,942)                | (3.67%)           |
| Self Insurance                                       | 16,082,687                   | 15,164,210                   | 918,477                    | 6.06%             |
| Depreciation   | 23,824,951                   | 22,500,636                   | 1,324,315                  | 5.89%             |
| Other  | 67,148                       | 61,381                       | 5,767                      | 9.40%             |
| <b>Total Operating Expenses</b>                      | <b><u>\$ 265,248,995</u></b> | <b><u>\$ 263,915,529</u></b> | <b><u>\$ 1,333,466</u></b> | <b>0.51%</b>      |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Scholarships and Fellowships

Scholarships and fellowships decreased by \$1.9 million. This was partially due to increases in the amount reflected as scholarship allowances rather than scholarship expense; from \$56 million in 2013 to \$56.8 million in 2014. While Newport experienced an increase in enrollment and scholarship expenses; Beebe experienced a decrease in both enrollment and scholarship expenses. Additionally, as institutional and state scholarships continue to increase, federal scholarships, such as Pell grants, continue to show declines.

### Supplies and Services

Supplies and services decreased by \$2.3 million. With the exception of a \$600,000 increase at the Mountain Home campus, all other campuses experienced a decline in expenses for supplies and services. These decreases are due to conservative levels of spending initiated at the system level. In addition, as funds for grant revenues continue to decline; supplies and services expenses for these grants will also decrease.

### Self Insurance

Self insurance expenses increased by \$918,000. This increase was due to increased healthcare costs for medical and pharmacy claims during the fiscal year.

### Depreciation

Depreciation expense increased by \$1.3 million. This is due to the amount of new additions or renovations at each campus. Additionally, there were several projects that were added during fiscal year 2014 or will be added soon thereafter. Depreciation expense will continue to increase each year as new buildings and renovations are completed and begin depreciating.

### Other

Other operating expenses increased slightly by \$5,700. These expenses are related to the Perkins Loan program on the Jonesboro campus.

### Nonoperating Expenses

Total nonoperating expenses decreased by \$154,000.

### Interest

Interest expense increased by \$129,000. All the campuses, other than Jonesboro, experienced lower interest costs due to refunded debt during the previous fiscal year. The Jonesboro campus's amount increased due to the issuance of bonds in December 2013.

### Gain or Loss on Disposal of Capital Assets

During the fiscal year, the University had a loss of \$431,000 on capital assets compared to a gain of \$234,147 in fiscal year 2013. The majority of this loss, \$409,700, is attributable to the sale of the Jonesboro campus's share of the Arkansas Services Center.

### Other Changes

Other revenues, expenses, gains and losses totaled \$13.1 million. This amount increased by \$8.7 million.

### Capital Appropriations

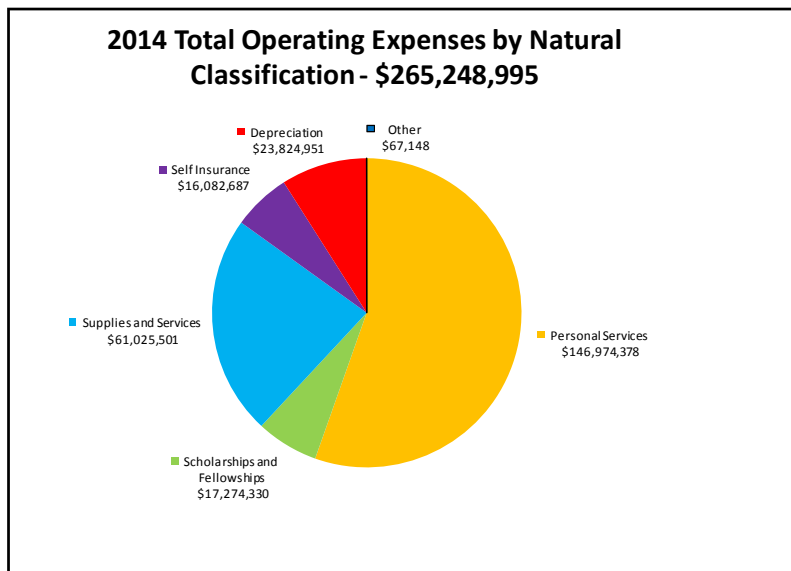
Capital appropriations increased by \$7.8 million. The Jonesboro campus received \$9.6 million in state appropriations for several capital improvement projects. The largest amount received was \$7.5 million to be used toward the completion of the Humanities and Social Sciences Building. In addition, the Beebe campus also received \$400,000 in state general improvement funds.

### Capital Grants and Gifts

Capital grants and gifts increased by \$1 million. The Mountain Home campus had an increase of \$740,000 due to funds received from the ASU Foundation for building costs. The Jonesboro campus also had an increase of \$233,000. This was due to an increase in capital grants received for pedestrian improvements, improvements at the equine center and for the Johnny Cash boyhood home/Dyess Colony restoration. Beebe had a small increase due to the donation of capital gifts during the fiscal year.

### Stimulus Funds (ARRA) for Capital Projects

This funding increased by \$37,000. The increase was due to the final year of an ARRA grant. This funding will begin to decrease as



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

these awards are nearly fully expended.

### 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.

### Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2014 and June 30, 2013 were as follows:

| Capital Assets (net of accumulated depreciation) |                       |                       |                         |                   |
|--|-----------------------|-----------------------|-------------------------|-------------------|
|  | 2014                  | 2013                  | Increase/<br>(Decrease) | Percent<br>Change |
| Land and land improvements                       | \$ 13,455,420         | \$ 13,220,865         | \$ 234,555              | 1.77%             |
| Construction in progress                         | 28,737,708            | 38,447,386            | (9,709,678)             | (25.25%)          |
| Livestock  | 296,318               | 116,630               | 179,688                 | 154.07%           |
| Intangibles-Easements                            | 2,675,000             | 2,675,000             | -                       | 0.00%             |
| Intangibles-Software                             | 3,108,592             | 3,497,166             | (388,574)               | (11.11%)          |
| Buildings  | 257,072,572           | 251,160,206           | 5,912,366               | 2.35%             |
| Improvements and infrastructure                  | 81,076,423            | 70,701,824            | 10,374,599              | 14.67%            |
| Equipment  | 15,391,417            | 16,335,928            | (944,511)               | (5.78%)           |
| Library/audiovisual holdings                     | 1,714,342             | 1,871,324             | (156,982)               | (8.39%)           |
| Total  | <u>\$ 403,527,792</u> | <u>\$ 398,026,329</u> | <u>\$ 5,501,463</u>     | 1.38%             |

#### Land

The University's value in land and land improvements increased by \$234,555 during fiscal year 2014. This increase is attributable to property purchases in the amounts of \$89,171 at the Beebe campus, \$200,061 at the Newport campus and a transfer from construction in progress of \$350 at the Beebe campus. The Jonesboro campus and Newport campuses also sold land that had book values of \$9,313 and \$45,714, respectively, during fiscal year 2014.

#### Construction in progress

Construction in progress decreased by 25.25%. This decrease was experienced by all campuses and was the result of \$31,872,901 in completed construction projects being transferred to buildings and improvements. The Jonesboro and Beebe campuses were the only campuses to reflect a balance in construction in progress at the end of 2014. Jonesboro's balance is \$28,696,811 and Beebe's is \$40,897. The balance at the Jonesboro campus is mostly attributable to the construction of the Student Activities Center and Humanities and Social Sciences Building.

#### Livestock

The increase of 154.07% is primarily attributable to a re-valuation of the Jonesboro campus livestock herds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2014.

### Intangibles-Software

The University's decrease of \$388,574 was the amount of annual depreciation during the fiscal year. No additions to software occurred in fiscal year 2014.

### Buildings

The University experienced an increase in the total value of buildings. This is a result of transfers from construction in progress in the amount of \$18,755,243. These buildings include: Honors Housing and Sorority Housing at the Jonesboro campus as well as the Hospitality and Physical Plant buildings at the Newport campus. Also, depreciation expense increased from \$13,976,261 in 2013 to \$14,431,846 in 2014 as a result of additional buildings that were added in 2013 and began depreciating in fiscal year 2014.

### Improvements and infrastructure

The 14.67%, or \$10,374,599, increase in improvements and infrastructure is attributable to several projects at the Jonesboro campus being completed during the fiscal year. These include: Kays Hall renovations, completion of the sixth floor of the Library, renovations to the lights at the football stadium, a climbing wall at the recreational center, and new parking lots. Additionally, the Beebe campus's amount increased due to completion of their student center expansion.

### Equipment

Equipment decreased by 5.78%, or \$944,511, during the year. Equipment additions decreased from \$5,127,032 in 2013 to \$3,687,907 in 2014. This was a result of two high dollar purchases of equipment for the Jonesboro campus during fiscal year 2013. These purchases included a new printing press and a new scoreboard at the Convocation Center. Depreciation expense decreased from \$4,235,282 in 2013 to \$3,977,705 in 2014. This was due to an increase of net retirements in the amounts of \$73,822 in 2013 to \$688,669 in 2014. Additional controls were implemented at the Jonesboro campus to ensure equipment is properly inventoried on an annual basis.

### Library/Audiovisual Holdings

The University's decrease of \$156,982, or 8.39%, is due to lower purchases from fiscal year 2013 to fiscal year 2014. Total purchases in 2014 were \$159,833 compared to \$217,970 in 2013. Depreciation expense remained fairly consistent decreasing slightly from \$333,112 in 2013 to \$316,417 in 2014.

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 \$203,635,581 in bonds payable, \$3,927,386 in notes payable and \$6,732 in capital leases payable at June 30, 2014.

The Jonesboro campus issued bonds for construction during fiscal year 2014 as listed below by project and amount:

|   |              |
|---|--------------|
| Student Activities Center               | \$11,130,000 |
| Humanities and Social Sciences Building | \$14,685,000 |

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, parking improvements, property purchases, plant improvements and auxiliary facilities.

The \$3,927,386 in notes payable consisted of three notes for the Jonesboro campus. These include two notes for IT (Information and Technology Services) infrastructure in the amounts of \$1,142,128 and \$64,319 and a \$1,000,000 note for pedestrian improvements. Additionally, the Mountain Home campus has a note payable in the amount of \$355,851 for a land purchase and the Newport campus has \$1,365,088 in notes payable for the construction of a Hospitality Building at the ASU-Newport Jonesboro campus location.

The \$6,732 in capital leases is comprised of a lease for a vehicle 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

### Economic Outlook

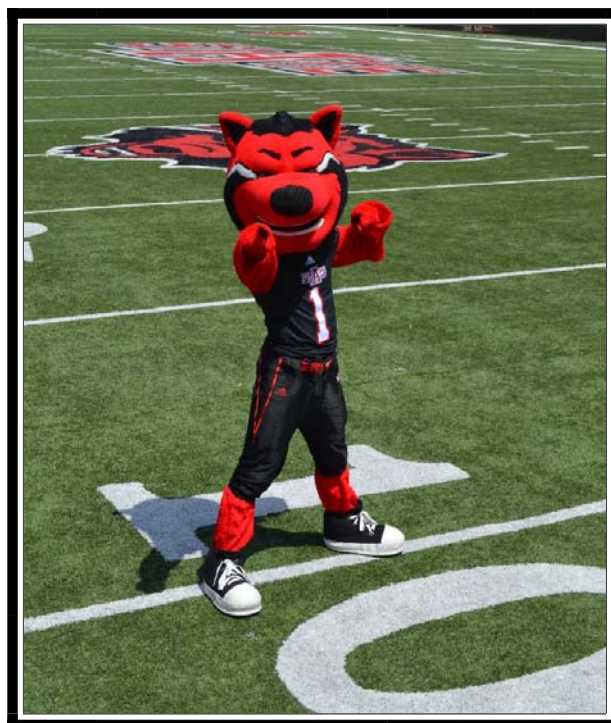
The economic outlook of the University remains sound.

Economic conditions at the national and international level remain guarded. While several leading indicators point to continued slow economic growth, volatility remains a major concern. These conditions limit the University's ability to generate favorable returns on its financial assets; however, they also affect positively its ability to strategically manage its long-term debt and borrowing costs. The University's strong debt credit rating of A1 continues to afford it favorable financing terms and options.

At the state level, Arkansas continues to conservatively manage its financial resources. As a result, state appropriations to the University have essentially remained static with no expectation of appreciable increases in the near term. Public higher education will continue to vie with other state agencies and priorities for appropriate levels of funding. While the University continues to benefit from the state's lottery scholarship program, declining participation and earnings pose potential challenges to this funding source going forward.

The University continues to proactively manage its enrollment and scholarship administration to strike an appropriate balance between academic standards, demographic and economic changes, and net tuition revenue. Likewise the University is working to develop and appropriately structure its research efforts in response to diminishing and increasingly-competitive funding from the federal government and other sources. The University continues to review all of its existing and potential revenue sources for efficiencies and opportunities and is working to explore and develop new and innovative funding opportunities.

The University strategically and prudently manages its financial resources. Capital investments are extensively-reviewed at the board and executive level, strategic cost containment and resource allocation remain high priorities of the University, and budgets are carefully-developed, monitored, controlled, and adjusted as warranted. These efforts will continue as the University strategically manages the challenges posed by the current economic environment and the furtherance of its mission.



**ARKANSAS STATE UNIVERSITY SYSTEM**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets:**

|  |                   |
|--|-------------------|
| Cash and cash equivalents                                    | \$ 46,374,183     |
| Short-term investments                                       | 853,089           |
| Accounts receivable (less allowances of \$975,117)           | 13,527,652        |
| Notes and deposits receivable (less allowances of \$239,053) | 997,731           |
| Accrued interest and late charges                            | 120,612           |
| Inventories  | 3,022,283         |
| Deposits with trustees                                       | 2,694,231         |
| Unamortized bond insurance                                   | 35,421            |
| Prepaid expenses   | 225,800           |
| <b>Total Current Assets</b>                                  | <u>67,851,002</u> |

**Noncurrent Assets:**

|   |                    |
|---|--------------------|
| Cash and cash equivalents   | 25,151,903         |
| Restricted cash and cash equivalents                              | 11,514,156         |
| Endowment investments   | 14,195,648         |
| Other long-term investments                                       | 18,673,616         |
| Accrued interest and late charges                                 | 444,496            |
| Deposits with trustees  | 18,835,343         |
| Accounts receivable   | 67,166             |
| Notes and deposits receivable (less allowances of \$1,186,605)    | 4,958,676          |
| Unamortized bond insurance  | 661,637            |
| Capital assets (net of accumulated depreciation of \$283,372,367) | 403,527,792        |
| <b>Total Noncurrent Assets</b>                                    | <u>498,030,433</u> |
| <b>TOTAL ASSETS</b>   | <u>565,881,435</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|  |                  |
|--|------------------|
| Excess of bond reacquisition costs over carrying value | <u>1,552,446</u> |
|--|------------------|

|  |                    |
|--|--------------------|
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <u>567,433,881</u> |
|--|--------------------|

**LIABILITIES**

**Current Liabilities:**

|  |                   |
|--|-------------------|
| Accounts payable and accrued liabilities | 12,244,046        |
| Bonds, notes and leases payable          | 8,886,211         |
| Compensated absences                     | 7,182,408         |
| Unearned revenue                         | 5,514,704         |
| Funds held in trust for others           | 1,010,967         |
| Deposits                                 | 911,555           |
| Interest payable                         | 2,163,559         |
| Other liabilities                        | 8,036             |
| <b>Total Current Liabilities</b>         | <u>37,921,486</u> |

**Noncurrent Liabilities:**

|   |                    |
|---|--------------------|
| Accounts payable and accrued liabilities      | 382,284            |
| Bonds, notes and leases payable               | 198,683,488        |
| Compensated absences                          | 3,443,645          |
| Accrued other postemployment benefits payable | 9,367,362          |
| Deposits                                      | 436,335            |
| Refundable federal advances                   | 7,422,223          |
| <b>Total Noncurrent Liabilities</b>           | <u>219,735,337</u> |
| <b>TOTAL LIABILITIES</b>                      | <u>257,656,823</u> |

**NET POSITION**

|  |                       |
|--|-----------------------|
| Net investment in capital assets       | 214,836,136           |
| Restricted for nonexpendable purposes: |                       |
| Scholarships and fellowships           | 5,113,584             |
| Loans                                  | 932,303               |
| Other                                  | 9,011,646             |
| Restricted for expendable purposes:    |                       |
| Scholarships and fellowships           | 1,059,255             |
| Research                               | 43,041                |
| Loans                                  | 20,000                |
| Capital projects                       | 14,010,077            |
| Other                                  | 2,038,840             |
| Unrestricted                           | 62,712,176            |
| <b>TOTAL NET POSITION</b>              | <u>\$ 309,777,058</u> |

*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, 2014**

|  |                              |
|--|------------------------------|
| <b>OPERATING REVENUES</b>  |                              |
| Student tuition and fees (net of scholarship allowances of \$47,380,917) | \$ 54,202,184                |
| Grants and contracts   | 23,149,541                   |
| Sales and services of educational departments                            | 1,924,664                    |
| Auxiliary enterprises (net of scholarship allowances of \$9,443,292)     | 25,985,508                   |
| Self-insurance   | 3,898,570                    |
| Other operating revenues   | 2,190,622                    |
| <b>TOTAL OPERATING REVENUES</b>  | <u>111,351,089</u>           |
| <b>OPERATING EXPENSES</b>  |                              |
| Personal services  | 146,974,378                  |
| Scholarships and fellowships   | 17,274,330                   |
| Supplies and services  | 61,025,501                   |
| Self-insurance   | 16,082,687                   |
| Depreciation   | 23,824,951                   |
| Other  | 67,148                       |
| <b>TOTAL OPERATING EXPENSES</b>  | <u>265,248,995</u>           |
| <b>OPERATING INCOME (LOSS)</b>   | <u>(153,897,906)</u>         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                  |                              |
| Federal appropriations   | 1,175,443                    |
| State appropriations   | 94,956,873                   |
| Stimulus funds (ARRA)  | 59,738                       |
| Grants and contracts   | 53,132,794                   |
| Sales and use taxes  | 2,760,987                    |
| Property taxes   | 1,333,345                    |
| Gifts  | 1,709,564                    |
| Investment income  | 2,341,189                    |
| Interest on capital asset - related debt                                 | (7,580,770)                  |
| Bond insurance and issuance costs  | (334,781)                    |
| Gain or loss on disposal on capital assets                               | (431,058)                    |
| Refunds to grantors  | (67,997)                     |
| Other nonoperating revenues (expenses)                                   | 97,699                       |
| <b>NET NONOPERATING REVENUES (EXPENSES)</b>                              | <u>149,153,026</u>           |
| <b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>           | (4,744,880)                  |
| Capital appropriations   | 10,259,205                   |
| Capital grants and gifts   | 2,647,335                    |
| Stimulus funds (ARRA) for capital projects                               | 77,594                       |
| Additions to endowments  | 3,711                        |
| Adjustments to capital assets  | 15,304                       |
| Capitalization of library holdings at rate per volume                    | 49,842                       |
| Livestock additions  | 123,422                      |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                               | <u>8,431,533</u>             |
| <b>NET POSITION - BEGINNING OF YEAR</b>                                  | 301,345,525                  |
| <b>NET POSITION - END OF YEAR</b>  | <u><u>\$ 309,777,058</u></u> |

*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, 2014**

|   |                             |
|---|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                             |
| Student tuition and fees  | \$ 54,002,323               |
| Grants and contracts  | 24,117,861                  |
| Auxiliary enterprises revenues  | 26,272,592                  |
| Sales and services of educational departments                               | 1,924,070                   |
| Self-insurance program receipts   | 3,898,570                   |
| Collection of principal and interest related to student loans               | 851,119                     |
| Other receipts  | 1,977,863                   |
| Payments to employees   | (121,763,036)               |
| Payments for employee benefits  | (21,080,270)                |
| Payments to suppliers   | (61,585,155)                |
| Scholarships and fellowships  | (17,274,330)                |
| Self-insurance program payments   | (16,593,558)                |
| Loans issued to students  | (1,137,384)                 |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                     | <u>(126,389,335)</u>        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                             |
| Federal appropriations  | 1,877,921                   |
| State appropriations  | 94,956,873                  |
| Stimulus funds (ARRA)   | 93,334                      |
| Grants and contracts  | 53,098,659                  |
| Private gifts and grants  | 1,595,161                   |
| Sales and use taxes   | 2,738,985                   |
| Property taxes  | 1,324,602                   |
| Direct lending, PLUS and FFEL loan receipts                                 | 82,834,485                  |
| Direct lending, PLUS and FFEL loan payments                                 | (83,194,175)                |
| Other agency funds - net  | 108,205                     |
| Refunds to grantors   | (67,019)                    |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>          | <u>155,367,031</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                             |
| Proceeds from capital debt  | 1,000,000                   |
| Distributions from trustee of bond proceeds and interest earnings           | 13,460,495                  |
| Capital appropriations  | 10,259,205                  |
| Capital gift and grants   | 2,461,948                   |
| Stimulus (ARRA) funds for capital projects                                  | 80,285                      |
| Proceeds from sale of capital assets  | 377,061                     |
| Purchases of capital assets   | (29,546,888)                |
| Payments to trustees for bond principal                                     | (7,065,000)                 |
| Payments to trustees for bond interest and fees                             | (7,713,051)                 |
| Payments to debt holders for principal (other than bonds)                   | (1,005,543)                 |
| Payments to debt holders for interest and fees (other than bonds)           | (83,062)                    |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <u>(17,774,550)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                             |
| Proceeds from sales and maturities of investments                           | 8,477,746                   |
| Interest on investments (net of fees)                                       | 445,387                     |
| Purchases of investments  | (9,507,552)                 |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                     | <u>(584,419)</u>            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                 | 10,618,727                  |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                        | 72,421,515                  |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                              | <u><u>\$ 83,040,242</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)   | \$ (153,897,906)        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                         |
| Depreciation expense  | 23,824,951              |
| Change in assets and liabilities:   |                         |
| Receivables, net  | (358,617)               |
| Inventories   | (1,176,785)             |
| Prepaid expenses  | (88,497)                |
| Accounts and salaries payable   | 2,488,305               |
| Other postemployment benefits payable   | 1,880,463               |
| Unearned revenue  | 1,049,902               |
| Deposits  | 39,093                  |
| Refundable federal advances   | (56,283)                |
| Compensated absences  | (33,649)                |
| Other liabilities   | (60,312)                |
| Net cash provided (used) by operating activities  | <u>\$ (126,389,335)</u> |

---

### RECONCILIATION OF CASH AND CASH EQUIVALENTS

#### Current Assets:

Cash and cash equivalents \$ 46,374,183

#### Noncurrent Assets:

Cash and cash equivalents 25,151,903

Restricted cash and cash equivalents 11,514,156

Total cash and cash equivalents - June 30, 2014 \$ 83,040,242

---

### NONCASH TRANSACTIONS

#### JONESBORO

Equipment-capital gift of \$234,332

The University issued construction bonds of \$11,130,000. The proceeds of this issue, along with accrued interest of \$26,675, were utilized as follows: \$11,027,072 was remitted to the bond trustee; and \$129,603 was used to pay the bond issuance costs.

The University issued construction bonds of \$14,685,000, at a premium of \$136,372. The proceeds of this issue, along with accrued interest of \$32,193, were utilized as follows: \$14,683,809 was remitted to the bond trustee; and \$169,756 was used to pay the bond issuance costs.

Investment earnings on reserve accounts held by trustee-\$39,505

Interest paid from accounts held by trustee-\$326,488

Principal paid from remaining unused funds held by lender-\$160,404

Amount earned on investments-\$130,786

Amount of interest earned on CDs reinvested with CDs-\$1,841

#### BEEBE

Amount earned on investments-\$1,567

Two Horses-capital gift of \$5,525 and \$300

Two Fiberglass Bridges-capital gift of \$15,248

*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, 2014**

**ASSETS**

|                                     |                             |
|-------------------------------------|-----------------------------|
| Cash                                | \$ 246,200                  |
| Repurchase agreement                | 5,366,125                   |
| Certificate of deposit              | 3,706,896                   |
| Short-term investment               | 87,171                      |
| Prepaid expenses                    | 5,829                       |
| Unconditional promises to give, net | 1,431,460                   |
| Long-term investments               | 52,088,736                  |
| Cash surrender of life insurance    | 7,155                       |
| Property and equipment, net         | 1,043,266                   |
| Other assests                       | 1,100                       |
| <b>TOTAL ASSETS</b>                 | <b><u>\$ 63,983,938</u></b> |

**LIABILITIES**

|  |                          |
|--|--------------------------|
| Accounts payable   | \$ 42,790                |
| Annuities payable  | 52,298                   |
| Due to ASU campuses  | 184,495                  |
| Due to Alumni Association  | 2,383                    |
| Amounts held on behalf of Arkansas State University related entities | 11,334,653               |
| <b>TOTAL LIABILITIES</b>   | <b><u>11,616,619</u></b> |

**NET ASSETS**

|                         |                          |
|-------------------------|--------------------------|
| Unrestricted            | 2,519,182                |
| Temporarily restricted  | 7,867,701                |
| Permanently restricted  | 41,980,436               |
| <b>TOTAL NET ASSETS</b> | <b><u>52,367,319</u></b> |

|   |                             |
|---|-----------------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 63,983,938</u></b> |
|---|-----------------------------|

**ARKANSAS STATE UNIVERSITY FOUNDATION, INC.**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>SUPPORT</b>   |                     |                                   |                                   |                      |
| <b>SUPPORT AND RECLASSIFICATIONS</b>                       |                     |                                   |                                   |                      |
| Contributions  | \$ 188,275          | \$ 2,055,466                      | \$ 2,346,505                      | \$ 4,590,246         |
| Contributed services                                       | 313,221             |                                   |                                   | 313,221              |
| Investment return, net                                     | 64,501              | 643,531                           | 5,227,593                         | 5,935,625            |
| Other income   | 481,564             | 395,840                           | 6,234                             | 883,638              |
| Net assets released from restrictions                      | <u>3,992,785</u>    | <u>(3,992,785)</u>                |                                   | -                    |
| <b>TOTAL SUPPORT</b>                                       | <u>5,040,346</u>    | <u>(897,948)</u>                  | <u>7,580,332</u>                  | <u>11,722,730</u>    |
| <b>EXPENSES AND LOSSES</b>                                 |                     |                                   |                                   |                      |
| <b>PROGRAM SERVICES</b>                                    |                     |                                   |                                   |                      |
| Academic activities  | 600,451             |                                   |                                   | 600,451              |
| Administrative   | 198,234             |                                   |                                   | 198,234              |
| Student activities   | 130,005             |                                   |                                   | 130,005              |
| <b>SUPPORTING SERVICES</b>                                 |                     |                                   |                                   |                      |
| Management and general                                     | 477,377             |                                   |                                   | 477,377              |
| Fundraising  | 340,606             |                                   |                                   | 340,606              |
| Transfers to Arkansas State University                     | <u>3,178,427</u>    |                                   |                                   | <u>3,178,427</u>     |
| <b>TOTAL EXPENSES AND LOSSES</b>                           | <u>4,925,100</u>    | <u>-</u>                          | <u>-</u>                          | <u>4,925,100</u>     |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                   | <u>115,246</u>      | <u>(897,948)</u>                  | <u>7,580,332</u>                  | <u>6,797,630</u>     |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                     | 2,461,558           | 8,556,041                         | 34,552,090                        | 45,569,689           |
| <b>RECLASSIFICATION AND INTERNAL TRANSFERS</b>             | <u>(57,622)</u>     | <u>209,608</u>                    | <u>(151,986)</u>                  | <u>-</u>             |
| <b>TOTAL AFTER RECLASSIFICATION AND INTERNAL TRANSFERS</b> | <u>2,403,936</u>    | <u>8,765,649</u>                  | <u>34,400,104</u>                 | <u>45,569,689</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                           | <u>\$ 2,519,182</u> | <u>\$ 7,867,701</u>               | <u>\$ 41,980,436</u>              | <u>\$ 52,367,319</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 fund-raising 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, 2014, the Foundation transferred property, equipment and funds of \$3,178,427 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

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement is related to Statement No. 63 in that it establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additional information about the impact of this pronouncement on the University's financial statements may be found in Note 17.

### 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. Interest costs incurred are capitalized during the period of construction. During the fiscal year, \$500,689 of interest costs was capitalized.

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, 2014. 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.

## NOTES TO FINANCIAL STATEMENTS

### 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.

### 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, 2014 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) the amount of the optional voluntary retirement incentive program (Note 18) 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:

|  | <b>Carrying<br/>Amount</b>  | <b>Bank<br/>Balance</b>     |
|--|-----------------------------|-----------------------------|
| Insured (FDIC)   | \$ 2,855,855                | \$ 3,100,048                |
| Collateralized:<br>Collateral held by the pledging bank or<br>pledging bank's trust department in the<br>University's name | 81,995,906                  | 83,020,742                  |
| <b>Total Deposits</b>  | <u><u>\$ 84,851,761</u></u> | <u><u>\$ 86,120,790</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 \$12,407,148 and \$78,451 at June 30, 2014, respectively. Also, the above amount does not include \$397,612 in certificates of deposits held by the Foundation for license plate scholarships. The above total deposits include certificates of deposits of \$14,297,070 reported as investments and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$48 reported as deposits with trustees.

**Deposits with Trustees**

At June 30, 2014, the University's deposits with trustees, excluding money market checking accounts of \$48, of \$21,529,526 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 40 days.

The deposits with trustee 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, 2014, the University's investments, excluding endowment funds, consisted of corporate bonds of \$901,033 and U.S. agencies of \$3,930,990. The corporate bonds will mature as follows:

| Less than one<br>year | 1 to 5 years | 6-10 years | Greater than 10<br>years | Total      |
|-----------------------|--------------|------------|--------------------------|------------|
| \$ -                  | \$ 433,435   | \$ 150,844 | \$ 316,754               | \$ 901,033 |

The U.S. agencies will mature as follows:

| Less than one<br>year | 1 to 5 years | 6-10 years   | Greater than 10<br>years | Total        |
|-----------------------|--------------|--------------|--------------------------|--------------|
| \$ -                  | \$ 137,056   | \$ 1,385,301 | \$ 2,408,633             | \$ 3,930,990 |

## 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      |
|------|------|------------|------------|------------|------------|
| \$ - | \$ - | \$ 583,704 | \$ 150,844 | \$ 166,485 | \$ 901,033 |

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

| Aaa          | Aa   | A    | Baa  | Not Rated  | Total        |
|--------------|------|------|------|------------|--------------|
| \$ 3,766,119 | \$ - | \$ - | \$ - | \$ 164,871 | \$ 3,930,990 |

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 8.079 years at June 30, 2014. The U.S. agencies had an estimated weighted average maturity of 11.944 years at June 30, 2014. 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 16.84% or \$8,740,305 and consisted of the following types of investments:

| Type                            | Amount              |
|---------------------------------|---------------------|
| Domestic Equities Mutual Funds  | \$ 2,959,312        |
| Bonds/Fixed Income Securities   | 1,249,186           |
| Domestic Equities Securities    | 372,815             |
| Alternative Assets              | 537,855             |
| Alternative Assets Mutual Funds | 982,364             |
| Cash Equivalents                | 75,222              |
| Bonds/Fixed Income              | 1,702,022           |
| International Securities        | 861,529             |
| <b>Total</b>                    | <b>\$ 8,740,305</b> |

The Beebe campus’s portion of the investment pool was 0.33% or \$169,409 and consisted of the following types of investments:

| Type                            | Amount            |
|---------------------------------|-------------------|
| Domestic Equities Mutual Funds  | \$ 57,378         |
| Domestic Equities Securities    | 7,229             |
| Alternative Assets              | 10,429            |
| Alternative Assets Mutual Funds | 19,047            |
| Cash Equivalents                | 1,458             |
| Bonds/Fixed Income              | 57,164            |
| International Securities        | 16,704            |
| <b>Total</b>                    | <b>\$ 169,409</b> |

## 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 \$3,641,457 consisted of the following types of investments held in trust by a third party:

| Type             | Amount              |
|------------------|---------------------|
| Mutual Funds     | \$ 2,804,391        |
| Corporate Bonds  | 340,804             |
| Cash Equivalents | 168,360             |
| U.S. Agencies    | 327,902             |
| <b>Total</b>     | <b>\$ 3,641,457</b> |

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

|                 | Less than one<br>year | 1 to 5 years      | 6-10 years        | Greater than 10<br>years | Total             |
|-----------------|-----------------------|-------------------|-------------------|--------------------------|-------------------|
| Corporate Bonds | \$ 48,837             | \$ 209,066        | \$ 62,555         | \$ 20,346                | \$ 340,804        |
| U.S. Agencies   | 20,336                | 110,976           | 60,894            | 135,696                  | 327,902           |
| <b>Total</b>    | <b>\$ 69,173</b>      | <b>\$ 320,042</b> | <b>\$ 123,449</b> | <b>\$ 156,042</b>        | <b>\$ 668,706</b> |

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 | \$ 13,964         | \$ 33,885        | \$ 139,118        | \$ 153,837        |                   | \$ 340,804        |
| U.S. Agencies   | 221,449           |                  |                   |                   | \$ 106,453        | 327,902           |
| <b>Total</b>    | <b>\$ 235,413</b> | <b>\$ 33,885</b> | <b>\$ 139,118</b> | <b>\$ 153,837</b> | <b>\$ 106,453</b> | <b>\$ 668,706</b> |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 4.550 and 12.073 years, respectively, at June 30, 2014.

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

The V.C. and Bertie H. Kays Educational Trust of \$1,644,477 consisted of the following types of investments held in trust by a third party:

| Type             | Amount              |
|------------------|---------------------|
| Mutual Funds     | \$ 584,169          |
| Corporate Bonds  | 485,142             |
| Cash Equivalents | 127,122             |
| U.S. Agencies    | 448,044             |
| <b>Total</b>     | <b>\$ 1,644,477</b> |

## NOTES TO FINANCIAL STATEMENTS

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

|                 | Less than one<br>year | 1 to 5 years      | 6-10 years        | Greater than 10<br>years | Total             |
|-----------------|-----------------------|-------------------|-------------------|--------------------------|-------------------|
| Corporate Bonds | \$ 70,214             | \$ 292,682        | \$ 91,087         | \$ 31,159                | \$ 485,142        |
| U.S. Agencies   | 29,486                | 159,712           | 88,371            | 170,475                  | 448,044           |
| <b>Total</b>    | <b>\$ 99,700</b>      | <b>\$ 452,394</b> | <b>\$ 179,458</b> | <b>\$ 201,634</b>        | <b>\$ 933,186</b> |

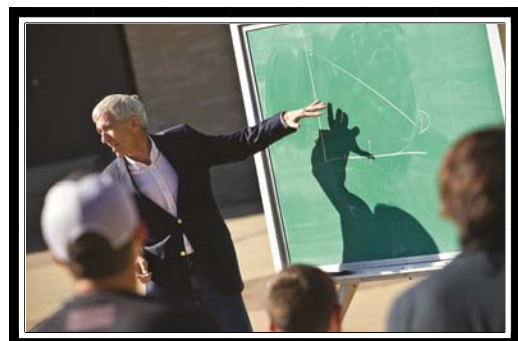
Credit risk – The credit quality ratings of the corporate bonds and U.S. agencies by Moody’s Investor Services are below:

|                 | Aaa               | Aa               | A                 | Baa               | Not Rated         | Total             |
|-----------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Corporate Bonds | \$ 19,949         | \$ 49,944        | \$ 196,245        | \$ 219,004        |                   | \$ 485,142        |
| U.S. Agencies   | 317,362           |                  |                   |                   | \$ 130,682        | 448,044           |
| <b>Total</b>    | <b>\$ 337,311</b> | <b>\$ 49,944</b> | <b>\$ 196,245</b> | <b>\$ 219,004</b> | <b>\$ 130,682</b> | <b>\$ 933,186</b> |

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies which had an estimated weighted average maturity of 4.643 and 11.541 years, respectively, at June 30, 2014.

### 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, 2014:

| <b>Arkansas State University-Jonesboro</b>         |                       |                        |                        |                     |                       |
|--|-----------------------|------------------------|------------------------|---------------------|-----------------------|
|  | <b>Balance</b>        |                        |                        |                     | <b>Balance</b>        |
|  | <b>July 1, 2013</b>   | <b>Additions</b>       | <b>Transfers</b>       | <b>Retirements</b>  | <b>June 30, 2014</b>  |
| <b>Nondepreciable capital assets:</b>              |                       |                        |                        |                     |                       |
| Land and improvements                              | \$ 6,550,647          |                        |                        | \$ (9,313)          | \$ 6,541,334          |
| Livestock for educational purposes                 | 39,300                | \$ 123,422             |                        |                     | 162,722               |
| Construction-in-progress                           | 34,351,153            | 22,167,037             | \$ (27,776,668)        | (44,711)            | 28,696,811            |
| Intangibles-Easements                              | 2,675,000             |                        |                        |                     | 2,675,000             |
| <b>Total nondepreciable capital assets</b>         | <b>\$ 43,616,100</b>  | <b>\$ 22,290,459</b>   | <b>\$ (27,776,668)</b> | <b>\$ (54,024)</b>  | <b>\$ 38,075,867</b>  |
| <b>Other capital assets:</b>                       |                       |                        |                        |                     |                       |
| Improvements and infrastructure                    | \$ 75,879,669         | \$ 1,355,449           | \$ 12,288,588          | \$ (133,223)        | \$ 89,390,483         |
| Buildings  | 307,269,668           | 91,938                 | 15,493,306             | (534,841)           | 322,320,071           |
| Equipment  | 44,318,619            | 2,830,585              | (5,226)                | (5,535,435)         | 41,608,543            |
| Library/audiovisual holdings                       | 12,250,279            |                        |                        | (32,445)            | 12,217,834            |
| Intangibles-Software                               | 5,828,610             |                        |                        |                     | 5,828,610             |
| <b>Total other capital assets</b>                  | <b>445,546,845</b>    | <b>4,277,972</b>       | <b>27,776,668</b>      | <b>(6,235,944)</b>  | <b>471,365,541</b>    |
| <b>Less accumulated depreciation/amortization:</b> |                       |                        |                        |                     |                       |
| Improvements and infrastructure                    | 18,521,338            | 3,515,204              |                        | (56,958)            | 21,979,584            |
| Buildings  | 138,510,203           | 8,957,311 *            | 39,182                 | (534,841)           | 146,971,855           |
| Equipment  | 30,854,659            | 3,145,431              | (39,182)               | (4,906,788)         | 29,054,120            |
| Library/audiovisual holdings                       | 11,281,383            | 156,993                |                        | (32,445)            | 11,405,931            |
| Intangibles-Software                               | 2,331,444             | 388,574                |                        |                     | 2,720,018             |
| <b>Total accumulated depreciation/amortization</b> | <b>201,499,027</b>    | <b>16,163,513</b>      | <b>-</b>               | <b>(5,531,032)</b>  | <b>212,131,508</b>    |
| <b>Other capital assets, net</b>                   | <b>\$ 244,047,818</b> | <b>\$ (11,885,541)</b> | <b>\$ 27,776,668</b>   | <b>\$ (704,912)</b> | <b>\$ 259,234,033</b> |
| <b>Capital Asset Summary:</b>                      |                       |                        |                        |                     |                       |
| Nondepreciable capital assets                      | \$ 43,616,100         | \$ 22,290,459          | \$ (27,776,668)        | \$ (54,024)         | \$ 38,075,867         |
| Other capital assets, at cost                      | 445,546,845           | 4,277,972              | 27,776,668             | (6,235,944)         | 471,365,541           |
| Total cost of capital assets                       | 489,162,945           | 26,568,431             | -                      | (6,289,968)         | 509,441,408           |
| <b>Less accumulated depreciation/amortization</b>  | <b>201,499,027</b>    | <b>16,163,513</b>      | <b>-</b>               | <b>(5,531,032)</b>  | <b>212,131,508</b>    |
| <b>Capital Assets, net</b>                         | <b>\$ 287,663,918</b> | <b>\$ 10,404,918</b>   | <b>\$ -</b>            | <b>\$ (758,936)</b> | <b>\$ 297,309,900</b> |

\*Includes \$24,517 for prior year depreciation expense

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Beebe</b>     |                      |                       |                     |                    |                      |
|--|----------------------|-----------------------|---------------------|--------------------|----------------------|
|  | <b>Balance</b>       |                       |                     |                    | <b>Balance</b>       |
|  | <b>July 1, 2013</b>  | <b>Additions</b>      | <b>Transfers</b>    | <b>Retirements</b> | <b>June 30, 2014</b> |
| <b>Nondepreciable capital assets:</b>      |                      |                       |                     |                    |                      |
| Land and improvements                      | \$ 3,260,987         | \$ 89,171             | \$ 350              |                    | \$ 3,350,508         |
| Livestock for educational purposes         | 77,330               | 61,791                |                     | \$ (5,525)         | 133,596              |
| Construction-in-progress                   | 834,296              | 40,897                | (834,296)           |                    | 40,897               |
| <b>Total nondepreciable capital assets</b> | <b>\$ 4,172,613</b>  | <b>\$ 191,859</b>     | <b>\$ (833,946)</b> | <b>\$ (5,525)</b>  | <b>\$ 3,525,001</b>  |
| <b>Other capital assets:</b>               |                      |                       |                     |                    |                      |
| Improvements and infrastructure            | \$ 14,331,241        | \$ 707,807            | \$ 833,946          |                    | \$ 15,872,994        |
| Buildings                                  | 66,301,410           |                       |                     |                    | 66,301,410           |
| Equipment                                  | 5,509,000            | 385,533               |                     | \$ (256,327)       | 5,638,206            |
| Library/audiovisual holdings               | 2,369,640            | 88,035                |                     | (23,133)           | 2,434,542            |
| <b>Total other capital assets</b>          | <b>88,511,291</b>    | <b>1,181,375</b>      | <b>833,946</b>      | <b>(279,460)</b>   | <b>90,247,152</b>    |
| <b>Less accumulated depreciation:</b>      |                      |                       |                     |                    |                      |
| Improvements and infrastructure            | 3,951,378            | 892,826               |                     |                    | 4,844,204            |
| Buildings                                  | 21,875,704           | 1,759,566             |                     |                    | 23,635,270           |
| Equipment                                  | 4,360,258            | 373,217               |                     | (256,327)          | 4,477,148            |
| Library/audiovisual holdings               | 1,665,704            | 124,115               |                     | (23,133)           | 1,766,686            |
| <b>Total accumulated depreciation</b>      | <b>31,853,044</b>    | <b>3,149,724</b>      | <b>-</b>            | <b>(279,460)</b>   | <b>34,723,308</b>    |
| <b>Other capital assets, net</b>           | <b>\$ 56,658,247</b> | <b>\$ (1,968,349)</b> | <b>\$ 833,946</b>   | <b>\$ -</b>        | <b>\$ 55,523,844</b> |
| <b>Capital Asset Summary:</b>              |                      |                       |                     |                    |                      |
| Nondepreciable capital assets              | \$ 4,172,613         | \$ 191,859            | \$ (833,946)        | \$ (5,525)         | \$ 3,525,001         |
| Other capital assets, at cost              | 88,511,291           | 1,181,375             | 833,946             | (279,460)          | 90,247,152           |
| Total cost of capital assets               | 92,683,904           | 1,373,234             | -                   | (284,985)          | 93,772,153           |
| <b>Less accumulated depreciation</b>       | <b>31,853,044</b>    | <b>3,149,724</b>      | <b>-</b>            | <b>(279,460)</b>   | <b>34,723,308</b>    |
| <b>Capital Assets, net</b>                 | <b>\$ 60,830,860</b> | <b>\$ (1,776,490)</b> | <b>\$ -</b>         | <b>\$ (5,525)</b>  | <b>\$ 59,048,845</b> |

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Mountain Home</b> |                      |                       |                    |                    |                      |
|--|----------------------|-----------------------|--------------------|--------------------|----------------------|
|  | <b>Balance</b>       |                       |                    |                    | <b>Balance</b>       |
|  | <b>July 1, 2013</b>  | <b>Additions</b>      | <b>Transfers</b>   | <b>Retirements</b> | <b>June 30, 2014</b> |
| <b>Nondepreciable capital assets:</b>          |                      |                       |                    |                    |                      |
| Land and improvements                          | \$ 2,934,808         |                       |                    |                    | \$ 2,934,808         |
| Construction-in-progress                       | 29,425               |                       | \$ (29,425)        |                    | -                    |
| <b>Total nondepreciable capital assets</b>     | <b>\$ 2,964,233</b>  | <b>\$ -</b>           | <b>\$ (29,425)</b> | <b>\$ -</b>        | <b>\$ 2,934,808</b>  |
| <b>Other capital assets:</b>                   |                      |                       |                    |                    |                      |
| Improvements and infrastructure                | \$ 2,280,289         |                       |                    |                    | \$ 2,280,289         |
| Buildings                                      | 37,130,095           | \$ 1,125,703          | \$ 29,425          |                    | 38,285,223           |
| Equipment                                      | 1,597,219            | 179,396               |                    | \$ (12,454)        | 1,764,161            |
| Library/audiovisual holdings                   | 883,360              | 49,842                |                    |                    | 933,202              |
| <b>Total other capital assets</b>              | <b>41,890,963</b>    | <b>1,354,941</b>      | <b>29,425</b>      | <b>(12,454)</b>    | <b>43,262,875</b>    |
| <b>Less accumulated depreciation:</b>          |                      |                       |                    |                    |                      |
| Improvements and infrastructure                | 1,610,348            | 152,019               |                    |                    | 1,762,367            |
| Buildings                                      | 15,016,182           | 2,475,340             |                    |                    | 17,491,522           |
| Equipment                                      | 1,080,810            | 147,362               |                    | (12,454)           | 1,215,718            |
| Library/audiovisual holdings                   | 762,709              | 20,268                |                    |                    | 782,977              |
| <b>Total accumulated depreciation</b>          | <b>18,470,049</b>    | <b>2,794,989</b>      | <b>-</b>           | <b>(12,454)</b>    | <b>21,252,584</b>    |
| <b>Other capital assets, net</b>               | <b>\$ 23,420,914</b> | <b>\$ (1,440,048)</b> | <b>\$ 29,425</b>   | <b>\$ -</b>        | <b>\$ 22,010,291</b> |
| <b>Capital Asset Summary:</b>                  |                      |                       |                    |                    |                      |
| Nondepreciable capital assets                  | \$ 2,964,233         |                       | \$ (29,425)        |                    | \$ 2,934,808         |
| Other capital assets, at cost                  | 41,890,963           | \$ 1,354,941          | 29,425             | \$ (12,454)        | 43,262,875           |
| Total cost of capital assets                   | 44,855,196           | 1,354,941             | -                  | (12,454)           | 46,197,683           |
| <b>Less accumulated depreciation</b>           | <b>18,470,049</b>    | <b>2,794,989</b>      | <b>-</b>           | <b>(12,454)</b>    | <b>21,252,584</b>    |
| <b>Capital Assets, net</b>                     | <b>\$ 26,385,147</b> | <b>\$ (1,440,048)</b> | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 24,945,099</b> |



**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Newport</b>   |                      |                       |                       |                     |                      |
|--|----------------------|-----------------------|-----------------------|---------------------|----------------------|
|  | <b>Balance</b>       |                       |                       |                     | <b>Balance</b>       |
|  | <b>July 1, 2013</b>  | <b>Additions</b>      | <b>Transfers</b>      | <b>Retirements</b>  | <b>June 30, 2014</b> |
| <b>Nondepreciable capital assets:</b>      |                      |                       |                       |                     |                      |
| Land and improvements                      | \$ 474,423           | \$ 200,061            |                       | \$ (45,714)         | \$ 628,770           |
| Construction-in-progress                   | 3,232,512            |                       | \$ (3,232,512)        |                     | -                    |
| <b>Total nondepreciable capital assets</b> | <b>\$ 3,706,935</b>  | <b>\$ 200,061</b>     | <b>\$ (3,232,512)</b> | <b>\$ (45,714)</b>  | <b>\$ 628,770</b>    |
| <b>Other capital assets:</b>               |                      |                       |                       |                     |                      |
| Improvements and infrastructure            | \$ 2,795,799         |                       |                       |                     | \$ 2,795,799         |
| Buildings                                  | 26,855,062           | \$ 410,510            | \$ 3,232,512          |                     | 30,498,084           |
| Equipment                                  | 3,055,253            | 292,393               |                       | \$ (197,611)        | 3,150,035            |
| Library/audiovisual holdings               | 396,858              | 21,956                |                       | (2,587)             | 416,227              |
| <b>Total other capital assets</b>          | <b>33,102,972</b>    | <b>724,859</b>        | <b>3,232,512</b>      | <b>(200,198)</b>    | <b>36,860,145</b>    |
| <b>Less accumulated depreciation:</b>      |                      |                       |                       |                     |                      |
| Improvements and infrastructure            | 502,110              | 174,877               |                       |                     | 676,987              |
| Buildings                                  | 10,993,940           | 1,239,629             |                       |                     | 12,233,569           |
| Equipment                                  | 1,848,436            | 311,695               |                       | (137,589)           | 2,022,542            |
| Library/audiovisual holdings               | 319,017              | 15,041                |                       | (2,189)             | 331,869              |
| <b>Total accumulated depreciation</b>      | <b>13,663,503</b>    | <b>1,741,242</b>      | <b>-</b>              | <b>(139,778)</b>    | <b>15,264,967</b>    |
| <b>Other capital assets, net</b>           | <b>\$ 19,439,469</b> | <b>\$ (1,016,383)</b> | <b>\$ 3,232,512</b>   | <b>\$ (60,420)</b>  | <b>\$ 21,595,178</b> |
| <b>Capital Asset Summary:</b>              |                      |                       |                       |                     |                      |
| Nondepreciable capital assets              | \$ 3,706,935         | \$ 200,061            | \$ (3,232,512)        | \$ (45,714)         | \$ 628,770           |
| Other capital assets, at cost              | 33,102,972           | 724,859               | 3,232,512             | (200,198)           | 36,860,145           |
| Total cost of capital assets               | 36,809,907           | 924,920               | -                     | (245,912)           | 37,488,915           |
| <b>Less accumulated depreciation</b>       | <b>13,663,503</b>    | <b>1,741,242</b>      | <b>-</b>              | <b>(139,778)</b>    | <b>15,264,967</b>    |
| <b>Capital Assets, net</b>                 | <b>\$ 23,146,404</b> | <b>\$ (816,322)</b>   | <b>\$ -</b>           | <b>\$ (106,134)</b> | <b>\$ 22,223,948</b> |

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5.  
LONG-TERM LIABILITIES**

The summary of long-term debt is as follows:

| <b>Arkansas State University-Jonesboro</b> |                               |                         |                                     |                                       |                                    |
|--|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <b>Date of Issue</b>                       | <b>Date of Final Maturity</b> | <b>Rate of Interest</b> | <b>Amount Authorized and Issued</b> | <b>Debt Outstanding June 30, 2014</b> | <b>Maturities To June 30, 2014</b> |
| 9/15/2005                                  | 4/1/2025                      | 3 - 5%                  | \$ 19,230,000                       | \$ 12,665,000                         | \$ 6,565,000                       |
| 6/1/2007                                   | 3/1/2037                      | 3.65 - 5%               | 17,065,000                          | 14,605,000                            | 2,460,000                          |
| 6/1/2007                                   | 3/1/2037                      | 3.65 - 5%               | 30,300,000                          | 25,455,000                            | 4,845,000                          |
| 3/19/2009                                  | 3/1/2039                      | 3 - 5.1%                | 9,290,000                           | 8,540,000                             | 750,000                            |
| 5/31/2010                                  | 5/31/2015                     | 6.74%                   | 27,178                              | 6,732                                 | 20,446                             |
| 10/8/2010                                  | 9/8/2015                      | 0.46%                   | 4,568,514                           | 1,142,128                             | 3,426,386                          |
| 12/7/2010                                  | 3/1/2031                      | 2 - 4.125%              | 6,075,000                           | 5,125,000                             | 950,000                            |
| 12/7/2010                                  | 3/1/2031                      | 2 - 4.125%              | 2,600,000                           | 2,185,000                             | 415,000                            |
| 12/7/2010                                  | 12/1/2027                     | 2 - 4%                  | 3,435,000                           | 1,820,000                             | 1,615,000                          |
| 1/16/2012                                  | 1/16/2016                     | 4.09%                   | 249,803                             | 64,319                                | 185,484                            |
| 3/1/2012                                   | 3/1/2034                      | 0.7 - 4.8%              | 5,340,000                           | 4,895,000                             | 445,000                            |
| 3/1/2012                                   | 3/1/2034                      | 2 - 3.6%                | 2,775,000                           | 2,365,000                             | 410,000                            |
| 3/1/2012                                   | 3/1/2042                      | 0.9 - 5.2%              | 6,510,000                           | 6,375,000                             | 135,000                            |
| 3/1/2012                                   | 3/1/2042                      | 2 - 4%                  | 6,875,000                           | 6,720,000                             | 155,000                            |
| 3/1/2012                                   | 3/1/2037                      | 2 - 4%                  | 3,425,000                           | 3,245,000                             | 180,000                            |
| 12/1/2012                                  | 3/1/2042                      | 0.866 - 4.7%            | 4,470,000                           | 4,415,000                             | 55,000                             |
| 12/1/2012                                  | 3/1/2042                      | 1.375 - 3.5%            | 1,255,000                           | 1,235,000                             | 20,000                             |
| 12/1/2012                                  | 3/1/2037                      | 1.375 - 3.375%          | 1,500,000                           | 1,460,000                             | 40,000                             |
| 3/1/2013                                   | 3/1/2034                      | 1 - 5%                  | 28,895,000                          | 27,885,000                            | 1,010,000                          |
| 8/1/2013                                   | 8/1/2023                      | 0.24%                   | 1,000,000                           | 1,000,000                             | -                                  |
| 12/1/2013                                  | 12/1/2038                     | 0.864 - 5.779%          | 11,130,000                          | 11,130,000                            | -                                  |
| 12/1/2013                                  | 12/1/2043                     | 2 - 5%                  | 14,685,000                          | 14,685,000                            | -                                  |
| Unamortized discount                       |                               |                         | (163,516)                           | (141,525)                             | (21,991)                           |
| Unamortized premium                        |                               |                         | 1,802,007                           | 1,708,285                             | 93,722                             |
| Totals                                     |                               |                         | <u>\$ 182,338,986</u>               | <u>\$ 158,584,939</u>                 | <u>\$ 23,754,047</u>               |

| <b>Arkansas State University-Beebe</b> |                               |                         |                                     |                                       |                                    |
|--|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <b>Date of Issue</b>                   | <b>Date of Final Maturity</b> | <b>Rate of Interest</b> | <b>Amount Authorized and Issued</b> | <b>Debt Outstanding June 30, 2014</b> | <b>Maturities To June 30, 2014</b> |
| 9/15/2005                              | 12/1/2023                     | 2.8 - 4.15%             | \$ 3,330,000                        | \$ 2,005,000                          | \$ 1,325,000                       |
| 12/1/2005                              | 12/1/2035                     | 3.5 - 5%                | 15,170,000                          | 12,785,000                            | 2,385,000                          |
| 3/1/2006                               | 9/1/2035                      | 3.25 - 5%               | 11,000,000                          | 9,260,000                             | 1,740,000                          |
| 4/1/2010                               | 4/1/2039                      | 2 - 4.65%               | 9,125,000                           | 7,980,000                             | 1,145,000                          |
| 12/1/2012                              | 12/1/2032                     | 1 - 3%                  | 1,890,000                           | 1,815,000                             | 75,000                             |
| Unamortized discount                   |                               |                         | (137,102)                           | (120,021)                             | (17,081)                           |
| Totals                                 |                               |                         | <u>\$ 40,377,898</u>                | <u>\$ 33,724,979</u>                  | <u>\$ 6,652,919</u>                |

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Mountain Home</b> |                               |                         |                                     |                                       |                                    |
|--|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <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, 2014</u> | <u>Maturities To June 30, 2014</u> |
| 8/1/1999                                       | 4/10/2019                     | 4.80%                   | \$ 1,032,704                        | \$ 355,851                            | \$ 676,853                         |
| 12/1/2010                                      | 12/1/2017                     | 2.2 - 2.6%              | 2,920,000                           | 1,715,000                             | 1,205,000                          |
| 12/1/2012                                      | 12/1/2032                     | 0.666 - 4.25%           | 6,995,000                           | 6,690,000                             | 305,000                            |
| Unamortized premium                            |                               |                         | 28,993                              | 14,496                                | 14,497                             |
| Totals   |                               |                         | <u>\$ 10,976,697</u>                | <u>\$ 8,775,347</u>                   | <u>\$ 2,201,350</u>                |

| <b>Arkansas State University-Newport</b> |                               |                         |                                     |                                       |                                    |
|--|-------------------------------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| <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, 2014</u> | <u>Maturities To June 30, 2014</u> |
| 7/23/2012                                | 7/23/2027                     | 3.75%                   | \$ 1,500,000                        | \$ 1,365,088                          | \$ 134,912                         |
| 12/1/2012                                | 5/1/2028                      | 0.666 - 3.82%           | 3,740,000                           | 3,340,000                             | 400,000                            |
| 12/1/2012                                | 12/1/2032                     | 1 - 3%                  | 1,875,000                           | 1,800,000                             | 75,000                             |
| Unamortized discount                     |                               |                         | (22,328)                            | (20,654)                              | (1,674)                            |
| Totals                                   |                               |                         | <u>\$ 7,092,672</u>                 | <u>\$ 6,484,434</u>                   | <u>\$ 608,238</u>                  |

The changes in long-term liabilities are as follows:

| <b>Arkansas State University-Jonesboro</b> |                             |                      |                      |                              |                                    |
|--|-----------------------------|----------------------|----------------------|------------------------------|------------------------------------|
|  | <u>Balance July 1, 2013</u> | <u>Additions</u>     | <u>Reductions</u>    | <u>Balance June 30, 2014</u> | <u>Amounts Due Within One Year</u> |
| Bonds payable                              | \$ 135,539,482 *            | \$ 25,951,372        | \$ 5,119,094         | \$ 156,371,760               | \$ 5,626,367                       |
| Notes payable                              | 2,150,898                   | 1,000,000            | 944,451 **           | 2,206,447                    | 1,044,307                          |
| Capital leases payable                     | 88,444                      |                      | 81,712               | 6,732                        | 6,732                              |
| Compensated absences                       | 8,334,857                   | 6,318,898            | 6,606,387            | 8,047,368                    | 5,699,899                          |
| Totals                                     | <u>\$ 146,113,681</u>       | <u>\$ 33,270,270</u> | <u>\$ 12,751,644</u> | <u>\$ 166,632,307</u>        | <u>\$ 12,377,305</u>               |

\*Balance at July 1, 2013 has been restated in accordance with GASB 65 (See Note 17)  
 \*\*Includes payment of \$160,404 paid from remaining unused funds held by the lender

| <b>Arkansas State University-Beebe</b> |                             |                     |                     |                              |                                    |
|--|-----------------------------|---------------------|---------------------|------------------------------|------------------------------------|
|  | <u>Balance July 1, 2013</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance June 30, 2014</u> | <u>Amounts Due Within One Year</u> |
| Bonds payable                          | \$ 34,740,009 *             |                     | \$ 1,015,030        | \$ 33,724,979                | \$ 1,050,000                       |
| Compensated absences                   | 1,465,935                   | \$ 1,227,006        | 1,143,934           | 1,549,007                    | 900,578                            |
| Totals                                 | <u>\$ 36,205,944</u>        | <u>\$ 1,227,006</u> | <u>\$ 2,158,964</u> | <u>\$ 35,273,986</u>         | <u>\$ 1,950,578</u>                |

\*Balance at July 1, 2013 has been restated in accordance with GASB 65 (See Note 17)

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Mountain Home</b> |                                 |                   |                     |                                  |  |
|--|---------------------------------|-------------------|---------------------|----------------------------------|--|
|  | <b>Balance<br/>July 1, 2013</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Balance<br/>June 30, 2014</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
| Bonds payable                                  | \$ 9,138,638 *                  |                   | \$ 719,142          | \$ 8,419,496                     | \$ 724,142                                 |
| Notes payable                                  | 417,442                         |                   | 61,591              | 355,851                          | 64,583                                     |
| Compensated absences                           | 437,579                         | \$ 227,027        | 220,967             | 443,639                          | 31,054                                     |
| Totals   | <u>\$ 9,993,659</u>             | <u>\$ 227,027</u> | <u>\$ 1,001,700</u> | <u>\$ 9,218,986</u>              | <u>\$ 819,779</u>                          |

\*Balance at July 1, 2013 has been restated in accordance with GASB 65 (See Note 17)

| <b>Arkansas State University-Newport</b> |                                 |                   |                   |                                  |  |
|--|---------------------------------|-------------------|-------------------|----------------------------------|--|
|  | <b>Balance<br/>July 1, 2013</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Balance<br/>June 30, 2014</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
| Bonds payable                            | \$ 5,403,230 *                  |                   | \$ 283,884        | \$ 5,119,346                     | \$ 288,883                                 |
| Notes payable                            | 1,443,281                       |                   | 78,193            | 1,365,088                        | 81,167                                     |
| Compensated absences                     | 421,331                         | \$ 653,554        | 488,846           | 586,039                          | 550,877                                    |
| Totals                                   | <u>\$ 7,267,842</u>             | <u>\$ 653,554</u> | <u>\$ 850,923</u> | <u>\$ 7,070,473</u>              | <u>\$ 920,927</u>                          |

\*Balance at July 1, 2013 has been restated in accordance with GASB 65 (See Note 17)

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

| <b>Arkansas State University-Jonesboro</b> |                           |                      |                       |
|--|---------------------------|----------------------|-----------------------|
| <b>Year ended<br/>June 30,</b>             | <b>Principal</b>          | <b>Interest</b>      | <b>Total</b>          |
| 2015                                       | \$ 6,677,406 *            | \$ 6,517,384 **      | \$ 13,194,790         |
| 2016                                       | 6,141,594                 | 6,355,824            | 12,497,418            |
| 2017                                       | 6,040,767                 | 6,182,291            | 12,223,058            |
| 2018                                       | 6,236,006                 | 5,997,364            | 12,233,370            |
| 2019                                       | 6,191,245                 | 5,782,321            | 11,973,566            |
| 2020 - 2024                                | 34,804,831                | 25,031,945           | 59,836,776            |
| 2025 - 2029                                | 29,784,200                | 18,232,171           | 48,016,371            |
| 2030 - 2034                                | 34,138,230                | 11,371,907           | 45,510,137            |
| 2035 - 2039                                | 21,405,623                | 4,371,219            | 25,776,842            |
| 2040 - 2044                                | 7,165,037                 | 797,376              | 7,962,413             |
| Totals                                     | <u>\$ 158,584,939 ***</u> | <u>\$ 90,639,802</u> | <u>\$ 249,224,741</u> |

\*Includes discount amortization of \$6,200 and premium amortization of \$82,567.

\*\*Includes interest payable of \$1,815,458 recorded as a current liability at June 30, 2014.

\*\*\*Total principal of \$158,584,939 includes discount amortization of \$141,525 and premium amortization of \$1,708,285.

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Beebe</b> |                          |                      |                      |
|--|--------------------------|----------------------|----------------------|
| <b>Year ended<br/>June 30,</b>         | <b>Principal</b>         | <b>Interest</b>      | <b>Total</b>         |
| 2015                                   | \$ 1,050,030 *           | \$ 1,477,786 **      | \$ 2,527,816         |
| 2016                                   | 1,090,029                | 1,440,336            | 2,530,365            |
| 2017                                   | 1,135,030                | 1,400,110            | 2,535,140            |
| 2018                                   | 1,170,030                | 1,357,484            | 2,527,514            |
| 2019                                   | 1,205,030                | 1,312,344            | 2,517,374            |
| 2020 - 2024                            | 6,835,150                | 5,784,216            | 12,619,366           |
| 2025 - 2029                            | 7,075,150                | 4,313,988            | 11,389,138           |
| 2030 - 2034                            | 8,790,150                | 2,445,892            | 11,236,042           |
| 2035 - 2039                            | 5,374,380                | 485,774              | 5,860,154            |
| Totals                                 | <u>\$ 33,724,979 ***</u> | <u>\$ 20,017,930</u> | <u>\$ 53,742,909</u> |

\*Includes discount amortization of \$4,970.

\*\*Includes interest payable of \$288,363 recorded as a current liability at June 30, 2014.

\*\*\*Total principal of \$33,724,979 includes discount amortization of \$120,021.

| <b>Arkansas State University-Mountain Home</b> |                         |                     |                      |
|--|-------------------------|---------------------|----------------------|
| <b>Year ended<br/>June 30,</b>                 | <b>Principal</b>        | <b>Interest</b>     | <b>Total</b>         |
| 2015   | \$ 788,725 *            | \$ 258,257 **       | \$ 1,046,982         |
| 2016   | 801,862                 | 243,735             | 1,045,597            |
| 2017   | 825,152                 | 227,401             | 1,052,553            |
| 2018   | 841,531                 | 208,637             | 1,050,168            |
| 2019   | 403,077                 | 193,474             | 596,551              |
| 2020 - 2024                                    | 1,750,000               | 819,897             | 2,569,897            |
| 2025 - 2029                                    | 2,065,000               | 490,041             | 2,555,041            |
| 2030 - 2033                                    | 1,300,000               | 100,938             | 1,400,938            |
| Totals   | <u>\$ 8,775,347 ***</u> | <u>\$ 2,542,380</u> | <u>\$ 11,317,727</u> |

\*Includes premium amortization of \$4,142.

\*\*Includes interest payable of \$29,924 recorded as a current liability at June 30, 2014.

\*\*\*Total principal of \$8,775,347 includes premium amortization of \$14,496.

**NOTES TO FINANCIAL STATEMENTS**

| <b>Arkansas State University-Newport</b> |                         |                     |                     |
|--|-------------------------|---------------------|---------------------|
| <b>Year ended<br/>June 30,</b>           | <b>Principal</b>        | <b>Interest</b>     | <b>Total</b>        |
| 2015                                     | \$ 370,050 *            | \$ 192,009 **       | \$ 562,059          |
| 2016                                     | 373,011                 | 185,604             | 558,615             |
| 2017                                     | 381,337                 | 177,907             | 559,244             |
| 2018                                     | 384,663                 | 169,809             | 554,472             |
| 2019                                     | 398,115                 | 160,508             | 558,623             |
| 2020 - 2024                              | 2,191,988               | 620,994             | 2,812,982           |
| 2025 - 2029                              | 1,929,178               | 225,655             | 2,154,833           |
| 2030 - 2033                              | 456,092                 | 28,050              | 484,142             |
| Totals                                   | <u>\$ 6,484,434 ***</u> | <u>\$ 1,760,536</u> | <u>\$ 8,244,970</u> |

\*Includes discount amortization of \$1,116.

\*\*Includes interest payable of \$29,814 recorded as a current liability at June 30, 2014.

\*\*\*Total principal of \$6,484,434 includes discount amortization of \$20,654.

**NOTE 6.  
CAPITAL LEASES**

The net value of assets held under capital leases totaled \$18,331 at June 30, 2014. The present value of the net minimum lease payments is as follows:

| Type of Asset | Asset Amount     | Accumulated<br>Depreciation | Net Amount       |
|---------------|------------------|-----------------------------|------------------|
| Vehicle       | \$ 32,018        | \$ 13,687                   | \$ 18,331        |
| Total         | <u>\$ 32,018</u> | <u>\$ 13,687</u>            | <u>\$ 18,331</u> |

| <b>Fiscal Year Ending June 30,</b>                | <b>Amount</b>   |
|---|-----------------|
| 2015  | \$ 6,961        |
| Total Minimum Lease Payments                      | <u>6,961</u>    |
| Less: Amount Representing Interest                | 229             |
| Total Present Value of Net Minimum Lease Payments | <u>\$ 6,732</u> |

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7.  
COMMITMENTS**

The University was contractually obligated for the following at June 30, 2014:

A. Construction Contracts

| <b>Project<br/>Title</b>                      | <b>Estimated<br/>Completion Date</b> | <b>Contract<br/>Balance</b> |
|---|--------------------------------------|-----------------------------|
| <b>Jonesboro</b>                              |                                      |                             |
| Collegiate Park                               | July 2014                            | \$ 107,435                  |
| Sorority Housing                              | July 2014                            | 173,067                     |
| Convocation Center Red Entrance and Handrails | August 2014                          | 707,237                     |
| Greenhouse Heating                            | August 2014                          | 116,000                     |
| Sushi Bar                                     | August 2014                          | 58,013                      |
| HP ESS Building Exterior Envelope             | September 2014                       | 209,592                     |
| Village ADA Exterior                          | December 2014                        | 787,117                     |
| Student Activities Center/Soccer Relocation   | March 2015                           | 7,208,071                   |
| Humanities and Social Sciences Building       | June 2015                            | 8,692,123                   |
| Convocation Center Seating                    | July 2015                            | 1,170,223                   |

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 12 to 72 months

1. Future minimum rental payments (aggregate) at June 30, 2014: \$1,924,845
2. Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2015                       | \$715,319     |
| 2016                       | 528,929       |
| 2017                       | 225,625       |
| 2018                       | 174,182       |
| 2019                       | 146,261       |
| 2020 - 2021                | 134,529       |

Rental payments for the above operating leases, for the year ended June 30, 2014, were approximately \$805,265.



## 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, 2014 were \$7,767,623 and \$6,711,177, 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. The participants' contributions for the year ended June 30, 2014 were \$484,594. 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, 2014, 2013 and 2012 were \$1,413,246, \$1,443,130 and \$1,602,067, 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. The participants' contributions for the year ended June 30, 2014 were \$192,516. 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 14.88% 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, 2014, 2013 and 2012 were \$1,144,966, \$1,177,142, and \$1,186,714, 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, 2014 were \$1,129,289 and \$1,338,041, respectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. NATURAL CLASSIFICATIONS BY FUNCTION

The University's operating expenses by function for the year ended June 30, 2014 were as follows:

|  | Personal<br>Services  | Scholarships<br>and Fellowships | Supplies<br>and Services | Self<br>Insurance    | Depreciation         | Other            | Total                 |
|--|-----------------------|---------------------------------|--------------------------|----------------------|----------------------|------------------|-----------------------|
| Instruction                            | \$ 66,196,092         | \$ 1,674,150                    | \$ 7,645,061             |                      |                      |                  | \$ 75,515,303         |
| Research                               | 6,416,528             | 251,629                         | 2,051,134                |                      |                      |                  | 8,719,291             |
| Public Service                         | 10,956,225            | 200,516                         | 4,995,503                |                      |                      |                  | 16,152,244            |
| Academic Support                       | 11,483,382            | 90,308                          | 7,121,077                |                      |                      |                  | 18,694,767            |
| Student Services                       | 12,062,197            | 306,579                         | 3,247,122                |                      |                      |                  | 15,615,898            |
| Institutional Support                  | 19,039,150            |                                 | 7,612,665                |                      |                      |                  | 26,651,815            |
| Scholarships and<br>Fellowships        |                       | 10,469,644                      |                          |                      |                      |                  | 10,469,644            |
| Operations and<br>Maintenance of Plant | 11,231,761            |                                 | 13,007,300               |                      |                      |                  | 24,239,061            |
| Auxiliary Enterprises                  | 9,589,043             | 4,281,504                       | 15,345,639               |                      |                      |                  | 29,216,186            |
| Self Insurance                         |                       |                                 |                          | \$ 16,082,687        |                      |                  | 16,082,687            |
| Depreciation                           |                       |                                 |                          |                      | \$ 23,824,951        |                  | 23,824,951            |
| Other                                  |                       |                                 |                          |                      |                      | \$ 67,148        | 67,148                |
| <b>Total</b>                           | <b>\$ 146,974,378</b> | <b>\$ 17,274,330</b>            | <b>\$ 61,025,501</b>     | <b>\$ 16,082,687</b> | <b>\$ 23,824,951</b> | <b>\$ 67,148</b> | <b>\$ 265,248,995</b> |

### NOTE 10. RECEIVABLE AND PAYABLE BALANCES

Accounts Receivable at June 30, 2014 as reported in the Statement of Net Position, were as follows:

|                          | Current              | Noncurrent       | Total                |
|--------------------------|----------------------|------------------|----------------------|
| Student receivables, net | \$ 5,564,155         |                  | \$ 5,564,155         |
| Grants and contracts     | 3,455,969            |                  | 3,455,969            |
| Sales and use tax        | 472,149              |                  | 472,149              |
| Travel advances          | 10,376               |                  | 10,376               |
| Property tax accrual     | 806,672              |                  | 806,672              |
| Auxiliary enterprises    | 574,617              |                  | 574,617              |
| Loan cancellations       | 1,677,577            |                  | 1,677,577            |
| Miscellaneous            | 966,137              | \$ 67,166        | 1,033,303            |
| <b>Totals</b>            | <b>\$ 13,527,652</b> | <b>\$ 67,166</b> | <b>\$ 13,594,818</b> |

Accounts receivable from students are reported net of allowances for doubtful accounts. This amount was \$975,117 at June 30, 2014. 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, 2014 were as follows:

|                       | Current           | Noncurrent          | Total               |
|-----------------------|-------------------|---------------------|---------------------|
| Notes receivable, net | \$ 997,731        | \$ 4,952,521        | \$ 5,950,252        |
| Deposits receivable   |                   | 6,155               | 6,155               |
| <b>Totals</b>         | <b>\$ 997,731</b> | <b>\$ 4,958,676</b> | <b>\$ 5,956,407</b> |

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable at June 30, 2014 was reduced by an allowance for doubtful accounts of \$239,053 for the current portion and \$1,186,605 for the noncurrent portion. Accounts Payable and Accrued Liabilities at June 30, 2014 are as follows:

## NOTES TO FINANCIAL STATEMENTS

|   | Current       | Noncurrent | Total         |
|---|---------------|------------|---------------|
| Vendors   | \$ 7,855,167  |            | \$ 7,855,167  |
| Students  | 7,652         |            | 7,652         |
| Sales tax and use tax                           | 42,352        |            | 42,352        |
| Health claims                                   | 992,450       |            | 992,450       |
| Salaries and other payroll related items        | 2,804,296     |            | 2,804,296     |
| Optional Voluntary Retirement Incentive Program | 382,284       | \$ 382,284 | 764,568       |
| Miscellaneous                                   | 159,845       |            | 159,845       |
|   |               |            |               |
| Totals  | \$ 12,244,046 | \$ 382,284 | \$ 12,626,330 |

**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 \$1,880,463 in retiree healthcare expense during fiscal year 2014. This compares to \$1,633,439 accrued during fiscal year 2013.

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.

## NOTES TO FINANCIAL STATEMENTS

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

| <b>Determination of Annual Required Contribution (ARC) and End of Year Accrual</b>   |                          |                                       |                      |                                       |
|--|--------------------------|---------------------------------------|----------------------|---------------------------------------|
| <b>Cost Element</b>  | <b>Fiscal Year Ended</b> |                                       |                      |                                       |
|  | <b>June 30, 2014</b>     |                                       | <b>June 30, 2013</b> |                                       |
|  | <b>Amount</b>            | <b>Percent of Payroll<sup>1</sup></b> | <b>Amount</b>        | <b>Percent of Payroll<sup>2</sup></b> |
| 1. Beginning of year unfunded actuarial accrued liability  | \$ 15,342,391            | 14.59%                                | \$ 12,920,854        | 12.87%                                |
| <u>Annual Required Contribution (ARC)</u>  |                          |                                       |                      |                                       |
| 2. Normal cost   | \$ 1,463,191             |                                       | \$ 1,296,097         |                                       |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization  | 782,757                  |                                       | 659,212              |                                       |
| 4. Annual Required Contribution (ARC) (2. + 3.)  | <u>\$ 2,245,948</u>      | 2.14%                                 | <u>\$ 1,955,309</u>  | 1.95%                                 |
| <u>Annual OPEB Cost (Expense)</u>  |                          |                                       |                      |                                       |
| 5. Normal cost   | \$ 1,463,191             |                                       | \$ 1,296,097         |                                       |
| 6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization  | 782,757                  |                                       | 659,212              |                                       |
| 7. Amortization of the beginning of year accrual   | (381,976)                |                                       | (298,639)            |                                       |
| 8. Interest on beginning of year accrual   | 224,607                  |                                       | 175,604              |                                       |
| 9. Annual OPEB cost (5. + 6. + 7. + 8.)  | <u>\$ 2,088,579</u>      | 1.99%                                 | <u>\$ 1,832,274</u>  | 1.83%                                 |
| <u>End of Year Accrual (Net OPEB Obligation)</u>   |                          |                                       |                      |                                       |
| 10. Beginning of year accrual  | \$ 7,486,899             |                                       | \$ 5,853,460         |                                       |
| 11. Annual OPEB cost   | 2,088,579                |                                       | 1,832,274            |                                       |
| 12. Employer contribution (benefit payments)   | 208,116                  |                                       | 198,835              |                                       |
| 13. End of year accrual (10. + 11. - 12.) <sup>3</sup>   | <u>\$ 9,367,362</u>      | 8.91%                                 | <u>\$ 7,486,899</u>  | 7.46%                                 |
| <p><sup>1</sup> Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638.</p> <p><sup>2</sup> Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429.</p> <p><sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2014 of \$518,461 less participant contributions of \$310,345; \$503,743 and \$304,908, respectively, in fiscal year 2013. The employer contributed 10.0% of annual OPEB cost during fiscal year 2014, compared to 10.9% during fiscal year 2013.</p> |                          |                                       |                      |                                       |

**NOTES TO FINANCIAL STATEMENTS**

| <b>Schedule of Employer Contributions</b> |                         |   |                               |
|---|-------------------------|---|-------------------------------|
| <b>Fiscal Year Ended</b>                  | <b>Annual OPEB Cost</b> | <b>Actual Contributions<sup>4</sup></b> | <b>Percentage Contributed</b> |
| June 30, 2014                             | \$2,088,579             | \$ 208,116                              | 10.0%                         |
| June 30, 2013                             | 1,832,274               | 198,835                                 | 10.9%                         |
| June 30, 2012                             | 1,779,671               | 203,921                                 | 11.5%                         |

<sup>4</sup> Since there is no funding, these are actual benefit payments less retiree contributions. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively. For 2012, these amounts are \$503,118 and \$299,197, respectively.

| <b>Schedule of Funding Progress</b>   |                                      |  |  |                               |  |  |
|---|--------------------------------------|--|--|-------------------------------|--|--|
| The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability. |                                      |  |  |                               |  |  |
| <b>Fiscal Year Ended</b>  | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b> | <b>Funded Ratio (a) / (b)</b> | <b>Covered Payroll<sup>5</sup> (c)</b> | <b>UAAL as a Percentage of Covered Payroll<sup>5</sup> [(b) - (a) / (c)]</b> |
| June 30, 2014   | \$ -                                 | \$15,342,391                                 | \$ 15,342,391                                      | 0%                            | \$105,128,638                          | 14.59%   |
| 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%   |

<sup>5</sup> Payroll as of July 1, 2013, July 1, 2012 and July 1, 2011 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,245,948 for fiscal year 2014 and accrual of \$9,367,362 as of June 30, 2014, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013; and \$1,869,586 and \$5,853,460, respectively, as of June 30, 2012.

| <b>Three-Year Schedule of Percentage of OPEB Cost Contributed</b> |                         |  |                            |
|---|-------------------------|--|----------------------------|
| <b>Fiscal Year Ended</b>  | <b>Annual OPEB Cost</b> | <b>Percentage of OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
| June 30, 2014   | \$2,088,579             | 10.0%                                      | \$ 9,367,362               |
| June 30, 2013   | 1,832,274               | 10.9%                                      | 7,486,899                  |
| June 30, 2012   | 1,779,671               | 11.5%                                      | 5,853,460                  |



## NOTES TO FINANCIAL STATEMENTS

### Summary of Key Actuarial Methods and Assumptions

|                               |   |
|-------------------------------|---|
| <b>Valuation year</b>         | July 1, 2013 – June 30, 2014                          |
| <b>Actuarial cost method</b>  | Projected Unit Credit, level dollar                   |
| <b>Amortization method</b>    | 30 years, level dollar open amortization <sup>6</sup> |
| <b>Asset valuation method</b> | N/A   |

<sup>6</sup>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 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% 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 2014.

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.

|                              |  |
|------------------------------|--|
| <b>Valuation Year</b>        | July 1, 2013 – June 30, 2014   |
| <b>Date of Census Data</b>   | April 1, 2014  |
| <b>Actuarial Cost Method</b> | Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years. |

| <b>Retiree Premiums</b>          |                          |                          |              |
|----------------------------------|--------------------------|--------------------------|--------------|
| <b>Health<br/>(monthly rate)</b> | <b>Employee<br/>Cost</b> | <b>Employer<br/>Cost</b> | <b>Total</b> |
| Single                           | \$ 212.77                | \$ 212.77                | \$ 425.54    |
| Family                           | 516.24                   | 516.24                   | 1,032.48     |

|                                      |  |
|--------------------------------------|--|
| <b>Annual Health Care Trend Rate</b> | Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% is reached. |
| <b>Discount Rate</b>                 | 3.0% per annum   |
| <b>Inflation Rate</b>                | 2.5% per annum   |

**NOTES TO FINANCIAL STATEMENTS**

**Spouse Age Difference**

Husbands are assumed to be three years older than wives for current and future retirees who are married.

**Mortality**

IRS 2013 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:

| <b>Age</b>   | <b>Retirement Rate<br/>(Less than 28<br/>years of service)</b> | <b>Retirement Rate<br/>(28 or more<br/>years of service)</b> |
|--------------|--|--|
| 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):

| <b>Age</b> | <b>Terminate Rate<br/>(Male)</b> | <b>Terminate Rate<br/>(Female)</b> |
|------------|----------------------------------|------------------------------------|
| 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                                |



**NOTES TO FINANCIAL STATEMENTS**

**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, 2014, approximately 4,190 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86% of the total premium. The University pays 75% 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%.

The University estimates its unpaid health claims liability at June 30, 2014 to be \$992,450 with BlueAdvantage. This liability is established for incurred but not reported medical claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

| <b>Unpaid Claims Liability</b>      |                   |
|-------------------------------------|-------------------|
| <b>Fiscal Year 2014</b>             |                   |
| Unpaid claims, 7-1-2013             | \$ 1,072,950      |
| Incurred claims during current year | 10,863,413        |
| <b>Total claims</b>                 | <b>11,936,363</b> |
| Current year claims paid            | \$ 9,876,227      |
| Prior year claims paid              | 1,067,686         |
| <b>Total payments</b>               | <b>10,943,913</b> |
| <b>Unpaid claims, 6-30-2014</b>     | <b>\$ 992,450</b> |

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 \$175,000.

**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, 2014 was \$12,668,429. Of this amount, \$12,076,937 was nonexpendable and the remaining \$591,492 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, 2014 was \$169,409. Of this amount, \$146,625 was nonexpendable and the remaining \$22,784 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.

The University’s policy is 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, 2014 are as follows:

Arkansas State University-Jonesboro

|                              | Issue Date | Maturity Date | Purpose   | Type of Revenue Pledged | 2014 Gross Revenue | Amount Issued | 2014 Principal Paid | 2014 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       | \$ 2,722,835       | \$ 14,342,625 | \$ 689,908          | \$ 506,803         | \$ 9,446,144          | \$ 2,863,863         | 43.95%                     |
| Series 2005 Refunding        | 9/15/2005  | 4/1/2025      | Refinance Parking Garage  | Parking Fees            | 1,285,786          | 4,887,375     | 235,092             | 172,697            | 3,218,856             | 975,887              | 31.72%                     |
| Series 2007 Student Fee      | 6/1/2007   | 3/1/2037      | Construction of Recreation Center   | Recreation Center Fee   | 1,905,995          | 17,065,000    | 365,000             | 694,480            | 14,605,000            | 9,728,011            | 55.59%                     |
| Series 2007 Housing          | 6/1/2007   | 3/1/2037      | Construction of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park | Housing Fees            | 3,271,380          | 30,300,000    | 885,000             | 1,259,338          | 25,455,000            | 15,346,587           | 65.55%                     |
| Series 2009 Housing          | 3/19/2009  | 3/1/2039      | Construction of Living Learning Community                                       | Housing Fees            | 360,960            | 9,290,000     | 195,000             | 400,684            | 8,540,000             | 6,364,572            | 100.00%                    |
| Series 2010 Refunding        | 12/7/2010  | 3/1/2031      | Refinance Series 2001-Family Housing Phase I                                    | Housing Fees            | 1,248,417          | 6,075,000     | 245,000             | 181,356            | 5,125,000             | 1,835,648            | 34.15%                     |
| 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             | 76,754             | 2,185,000             | 760,861              | 0.22%                      |
| Series 2010B Refunding       | 12/7/2010  | 12/1/2017     | Refinance Series 2002-Renovation of Kays Hall and Tw in Towers                  | Housing Fees            | 1,504,260          | 1,568,376     | 224,387             | 26,182             | 909,815               | 51,047               | 16.66%                     |
| 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     | 320,613             | 27,393             | 910,185               | 220,865              | 0.43%                      |
| Series 2012A Taxable Housing | 3/1/2012   | 3/1/2042      | Construction of sorority housing  | Housing Fees            | 600,327            | 6,510,000     | 135,000             | 284,229            | 6,375,000             | 5,349,840            | 60.15%                     |
| Series 2012C Taxable Housing | 12/1/2012  | 3/1/2042      | Construction of sorority housing  | Housing Fees            | 600,327            | 4,470,000     | 55,000              | 222,797            | 4,415,000             | 3,318,435            | 39.85%                     |
| Series 2012B Housing         | 3/1/2012   | 3/1/2042      | Construction of honors housing  | Housing Fees            | 406,165            | 6,875,000     | 155,000             | 229,135            | 6,720,000             | 4,072,540            | 85.50%                     |
| Series 2012D Housing         | 12/1/2012  | 3/1/2042      | Construction of honors housing  | Housing Fees            | 406,165            | 1,255,000     | 20,000              | 45,148             | 1,235,000             | 646,931              | 14.50%                     |

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Jonesboro (continued)

|                                | Issue Date | Maturity Date | Purpose  | Type of Revenue Pledged | 2014 Gross Revenue | Amount Issued | 2014 Principal Paid | 2014 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            | \$ 1,504,260       | \$ 3,425,000  | \$ 90,000           | \$ 122,306         | \$ 3,245,000          | \$ 1,677,350         | 14.11%                     |
| Series 2012D Student Fee       | 12/1/2012  | 3/1/2037      | Renovation of Kays Hall  | Housing Fees            | 1,504,260          | 1,500,000     | 40,000              | 49,961             | 1,460,000             | 576,243              | 5.98%                      |
| 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     | 185,000             | 179,440            | 4,895,000             | 2,370,703            | 0.45%                      |
| Series 2012B Refunding         | 3/1/2012   | 3/1/2034      | Refinance Series 2004 Student Fee-Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements | Gross Tuition and Fees  | see below          | 2,775,000     | 90,000              | 72,519             | 2,365,000             | 863,350              | 0.20%                      |
| Series 2013 Refunding          | 3/1/2013   | 3/1/2034      | Refinance Series 2004 Housing-Construction of Northpark Quads residence hall   | Housing Fees            | 3,722,911          | 22,521,103    | 787,206             | 768,675            | 21,733,897            | 9,417,594            | 41.79%                     |
| Series 2013 Refunding          | 3/1/2013   | 3/1/2034      | Refinance Series 2004 Housing-Construction of Family Housing Phase II  | Housing Fees            | 1,248,417          | 6,373,897     | 222,794             | 217,550            | 6,151,103             | 2,665,356            | 35.27%                     |
| Series 2013A Student Fee       | 12/1/2013  | 12/1/2038     | Construction of Student Activities Center  | Gross Tuition and Fees  | see below          | 11,130,000    | -                   | 240,076            | 11,130,000            | 8,927,784            | 0.29%                      |
| Series 2013B Student Fee       | 12/1/2013  | 12/1/2043     | Construction of Humanities and Social Sciences building  | Gross Tuition and Fees  | see below          | 14,685,000    | -                   | 289,733            | 14,685,000            | 12,584,695           | 0.35%                      |

Note: Issues with Tuition and Fees pledged, 2014 Gross Revenue—\$81,773,744

**NOTES TO FINANCIAL STATEMENTS**

Arkansas State University-Beebe

|                                   | Issue Date | Maturity Date | Purpose  | Type of Revenue Pledged | 2014 Gross Revenue | Amount Issued | 2014 Principal Paid | 2014 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  | \$ 165,000          | \$ 81,046          | \$ 2,005,000          | \$ 423,192           | 2.41%                      |
| 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    | 340,000             | 610,058            | 12,785,000            | 7,975,832            | 9.29%                      |
| 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    | 245,000             | 434,155            | 9,260,000             | 5,729,513            | 6.64%                      |
| Series 2010 Auxiliary Enterprises | 4/1/2010   | 4/1/2039      | Construction of new residence halls  | Housing Fees            | \$ 779,262         | 9,125,000     | 195,000             | 343,577            | 7,980,000             | 5,390,437            | 69.11%                     |
| 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     | 75,000              | 43,900             | 1,815,000             | 498,956              | 1.16%                      |

Note: Issues with Tuition and Fees pledged, 2014 Gross Revenue—\$10,223,764

**NOTES TO FINANCIAL STATEMENTS**

Arkansas State University-Mountain Home

|                       | Issue Date | Maturity Date | Purpose  | Type of Revenue Pledged                   | 2014 Gross Revenue | Amount Issued | 2014 Principal Paid | 2014 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       | Gross Tuition and Fees and Ad Valorem Tax | \$ 5,705,584       | \$ 2,920,000  | \$ 410,000          | \$ 41,055          | \$ 1,715,000          | \$ 78,290            | 7.91%                      |
| Series 2012 Refunding | 12/1/2012  | 12/1/2032     | Refinance Series 2008 Student Fee-Construction of Community Development Center | Gross Tuition and Fees                    | 4,372,239          | 6,995,000     | 305,000             | 211,473            | 6,690,000             | 2,415,447            | 11.81%                     |

**NOTES TO FINANCIAL STATEMENTS**

Arkansas State University-Newport

|                                | Issue Date | Maturity Date | Purpose  | Type of Revenue Pledged | 2014 Gross Revenue | Amount Issued | 2014 Principal Paid | 2014 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  | \$ 210,000          | \$ 100,998         | \$ 3,340,000          | \$ 888,941           | 5.97%                      |
| 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     | 75,000              | 43,656             | 1,800,000             | 497,884              | 2.28%                      |

Note: Issues with Tuition and Fees pledged, 2014 Gross Revenue—\$5,213,354

## 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 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. 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 University also purchases commercial property insurance coverage to indemnify against unacceptable losses to buildings and business personal property through participation in the Arkansas Multi-Agency Insurance Trust Fund administered by the Risk Management Division of the Arkansas Insurance Department. Decisions concerning the appropriate retention levels and types of coverage 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. 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.

### **NOTE 17. FINANCIAL STATEMENT RESTATEMENT**

The University has restated its fiscal year 2013 Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position in accordance with GASB Number 65, Items Previously Reported as Assets and Liabilities. GASB 65 requires that for current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount should now be reported as a deferred inflow or outflow of resources rather than a portion of the debt payable. In accordance with this, the University has reclassified these amounts as a deferred outflow.

In addition, this pronouncement states the debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense over the life of the related debt. In accordance with this, the University has restated the beginning fiscal year 2013 net position to account for these expenses.

The adoption of GASB 65 had the following impact on the financial statements as of and for the year ended June 30, 2013:



## NOTES TO FINANCIAL STATEMENTS

| <u>Statement of Net Position</u>  | <u>Reported</u> | <u>Change</u> | <u>Restated</u> |
|---|-----------------|---------------|-----------------|
| <b>Assets and Deferred Outflows</b>                                       |                 |               |                 |
| <u>Current Assets</u>   |                 |               |                 |
| Unamortized bond issuance costs   | \$ 111,994      | \$ (111,994)  |                 |
| Unamortized bond insurance  | -               | 32,914        | \$ 32,914       |
| <u>Noncurrent Assets</u>  |                 |               |                 |
| Unamortized bond issuance costs   | 2,199,179       | (2,199,179)   | -               |
| Unamortized bond insurance  | -               | 699,566       | 699,566         |
| <u>Deferred Outflows of Resources</u>                                     |                 |               |                 |
| Excess of bond reacquisition over carrying value                          | -               | 1,634,769     | 1,634,769       |
| <b>Liabilities</b>  |                 |               |                 |
| <u>Current Liabilities</u>  |                 |               |                 |
| Bonds, notes and leases payable   | 8,167,262       | 82,343        | 8,249,605       |
| <u>Noncurrent Liabilities</u>   |                 |               |                 |
| Bonds, notes and leases payable   | 179,119,393     | 1,552,426     | 180,671,819     |
| <b>Net Position</b>   |                 |               |                 |
| Net investment in capital assets  | 218,122,176     | (1,183,334)   | 216,938,842     |
| Unrestricted  | 59,926,652      | (395,359)     | 59,531,293      |
| <b><u>Statement of Revenues, Expenses and Changes in Net Position</u></b> |                 |               |                 |
| <b>Nonoperating Revenues (Expenses)</b>                                   |                 |               |                 |
| Bond issuance costs   | (80,500)        | 80,500        | -               |
| Bond insurance and issuance costs   | -               | (625,586)     | (625,586)       |
| <b>Net Position</b>   |                 |               |                 |
| Beginning of Year   | 299,124,841     | (1,033,607)   | 298,091,234     |

**NOTE 18.**  
**OPTIONAL VOLUNTARY RETIREMENT INCENTIVE PROGRAM**

Arkansas State University-Jonesboro

During fiscal year 2014, the campus offered an optional voluntary retirement incentive program to certain employees. To be eligible, an employee must have been 62 years of age with 15 years of continuous full-time employment as of June 30, 2014. Employees will receive one-half of their salary for a period of two years. An annual payment will be paid to the employee's retirement fund on July 1, 2014 and again on July 1, 2015. The University has accrued the payable for the twenty-five (25) employees who elected to participate in this program. As of June 30, 2014, the liability totaling \$764,568 has been recorded on the University's financial statements with \$382,284 recorded as a current liability and the remaining \$382,284 as a noncurrent liability.

**NOTE 19.**  
**SUBSEQUENT EVENTS**

Arkansas State University-Jonesboro

During March 2014, the campus suffered damages to several buildings due to an ice storm. On June 5, 2014, the campus suffered severe damages due to a wind storm. While neither of these storms caused long-term impairments to University property; the University has entered into several contracts after June 30 for repairs and renovations. The current balance of these commitments is \$1,751,057. The University is working with insurance adjustors and is expecting to receive reimbursement for several of these expenses.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Other Post Employment Benefits**

| <b>Determination of Annual Required Contribution (ARC) and End of Year Accrual</b>  |                          |                                       |                      |                                       |
|---|--------------------------|---------------------------------------|----------------------|---------------------------------------|
| <b>Cost Element</b>   | <b>Fiscal Year Ended</b> |                                       |                      |                                       |
|   | <b>June 30, 2014</b>     |                                       | <b>June 30, 2013</b> |                                       |
|   | <b>Amount</b>            | <b>Percent of Payroll<sup>1</sup></b> | <b>Amount</b>        | <b>Percent of Payroll<sup>2</sup></b> |
| 1. Beginning of year unfunded actuarial accrued liability   | \$ 15,342,391            | 14.59%                                | \$ 12,920,854        | 12.87%                                |
| <u>Annual Required Contribution (ARC)</u>   |                          |                                       |                      |                                       |
| 2. Normal cost  | \$ 1,463,191             |                                       | \$ 1,296,097         |                                       |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization   | 782,757                  |                                       | 659,212              |                                       |
| 4. Annual Required Contribution (ARC) (2. + 3.)   | <u>\$ 2,245,948</u>      | 2.14%                                 | <u>\$ 1,955,309</u>  | 1.95%                                 |
| <u>Annual OPEB Cost (Expense)</u>   |                          |                                       |                      |                                       |
| 5. Normal cost  | \$ 1,463,191             |                                       | \$ 1,296,097         |                                       |
| 6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization   | 782,757                  |                                       | 659,212              |                                       |
| 7. Amortization of the beginning of year accrual  | (381,976)                |                                       | (298,639)            |                                       |
| 8. Interest on beginning of year accrual  | <u>224,607</u>           |                                       | <u>175,604</u>       |                                       |
| 9. Annual OPEB cost (5. + 6. + 7. + 8.)   | <u>\$ 2,088,579</u>      | 1.99%                                 | <u>\$ 1,832,274</u>  | 1.83%                                 |
| <u>End of Year Accrual (Net OPEB Obligation)</u>  |                          |                                       |                      |                                       |
| 10. Beginning of year accrual   | \$ 7,486,899             |                                       | \$ 5,853,460         |                                       |
| 11. Annual OPEB cost  | 2,088,579                |                                       | 1,832,274            |                                       |
| 12. Employer contribution (benefit payments)  | <u>208,116</u>           |                                       | <u>198,835</u>       |                                       |
| 13. End of year accrual (10. + 11. - 12.) <sup>3</sup>  | <u>\$ 9,367,362</u>      | 8.91%                                 | <u>\$ 7,486,899</u>  | 7.46%                                 |
| <sup>1</sup> Annual payroll for the 2,224 plan participants for fiscal year beginning July 1, 2013 is \$105,128,638.<br><sup>2</sup> Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429.<br><sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2014 of \$518,461 less participant contributions of \$310,345; \$503,743 and \$304,908, respectively, in fiscal year 2013. The employer contributed 10.0% of annual OPEB cost during fiscal year 2014, compared to 10.9% during fiscal year 2013. |                          |                                       |                      |                                       |

## REQUIRED SUPPLEMENTARY INFORMATION

| <b>Schedule of Employer Contributions</b> |                         |   |                               |
|---|-------------------------|---|-------------------------------|
| <b>Fiscal Year Ended</b>                  | <b>Annual OPEB Cost</b> | <b>Actual Contributions<sup>4</sup></b> | <b>Percentage Contributed</b> |
| June 30, 2014                             | \$2,088,579             | \$ 208,116                              | 10.0%                         |
| June 30, 2013                             | 1,832,274               | 198,835                                 | 10.9%                         |
| June 30, 2012                             | 1,779,671               | 203,921                                 | 11.5%                         |

<sup>4</sup> Since there is no funding, these are actual benefit payments less retiree contributions. For 2014, these amounts are \$518,461 and \$310,345, respectively. For 2013, these amounts are \$503,743 and \$304,908, respectively. For 2012, these amounts are \$503,118 and \$299,197, respectively.

| <b>Schedule of Funding Progress</b>   |                                      |  |  |                               |  |  |
|---|--------------------------------------|--|--|-------------------------------|--|--|
| The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability. |                                      |  |  |                               |  |  |
| <b>Fiscal Year Ended</b>  | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b> | <b>Funded Ratio (a) / (b)</b> | <b>Covered Payroll<sup>5</sup> (c)</b> | <b>UAAL as a Percentage of Covered Payroll<sup>5</sup> [(b) - (a) / (c)]</b> |
| June 30, 2014   | \$ -                                 | \$15,342,391                                 | \$ 15,342,391                                      | 0%                            | \$105,128,638                          | 14.59%   |
| 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%   |

<sup>5</sup> Payroll as of July 1, 2013, July 1, 2012 and July 1, 2011 includes only plan participants.

Note: The annual required contribution (ARC) of \$2,245,948 for fiscal year 2014 and accrual of \$9,367,362 as of June 30, 2014, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,955,309 and \$7,486,899, respectively, as of June 30, 2013; and \$1,869,586 and \$5,853,460, respectively, as of June 30, 2012.

| <b>Three-Year Schedule of Percentage of OPEB Cost Contributed</b> |                         |  |                            |
|---|-------------------------|--|----------------------------|
| <b>Fiscal Year Ended</b>  | <b>Annual OPEB Cost</b> | <b>Percentage of OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
| June 30, 2014   | \$2,088,579             | 10.0%                                      | \$ 9,367,362               |
| June 30, 2013   | 1,832,274               | 10.9%                                      | 7,486,899                  |
| June 30, 2012   | 1,779,671               | 11.5%                                      | 5,853,460                  |

## REQUIRED SUPPLEMENTARY INFORMATION

### Summary of Key Actuarial Methods and Assumptions

|                               |   |
|-------------------------------|---|
| <b>Valuation year</b>         | July 1, 2013 – June 30, 2014                          |
| <b>Actuarial cost method</b>  | Projected Unit Credit, level dollar                   |
| <b>Amortization method</b>    | 30 years, level dollar open amortization <sup>6</sup> |
| <b>Asset valuation method</b> | N/A   |

<sup>6</sup> 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 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% 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 2014.

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.

|                              |  |
|------------------------------|--|
| <b>Valuation Year</b>        | July 1, 2013 – June 30, 2014   |
| <b>Date of Census Data</b>   | April 1, 2014  |
| <b>Actuarial Cost Method</b> | Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years. |

| Retiree Premiums         |                  |                  |           |
|--------------------------|------------------|------------------|-----------|
| Health<br>(monthly rate) | Employee<br>Cost | Employer<br>Cost | Total     |
| Single                   | \$ 212.77        | \$ 212.77        | \$ 425.54 |
| Family                   | 516.24           | 516.24           | 1,032.48  |

**Annual Health Care Trend Rate** Trend rates are 7% initially, decreasing to 6.5% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.0% 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 2013 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:

| <b>Age</b>   | <b>Retirement Rate<br/>(Less than 28<br/>years of service)</b> | <b>Retirement Rate<br/>(28 or more<br/>years of service)</b> |
|--------------|--|--|
| 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):

| <b>Age</b> | <b>Terminate Rate<br/>(Male)</b> | <b>Terminate Rate<br/>(Female)</b> |
|------------|----------------------------------|------------------------------------|
| 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, 2014**

|   | Jonesboro             | Beebe                | Mountain Home        | Newport              | Consolidation Entries | Total                 |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                  |                       |                      |                      |                      |                       |                       |
| <b>Current Assets:</b>  |                       |                      |                      |                      |                       |                       |
| Cash and cash equivalents   | \$ 31,899,355         | \$ 4,199,973         | \$ 6,421,342         | \$ 3,853,513         |                       | \$ 46,374,183         |
| Short-term investments  | 747,612               |                      |                      | 105,477              |                       | 853,089               |
| Accounts receivable (less allowances of \$975,117)                | 9,670,236             | 885,079              | 1,603,082            | 1,369,255            |                       | 13,527,652            |
| Notes and deposits receivable (less allowances of \$239,053)      | 997,731               |                      |                      |                      |                       | 997,731               |
| Accrued interest and late charges                                 | 118,175               | 1,567                |                      | 870                  |                       | 120,612               |
| Inventories   | 2,620,698             | 398,182              |                      | 3,403                |                       | 3,022,283             |
| Deposits with trustee   | 2,694,183             |                      |                      | 48                   |                       | 2,694,231             |
| Unamortized bond insurance  | 21,279                | 4,342                | 6,803                | 2,997                |                       | 35,421                |
| Prepaid expenses  | 180,491               | 24,861               | 14,534               | 5,914                |                       | 225,800               |
| <b>Total Current Assets</b>                                       | <u>48,949,760</u>     | <u>5,514,004</u>     | <u>8,045,761</u>     | <u>5,341,477</u>     |                       | <u>67,851,002</u>     |
| <b>Noncurrent Assets:</b>   |                       |                      |                      |                      |                       |                       |
| Cash and cash equivalents   | 25,096,995            |                      | 54,908               |                      |                       | 25,151,903            |
| Restricted cash and cash equivalents                              | 11,184,169            |                      | 329,987              |                      |                       | 11,514,156            |
| Endowment investments   | 14,026,239            | 169,409              |                      |                      |                       | 14,195,648            |
| Other long-term investments                                       | 6,233,065             | 7,865,436            |                      | 4,575,115            |                       | 18,673,616            |
| Accrued interest and late charges                                 | 444,496               |                      |                      |                      |                       | 444,496               |
| Deposits with trustee   | 18,835,343            |                      |                      |                      |                       | 18,835,343            |
| Accounts receivable   | 67,166                |                      |                      |                      |                       | 67,166                |
| Notes and deposits receivable (less allowances of \$1,186,605)    | 4,958,676             |                      |                      |                      |                       | 4,958,676             |
| Unamortized bond insurance  | 451,796               | 101,799              | 65,483               | 42,559               |                       | 661,637               |
| Capital assets (net of accumulated depreciation of \$283,372,367) | 297,309,900           | 59,048,845           | 24,945,099           | 22,223,948           |                       | 403,527,792           |
| <b>Total Noncurrent Assets</b>                                    | <u>378,607,845</u>    | <u>67,185,489</u>    | <u>25,395,477</u>    | <u>26,841,622</u>    |                       | <u>498,030,433</u>    |
| <b>TOTAL ASSETS</b>   | <u>427,557,605</u>    | <u>72,699,493</u>    | <u>33,441,238</u>    | <u>32,183,099</u>    |                       | <u>565,881,435</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                       |                      |                      |                      |                       |                       |
| Excess of bond reacquisition costs over carrying value            | 1,437,582             | 9,472                | 29,317               | 76,075               |                       | 1,552,446             |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>            | <u>428,995,187</u>    | <u>72,708,965</u>    | <u>33,470,555</u>    | <u>32,259,174</u>    |                       | <u>567,433,881</u>    |
| <b>LIABILITIES</b>  |                       |                      |                      |                      |                       |                       |
| <b>Current Liabilities:</b>                                       |                       |                      |                      |                      |                       |                       |
| Accounts payable and accrued liabilities                          | 10,377,090            | 334,819              | 123,228              | 416,459              | \$ 992,450            | 12,244,046            |
| Bonds, notes and leases payable                                   | 6,677,406             | 1,050,030            | 788,725              | 370,050              |                       | 8,886,211             |
| Compensated absences  | 5,699,899             | 900,578              | 31,054               | 550,877              |                       | 7,182,408             |
| Unearned revenue  | 5,244,406             | 124,757              | 102,595              | 42,946               |                       | 5,514,704             |
| Funds held in trust for others                                    | 886,624               | 874                  | 74,825               | 48,644               |                       | 1,010,967             |
| Deposits  | 868,149               | 41,039               |                      | 2,367                |                       | 911,555               |
| Interest payable  | 1,815,458             | 288,363              | 29,924               | 29,814               |                       | 2,163,559             |
| Other liabilities   |                       | 8,036                |                      |                      |                       | 8,036                 |
| <b>Total Current Liabilities</b>                                  | <u>31,569,032</u>     | <u>2,748,496</u>     | <u>1,150,351</u>     | <u>1,461,157</u>     | <u>992,450</u>        | <u>37,921,486</u>     |
| <b>Noncurrent Liabilities:</b>                                    |                       |                      |                      |                      |                       |                       |
| Accounts payable and accrued liabilities                          | 382,284               |                      |                      |                      |                       | 382,284               |
| Bonds, notes and leases payable                                   | 151,907,533           | 32,674,949           | 7,986,622            | 6,114,384            |                       | 198,683,488           |
| Compensated absences  | 2,347,469             | 648,429              | 412,585              | 35,162               |                       | 3,443,645             |
| Accrued other postemployment benefits payable                     | 3,378,989             | 709,750              | 205,919              | 361,577              | 4,711,127             | 9,367,362             |
| Deposits  | 436,335               |                      |                      |                      |                       | 436,335               |
| Refundable federal advances                                       | 7,422,223             |                      |                      |                      |                       | 7,422,223             |
| <b>Total Noncurrent Liabilities</b>                               | <u>165,874,833</u>    | <u>34,033,128</u>    | <u>8,605,126</u>     | <u>6,511,123</u>     | <u>4,711,127</u>      | <u>219,735,337</u>    |
| <b>TOTAL LIABILITIES</b>  | <u>197,443,865</u>    | <u>36,781,624</u>    | <u>9,755,477</u>     | <u>7,972,280</u>     | <u>5,703,577</u>      | <u>257,656,823</u>    |
| <b>NET POSITION</b>   |                       |                      |                      |                      |                       |                       |
| Net investment in capital assets                                  | 157,264,157           | 25,439,479           | 16,271,355           | 15,861,145           |                       | 214,836,136           |
| Restricted for nonexpendable purposes:                            |                       |                      |                      |                      |                       |                       |
| Scholarships and fellowships                                      | 4,966,959             | 146,625              |                      |                      |                       | 5,113,584             |
| Loans   | 932,303               |                      |                      |                      |                       | 932,303               |
| Other   | 9,011,646             |                      |                      |                      |                       | 9,011,646             |
| Restricted for expendable purposes:                               |                       |                      |                      |                      |                       |                       |
| Scholarships and fellowships                                      | 665,506               | 393,749              |                      |                      |                       | 1,059,255             |
| Research  | 43,041                |                      |                      |                      |                       | 43,041                |
| Loans   |                       | 20,000               |                      |                      |                       | 20,000                |
| Capital projects  | 8,972,872             | 4,982,297            | 54,908               |                      |                       | 14,010,077            |
| Other   | 640,286               |                      | 1,192,484            | 206,070              |                       | 2,038,840             |
| Unrestricted  | 49,054,552            | 4,945,191            | 6,196,331            | 8,219,679            | (5,703,577)           | 62,712,176            |
| <b>TOTAL NET POSITION</b>   | <u>\$ 231,551,322</u> | <u>\$ 35,927,341</u> | <u>\$ 23,715,078</u> | <u>\$ 24,286,894</u> | <u>\$ (5,703,577)</u> | <u>\$ 309,777,058</u> |

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, 2014**

|  | Jonesboro             | Beebe                | Mountain Home        | Newport              | Consolidation Entries | Total                 |
|--|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>  |                       |                      |                      |                      |                       |                       |
| Student tuition and fees (net of scholarship allowances of \$47,380,917) | \$ 44,340,392         | \$ 5,459,078         | \$ 1,331,779         | \$ 3,070,935         |                       | \$ 54,202,184         |
| Grants and contracts   | 16,636,721            | 3,781,574            | 848,283              | 1,882,963            |                       | 23,149,541            |
| Sales and services of educational departments                            | 1,799,459             | 125,205              |                      |                      |                       | 1,924,664             |
| Auxillary enterprises (net of scholarship allowances of \$9,443,292)     | 23,612,364            | 2,181,062            | 137,918              | 54,164               |                       | 25,985,508            |
| Self-insurance   | 3,898,570             |                      |                      |                      |                       | 3,898,570             |
| Other operating revenues   | 1,564,278             | 316,475              | 216,107              | 93,762               |                       | 2,190,622             |
| <b>TOTAL OPERATING REVENUES</b>  | <u>91,851,784</u>     | <u>11,863,394</u>    | <u>2,534,087</u>     | <u>5,101,824</u>     |                       | <u>111,351,089</u>    |
| <b>OPERATING EXPENSES</b>  |                       |                      |                      |                      |                       |                       |
| Personal services  | 107,480,256           | 21,035,542           | 7,203,728            | 10,418,679           | \$ 836,173            | 146,974,378           |
| Scholarships and fellowships   | 9,958,578             | 3,447,391            | 1,687,585            | 2,180,776            |                       | 17,274,330            |
| Supplies and services  | 45,844,785            | 7,086,063            | 3,726,731            | 4,367,922            |                       | 61,025,501            |
| Self-insurance   | 16,163,187            |                      |                      |                      | (80,500)              | 16,082,687            |
| Depreciation   | 16,138,996            | 3,149,724            | 2,794,989            | 1,741,242            |                       | 23,824,951            |
| Other  | 67,148                |                      |                      |                      |                       | 67,148                |
| <b>TOTAL OPERATING EXPENSES</b>  | <u>195,652,950</u>    | <u>34,718,720</u>    | <u>15,413,033</u>    | <u>18,708,619</u>    | <u>755,673</u>        | <u>265,248,995</u>    |
| <b>OPERATING INCOME (LOSS)</b>   | <u>(103,801,166)</u>  | <u>(22,855,326)</u>  | <u>(12,878,946)</u>  | <u>(13,606,795)</u>  | <u>(755,673)</u>      | <u>(153,897,906)</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                 |                       |                      |                      |                      |                       |                       |
| Federal appropriations   | 1,175,443             |                      |                      |                      |                       | 1,175,443             |
| State appropriations   | 67,782,454            | 14,071,729           | 5,397,038            | 7,705,652            |                       | 94,956,873            |
| Stimulus funds (ARRA)  | 59,738                |                      |                      |                      |                       | 59,738                |
| Grants and contracts   | 36,730,472            | 7,427,088            | 4,898,047            | 4,077,187            |                       | 53,132,794            |
| Sales and use taxes  |                       | 1,779,744            |                      | 981,243              |                       | 2,760,987             |
| Property taxes   |                       |                      | 1,333,345            |                      |                       | 1,333,345             |
| Gifts  | 1,411,318             |                      | 162,364              | 135,882              |                       | 1,709,564             |
| Investment income  | 2,229,979             | 80,315               | 3,515                | 27,380               |                       | 2,341,189             |
| Interest on capital asset - related debt                                 | (5,593,837)           | (1,511,516)          | (271,703)            | (203,714)            |                       | (7,580,770)           |
| Bond insurance and issuance costs  | (320,639)             | (4,342)              | (6,803)              | (2,997)              |                       | (334,781)             |
| Gain or loss on disposal of capital assets                               | (415,102)             |                      | 4,450                | (20,406)             |                       | (431,058)             |
| Refund to grantors   | (67,019)              | (978)                |                      |                      |                       | (67,997)              |
| Other nonoperating revenues (expenses)                                   | 68,657                | (10,532)             | 40,574               | (1,000)              |                       | 97,699                |
| <b>NET NON-OPERATING REVENUES (EXPENSES)</b>                             | <u>103,061,464</u>    | <u>21,831,508</u>    | <u>11,560,827</u>    | <u>12,699,227</u>    | <u>-</u>              | <u>149,153,026</u>    |
| <b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>           | <u>(739,702)</u>      | <u>(1,023,818)</u>   | <u>(1,318,119)</u>   | <u>(907,568)</u>     | <u>(755,673)</u>      | <u>(4,744,880)</u>    |
| Capital appropriations   | 9,609,205             | 400,000              |                      | 250,000              |                       | 10,259,205            |
| Capital grants and gifts   | 1,832,202             | 15,248               | 742,567              | 57,318               |                       | 2,647,335             |
| Stimulus funds (ARRA) for capital projects                               | 77,594                |                      |                      |                      |                       | 77,594                |
| Additions to endowments  |                       | 3,711                |                      |                      |                       | 3,711                 |
| Adjustments to capital assets  | 15,304                |                      |                      |                      |                       | 15,304                |
| Capitalization of library holdings at rate per volume                    |                       |                      | 49,842               |                      |                       | 49,842                |
| Livestock additions  | 123,422               |                      |                      |                      |                       | 123,422               |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                               | <u>10,918,025</u>     | <u>(604,859)</u>     | <u>(525,710)</u>     | <u>(600,250)</u>     | <u>(755,673)</u>      | <u>8,431,533</u>      |
| <b>NET POSITION - BEGINNING OF YEAR</b>                                  | <u>220,633,297</u>    | <u>36,532,200</u>    | <u>24,240,788</u>    | <u>24,887,144</u>    | <u>(4,947,904)</u>    | <u>301,345,525</u>    |
| <b>NET POSITION - END OF YEAR</b>  | <u>\$ 231,551,322</u> | <u>\$ 35,927,341</u> | <u>\$ 23,715,078</u> | <u>\$ 24,286,894</u> | <u>\$ (5,703,577)</u> | <u>\$ 309,777,058</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, 2014**

|   | Jonesboro            | Beebe               | Mountain Home       | Newport             | Consolidation Entries | Total                |
|---|----------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                      |                     |                     |                     |                       |                      |
| Student tuition and fees  | \$ 44,407,724        | \$ 5,429,207        | \$ 1,146,337        | \$ 3,019,055        |                       | \$ 54,002,323        |
| Grants and contracts  | 17,149,364           | 3,878,735           | 886,245             | 2,203,517           |                       | 24,117,861           |
| Auxiliary enterprises revenues  | 23,862,335           | 2,169,009           | 171,938             | 69,310              |                       | 26,272,592           |
| Sales and services of educational departments   | 1,798,865            | 125,205             |                     |                     |                       | 1,924,070            |
| Self-insurance program receipts   | 3,898,570            |                     |                     |                     |                       | 3,898,570            |
| Collection of principal and interest related to student loans   | 851,119              |                     |                     |                     |                       | 851,119              |
| Other receipts  | 1,362,314            | 304,900             | 216,887             | 93,762              |                       | 1,977,863            |
| Payments to employees   | (92,454,668)         | (16,189,311)        | (5,486,403)         | (7,632,654)         |                       | (121,763,036)        |
| Payments for employee benefits  | (12,514,711)         | (4,639,248)         | (1,662,069)         | (2,264,242)         |                       | (21,080,270)         |
| Payments to suppliers   | (45,789,923)         | (7,257,620)         | (3,670,857)         | (4,866,755)         |                       | (61,585,155)         |
| Scholarships and fellowships  | (9,958,578)          | (3,447,391)         | (1,687,585)         | (2,180,776)         |                       | (17,274,330)         |
| Self-insurance program payments   | (16,593,558)         |                     |                     |                     |                       | (16,593,558)         |
| Loans issued to students  | (1,137,384)          |                     |                     |                     |                       | (1,137,384)          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   | <b>(85,118,531)</b>  | <b>(19,626,514)</b> | <b>(10,085,507)</b> | <b>(11,558,783)</b> |                       | <b>(126,389,335)</b> |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                      |                     |                     |                     |                       |                      |
| Federal appropriations  | 1,877,921            |                     |                     |                     |                       | 1,877,921            |
| State appropriations  | 67,782,454           | 14,071,729          | 5,397,038           | 7,705,652           |                       | 94,956,873           |
| Stimulus (ARRA) funds   | 93,334               |                     |                     |                     |                       | 93,334               |
| Grants and contracts  | 41,246,094           | 7,427,088           | 525,904             | 3,899,573           |                       | 53,098,659           |
| Private gifts and grants  | 1,293,204            | 3,711               | 162,364             | 135,882             |                       | 1,595,161            |
| Payments to other campus for financial aid distribution   | (4,428,491)          |                     |                     |                     | \$ 4,428,491          | -                    |
| Payment from ASUJ for financial aid distribution  |                      |                     | 4,372,143           | 56,348              | (4,428,491)           | -                    |
| Sales and use taxes   |                      | 1,754,419           |                     | 984,566             |                       | 2,738,985            |
| Property taxes  |                      |                     | 1,324,602           |                     |                       | 1,324,602            |
| Direct lending, PLUS and FFEL loan receipts   | 78,872,267           | 2,637,112           |                     | 1,325,106           |                       | 82,834,485           |
| Direct lending, PLUS and FFEL loan payments   | (79,201,525)         | (2,630,578)         |                     | (1,362,072)         |                       | (83,194,175)         |
| Other agency funds - net  | 70,237               | 9,441               | 34,852              | (6,325)             |                       | 108,205              |
| Refunds to grantors   | (67,019)             |                     |                     |                     |                       | (67,019)             |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>                                    | <b>107,538,476</b>   | <b>23,272,922</b>   | <b>11,816,903</b>   | <b>12,738,730</b>   | <b>-</b>              | <b>155,367,031</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |                      |                     |                     |                     |                       |                      |
| Proceeds from capital debt  | 1,000,000            |                     |                     |                     |                       | 1,000,000            |
| Distributions from trustee of bond proceeds and interest earnings                                     | 13,460,495           |                     |                     |                     |                       | 13,460,495           |
| Capital appropriations  | 9,609,205            | 400,000             |                     | 250,000             |                       | 10,259,205           |
| Capital gifts and grants  | 1,662,063            |                     | 742,567             | 57,318              |                       | 2,461,948            |
| Stimulus (ARRA) funds for capital projects  | 80,285               |                     |                     |                     |                       | 80,285               |
| Proceeds from sale of capital assets  | 287,175              |                     | 4,450               | 85,436              |                       | 377,061              |
| Purchases of capital assets   | (25,996,798)         | (1,320,071)         | (1,305,099)         | (924,920)           |                       | (29,546,888)         |
| Payments to trustees for bond principal   | (5,045,000)          | (1,020,000)         | (715,000)           | (285,000)           |                       | (7,065,000)          |
| Payments to trustees for bond interest and fees   | (5,788,805)          | (1,523,321)         | (255,528)           | (145,397)           |                       | (7,713,051)          |
| Payments to debt holders for principal (other than bonds)   | (865,759)            |                     | (61,591)            | (78,193)            |                       | (1,005,543)          |
| Payments to debt holders for interest and fees (other than bonds)                                     | (10,717)             |                     | (19,308)            | (53,037)            |                       | (83,062)             |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                           | <b>(11,607,856)</b>  | <b>(3,463,392)</b>  | <b>(1,609,509)</b>  | <b>(1,093,793)</b>  | <b>-</b>              | <b>(17,774,550)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                     |                     |                     |                       |                      |
| Proceeds from sales and maturities of investments   | 500,000              | 7,977,746           |                     |                     |                       | 8,477,746            |
| Interest on investments   | 372,565              | 42,633              | 3,515               | 26,674              |                       | 445,387              |
| Purchases of investments  | (1,147,823)          | (7,850,000)         |                     | (509,729)           |                       | (9,507,552)          |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>   | <b>(275,258)</b>     | <b>170,379</b>      | <b>3,515</b>        | <b>(483,055)</b>    | <b>-</b>              | <b>(584,419)</b>     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>10,536,831</b>    | <b>353,395</b>      | <b>125,402</b>      | <b>(396,901)</b>    |                       | <b>10,618,727</b>    |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>  | <b>57,643,688</b>    | <b>3,846,578</b>    | <b>6,680,835</b>    | <b>4,250,414</b>    |                       | <b>72,421,515</b>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <b>\$ 68,180,519</b> | <b>\$ 4,199,973</b> | <b>\$ 6,806,237</b> | <b>\$ 3,853,513</b> | <b>\$ -</b>           | <b>\$ 83,040,242</b> |
| Operating income (loss)   | \$ (103,801,166)     | \$ (22,855,326)     | \$ (12,878,946)     | \$ (13,606,795)     | \$ (755,673)          | \$ (153,897,906)     |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                      |                     |                     |                     |                       |                      |
| Depreciation expense  | 16,138,996           | 3,149,724           | 2,794,989           | 1,741,242           |                       | 23,824,951           |
| Change in assets and liabilities:   |                      |                     |                     |                     |                       |                      |
| Receivables, net  | (686,576)            | 49,420              | (34,270)            | 312,809             |                       | (358,617)            |
| Inventories   | (1,134,030)          | (42,940)            |                     | 185                 |                       | (1,176,785)          |
| Prepaid expenses  | (132,977)            | (1,802)             | 48,604              | (2,322)             |                       | (88,497)             |
| Accounts and salaries payable   | 2,931,656            | (156,855)           | 9,858               | (215,854)           | (80,500)              | 2,488,305            |
| Other postemployment benefits payable   | 767,553              | 153,511             | 46,993              | 76,233              | 836,173               | 1,880,463            |
| Deferred revenue  | 1,158,970            | (4,092)             | (78,795)            | (26,181)            |                       | 1,049,902            |
| Deposits  | 40,721               | 1,180               |                     | (2,808)             |                       | 39,093               |
| Refundable federal advances   | (56,283)             |                     |                     |                     |                       | (56,283)             |
| Compensated absences  | (287,489)            | 83,072              | 6,060               | 164,708             |                       | (33,649)             |
| Other liabilities   | (57,906)             | (2,406)             |                     |                     |                       | (60,312)             |
| Net cash provided (used) by operating activities  | \$ (85,118,531)      | \$ (19,626,514)     | \$ (10,085,507)     | \$ (11,558,783)     | \$ -                  | \$ (126,389,335)     |

**Reconciliation of Cash and Cash Equivalents**

|                                      |                      |                     |                     |                     |             |                      |
|--------------------------------------|----------------------|---------------------|---------------------|---------------------|-------------|----------------------|
| <b>Current Assets:</b>               |                      |                     |                     |                     |             |                      |
| Cash and Cash Equivalents            | \$ 31,899,355        | \$ 4,199,973        | \$ 6,421,342        | \$ 3,853,513        |             | \$ 46,374,183        |
| <b>Noncurrent Assets:</b>            |                      |                     |                     |                     |             |                      |
| Cash and Cash Equivalents            | 25,096,995           |                     | 54,908              |                     |             | \$ 25,151,903        |
| Restricted Cash and Cash Equivalents | 11,184,169           |                     | 329,987             |                     |             | \$ 11,514,156        |
| <b>Total</b>                         | <b>\$ 68,180,519</b> | <b>\$ 4,199,973</b> | <b>\$ 6,806,237</b> | <b>\$ 3,853,513</b> | <b>\$ -</b> | <b>\$ 83,040,242</b> |



# **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,                                    | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                | 2006                 | 2005                |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| <b>Revenues</b>   |                      |                      |                      |                      |                      |                      |                      |                     |                      |                     |
| <b>Operating Revenues</b>                                     |                      |                      |                      |                      |                      |                      |                      |                     |                      |                     |
| Tuition and Fees, net   | \$ 54,202,184        | \$ 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       |
| Grants and Contracts  | 23,149,541           | 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          |
| Sales and Services  | 1,924,664            | 1,871,734            | 1,036,266            | 964,531              | 886,927              | 765,520              | 822,233              | 762,381             | 716,885              | 395,710             |
| Auxiliary Enterprises, net                                    | 25,985,508           | 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          |
| Self Insurance  | 3,898,570            | 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           |
| Other   | 2,190,622            | 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           |
| <b>Total Operating Revenues</b>                               | <b>111,351,089</b>   | <b>114,344,793</b>   | <b>114,404,920</b>   | <b>112,267,518</b>   | <b>113,326,466</b>   | <b>103,486,435</b>   | <b>102,607,336</b>   | <b>108,075,323</b>  | <b>107,855,825</b>   | <b>97,254,523</b>   |
| <b>Expenses</b>   |                      |                      |                      |                      |                      |                      |                      |                     |                      |                     |
| <b>Operating Expenses</b>                                     |                      |                      |                      |                      |                      |                      |                      |                     |                      |                     |
| Personal Services   | 146,974,378          | 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         |
| Scholarships and Fellowships                                  | 17,274,330           | 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           |
| Supplies and Services   | 61,025,501           | 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          |
| Self Insurance  | 16,082,687           | 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           |
| Depreciation  | 23,824,951           | 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          |
| Other   | 67,148               | 61,381               | 49,850               | 92,507               | 78,102               | 104,774              | 146,476              | 81,152              | 72,220               | 113,634             |
| <b>Total Operating Expenses</b>                               | <b>265,248,995</b>   | <b>263,915,529</b>   | <b>261,327,398</b>   | <b>259,832,294</b>   | <b>238,909,216</b>   | <b>222,359,732</b>   | <b>210,552,053</b>   | <b>193,511,912</b>  | <b>184,739,792</b>   | <b>175,584,788</b>  |
| <b>Operating Loss</b>   | <b>(153,897,906)</b> | <b>(149,570,736)</b> | <b>(146,922,478)</b> | <b>(147,564,776)</b> | <b>(125,582,750)</b> | <b>(118,873,297)</b> | <b>(107,944,717)</b> | <b>(85,436,589)</b> | <b>(76,883,967)</b>  | <b>(78,330,265)</b> |
| <b>Nonoperating Revenues (Expenses)</b>                       |                      |                      |                      |                      |                      |                      |                      |                     |                      |                     |
| Federal Appropriations  | 1,175,443            | 3,579,588            | 5,580,251            | -                    | 3,544,193            | 776,366              | 35,399               | 183,101             | 504,267              | 14,195              |
| State Appropriations  | 94,956,873           | 92,408,687           | 93,460,349           | 91,995,057           | 91,403,392           | 90,818,135           | 92,164,251           | 83,983,692          | 79,543,950           | 73,637,882          |
| Stimulus Funds (ARRA)   | 59,738               | 162,094              | 241,189              | 2,042,785            | 1,695,457            | -                    | -                    | -                   | -                    | -                   |
| Grants and Contracts  | 53,132,794           | 53,786,731           | 53,629,309           | 55,310,240           | 40,410,638           | 29,297,438           | 15,665,730           | 2,259,112           | 2,149,978            | 2,018,258           |
| Sales and Use Taxes   | 2,760,987            | 2,821,506            | 2,775,286            | 2,710,217            | 2,595,140            | 2,760,722            | 2,697,782            | 2,760,144           | 956,465              | 910,623             |
| Property Taxes  | 1,333,345            | 1,285,901            | 1,338,678            | 1,260,788            | 1,180,217            | 1,117,495            | 1,074,144            | 1,021,436           | 1,045,309            | 1,622,464           |
| Gifts   | 1,709,564            | 1,159,225            | 1,313,548            | 1,639,038            | 2,866,816            | 1,145,463            | 2,811,013            | 1,152,048           | 1,152,048            | 1,622,464           |
| Investment Income   | 2,341,189            | 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           |
| Interest on Capital Asset Related Debt                        | (7,580,770)          | (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)         |
| Bond Insurance and Issuance Costs                             | (334,781)            | (625,586)            | (46,465)             | (32,506)             | (11,684)             | (441,908)            | (400,121)            | (656,479)           | (382,184)            | -                   |
| Gain or Loss on Disposal of Capital Assets                    | (431,058)            | 234,147              | (642,348)            | 744,391              | (350,187)            | (389,780)            | 1,321,904            | 51,190              | (29,597)             | (127,969)           |
| Refunds to Grantors   | (67,997)             | (88,010)             | (290,916)            | (94,297)             | (275,252)            | (74,323)             | (68,288)             | (233,212)           | (29,597)             | (622,366)           |
| Other   | 97,699               | (403,254)            | (111,538)            | 2,446                | (1,714,609)          | 7,542,082            | 6,870,537            | (413,060)           | (1,120,298)          | (291,160)           |
| <b>Net Nonoperating Revenues (Expenses)</b>                   | <b>149,153,026</b>   | <b>148,356,757</b>   | <b>150,286,032</b>   | <b>150,239,478</b>   | <b>139,714,567</b>   | <b>124,299,497</b>   | <b>116,543,513</b>   | <b>90,960,894</b>   | <b>83,017,008</b>    | <b>74,621,036</b>   |
| <b>Income Before Other Revenues, Expenses, Gain or Losses</b> | <b>(4,744,880)</b>   | <b>(1,213,979)</b>   | <b>3,363,554</b>     | <b>2,674,702</b>     | <b>14,131,817</b>    | <b>5,426,200</b>     | <b>8,598,796</b>     | <b>5,524,305</b>    | <b>6,133,041</b>     | <b>(3,709,229)</b>  |
| Capital Appropriations  | 10,259,205           | 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           |
| Capital Grants and Gifts                                      | 2,724,929            | 1,660,000            | 940,473              | 6,810,236            | 4,781,955            | 17,636,054           | 6,199,054            | 895,893             | 352,013              | 2,624,948           |
| Adjustments to Endowments                                     | 3,711                | 1,035                | 1,476,859            | 333,485              | 412,965              | (1,430,577)          | 133,910              | (2,806,274)         | 1,093,659            | 426,746             |
| Adjustments to Capital Assets                                 | 15,304               | 205,822              | 26,739               | 175,735              | 247,905              | 190,680              | 218,820              | 229,250             | 181,825              | 109,375             |
| Capitalization of Library Holdings                            | 49,842               | 105,109              | 153,639              | 1,775                | -                    | 1,450                | 9,755                | -                   | 3,815                | -                   |
| Livestock Additions   | 123,422              | 205                  | 86,746               | 28,463               | -                    | -                    | -                    | -                   | -                    | -                   |
| Bond Proceeds/Accrued Interest                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                   | -                    | -                   |
| <b>Increase (Decrease) in Net Position</b>                    | <b>\$ 8,431,533</b>  | <b>\$ 3,254,291</b>  | <b>\$ 13,787,269</b> | <b>\$ 20,747,114</b> | <b>\$ 22,497,798</b> | <b>\$ 30,252,432</b> | <b>\$ 18,162,649</b> | <b>\$ 5,571,961</b> | <b>\$ 10,988,396</b> | <b>\$ 1,473,642</b> |

Source: Controller's Office

**Schedule of Major Sources of Revenue**

| <b>Fiscal Year Ended June 30,</b>                    | <b>2014</b>           | <b>2013</b>           | <b>2012</b>           | <b>2011</b>           | <b>2010</b>           | <b>2009</b>           | <b>2008</b>           | <b>2007</b>           | <b>2006</b>           | <b>2005</b>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues</b>                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Tuition and Fees, net                                | \$ 54,202,184         | \$ 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         |
| Grants and Contracts                                 | 23,149,541            | 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            |
| Sales and Services                                   | 1,924,664             | 1,871,734             | 1,036,266             | 964,531               | 886,927               | 765,520               | 822,233               | 762,381               | 716,885               | 395,710               |
| Auxiliary Enterprises, net                           | 25,985,508            | 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            |
| Self Insurance                                       | 3,898,570             | 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             |
| Other  | 2,190,622             | 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             |
| <b>Total Operating Revenues</b>                      | <b>111,351,089</b>    | <b>114,344,793</b>    | <b>114,404,920</b>    | <b>112,267,518</b>    | <b>113,326,466</b>    | <b>103,486,435</b>    | <b>102,607,336</b>    | <b>108,075,323</b>    | <b>107,855,825</b>    | <b>97,254,523</b>     |
| <b>Nonoperating Revenues and Other Changes</b>       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Federal Appropriations                               | 1,175,443             | 3,579,588             | 5,580,251             | -                     | 3,544,193             | 776,366               | 35,399                | 183,101               | 504,267               | 14,195                |
| State Appropriations                                 | 94,956,873            | 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            |
| Stimulus Funds (ARRA)                                | 59,738                | 202,399               | 241,189               | 2,042,785             | 1,695,457             | -                     | -                     | -                     | -                     | -                     |
| Grants and Contracts                                 | 53,132,794            | 53,786,731            | 53,629,309            | 55,310,240            | 40,410,638            | 29,297,438            | 15,665,730            | -                     | -                     | -                     |
| Sales and Use Taxes                                  | 2,760,987             | 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             |
| Property Taxes                                       | 1,333,345             | 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               |
| Gifts  | 1,709,564             | 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             |
| Investment Income                                    | 2,341,189             | 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             |
| Capital Appropriations                               | 10,259,205            | 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             |
| Capital Grants and Gifts                             | 2,724,929             | 1,619,695             | 940,473               | 6,810,236             | 4,781,955             | 17,636,054            | 6,199,054             | 895,893               | 352,013               | 2,624,948             |
| Net Gain on Disposal of Capital Assets               | (431,058)             | 234,147               | (642,348)             | 744,391               | (350,187)             | (441,908)             | (389,780)             | 1,321,604             | 51,190                | (127,969)             |
| Capitalization of Library Holdings                   | 49,842                | 105,109               | 153,639               | 175,735               | 247,905               | 190,680               | 218,820               | 229,250               | 181,825               | 109,375               |
| Livestock Additions                                  | 123,422               | 205                   | -                     | 1,775                 | -                     | 1,450                 | 9,755                 | -                     | 3,815                 | -                     |
| Net Other Nonoperating Revenues                      | 116,714               | 87,781                | 1,476,859             | 30,909                | (1,714,609)           | 7,542,082             | 6,870,537             | (413,060)             | (1,120,298)           | (291,160)             |
| <b>Total Nonoperating Revenues and Other Changes</b> | <b>170,312,987</b>    | <b>161,187,811</b>    | <b>168,897,842</b>    | <b>175,574,365</b>    | <b>152,171,933</b>    | <b>158,258,554</b>    | <b>132,357,050</b>    | <b>96,873,369</b>     | <b>90,265,742</b>     | <b>85,037,111</b>     |
| <b>Total Revenues and Other Changes</b>              | <b>\$ 281,664,076</b> | <b>\$ 275,532,604</b> | <b>\$ 283,302,762</b> | <b>\$ 287,841,883</b> | <b>\$ 265,498,399</b> | <b>\$ 261,744,989</b> | <b>\$ 234,964,386</b> | <b>\$ 204,948,692</b> | <b>\$ 198,121,567</b> | <b>\$ 182,291,634</b> |

*By Percent of Total Revenues*

| <b>Fiscal Year Ended June 30,</b>                    | <b>2014</b>    | <b>2013</b>    | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    | <b>2008</b>    | <b>2007</b>    | <b>2006</b>    | <b>2005</b>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Operating Revenues</b>                            |                |                |                |                |                |                |                |                |                |                |
| Tuition and Fees, net                                | 19.24%         | 19.67%         | 18.77%         | 17.53%         | 18.68%         | 17.73%         | 17.55%         | 18.40%         | 17.36%         | 16.71%         |
| Grants and Contracts                                 | 8.22%          | 10.10%         | 10.92%         | 11.60%         | 12.40%         | 11.03%         | 14.69%         | 22.06%         | 21.32%         | 19.42%         |
| Sales and Services                                   | 0.68%          | 0.68%          | 0.37%          | 0.34%          | 0.33%          | 0.29%          | 0.35%          | 0.37%          | 0.36%          | 0.22%          |
| Auxiliary Enterprises, net                           | 9.23%          | 8.97%          | 8.45%          | 7.38%          | 8.78%          | 8.85%          | 9.37%          | 10.06%         | 9.61%          | 10.44%         |
| Self Insurance                                       | 1.38%          | 1.36%          | 1.22%          | 1.11%          | 1.16%          | 1.08%          | 1.16%          | 1.10%          | 4.91%          | 5.07%          |
| Other  | 0.78%          | 0.73%          | 0.66%          | 1.04%          | 1.33%          | 0.56%          | 0.55%          | 0.74%          | 0.87%          | 1.49%          |
| <b>Total Operating Revenues</b>                      | <b>39.53%</b>  | <b>41.50%</b>  | <b>40.38%</b>  | <b>39.00%</b>  | <b>42.68%</b>  | <b>39.54%</b>  | <b>43.67%</b>  | <b>52.73%</b>  | <b>54.44%</b>  | <b>53.35%</b>  |
| <b>Nonoperating Revenues and Other Changes</b>       |                |                |                |                |                |                |                |                |                |                |
| Federal Appropriations                               | 0.42%          | 1.30%          | 1.97%          | 0.00%          | 1.33%          | 0.30%          | 0.02%          | 0.09%          | 0.25%          | 0.01%          |
| State Appropriations                                 | 33.71%         | 33.54%         | 32.99%         | 31.96%         | 34.43%         | 34.70%         | 39.22%         | 40.98%         | 40.15%         | 40.40%         |
| Stimulus Funds (ARRA)                                | 0.02%          | 0.07%          | 0.09%          | 0.71%          | 0.64%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Grants and Contracts                                 | 18.86%         | 19.52%         | 18.93%         | 19.22%         | 15.22%         | 11.19%         | 6.67%          | 0.00%          | 0.00%          | 0.00%          |
| Sales and Use Taxes                                  | 0.98%          | 1.02%          | 0.98%          | 0.94%          | 0.98%          | 1.05%          | 1.15%          | 1.10%          | 1.09%          | 1.11%          |
| Property Taxes                                       | 0.47%          | 0.47%          | 0.47%          | 0.44%          | 0.44%          | 0.43%          | 0.46%          | 0.50%          | 0.48%          | 0.50%          |
| Gifts  | 0.61%          | 0.42%          | 0.46%          | 0.57%          | 1.08%          | 0.44%          | 1.20%          | 0.51%          | 0.58%          | 0.89%          |
| Investment Income                                    | 0.83%          | 0.54%          | 0.28%          | 0.74%          | 0.98%          | -0.39%         | 0.85%          | 2.25%          | 1.65%          | 1.37%          |
| Capital Appropriations                               | 3.64%          | 0.87%          | 2.76%          | 3.73%          | 1.10%          | 3.22%          | 1.28%          | 0.84%          | 1.63%          | 1.11%          |
| Capital Grants and Gifts                             | 0.97%          | 0.59%          | 0.33%          | 2.37%          | 1.80%          | 6.74%          | 2.64%          | 0.44%          | 0.18%          | 1.44%          |
| Net Gain on Disposal of Capital Assets               | -0.15%         | 0.08%          | -0.23%         | 0.26%          | -0.13%         | -0.17%         | -0.17%         | 0.64%          | 0.03%          | -0.07%         |
| Capitalization of Library Holdings                   | 0.02%          | 0.04%          | 0.05%          | 0.06%          | 0.09%          | 0.07%          | 0.09%          | 0.11%          | 0.09%          | 0.06%          |
| Livestock Additions                                  | 0.04%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Net Other Nonoperating Revenues                      | 0.04%          | 0.03%          | 0.52%          | 0.01%          | -0.65%         | 2.88%          | 2.92%          | -0.20%         | -0.57%         | -0.16%         |
| <b>Total Nonoperating Revenues and Other Changes</b> | <b>60.47%</b>  | <b>58.50%</b>  | <b>59.62%</b>  | <b>61.00%</b>  | <b>57.32%</b>  | <b>60.46%</b>  | <b>56.33%</b>  | <b>47.27%</b>  | <b>45.56%</b>  | <b>46.65%</b>  |
| <b>Total Revenues and Other Changes</b>              | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: Controller's Office

Schedule of Expenses by Use

| Fiscal Year Ended June 30,                           | 2014                  | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  | 2005                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating Expenses</b>                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Personal Services                                    | \$ 146,974,378        | \$ 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        |
| Scholarships and Fellowships                         | 17,274,330            | 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             |
| Supplies and Services                                | 61,025,501            | 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            |
| Self Insurance                                       | 16,082,687            | 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             |
| Depreciation   | 23,824,951            | 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            |
| Other  | 67,148                | 61,381                | 49,850                | 92,507                | 78,102                | 104,774               | 146,476               | 81,152                | 72,220                | 113,634               |
| <b>Total Operating Expenses</b>                      | <b>265,248,995</b>    | <b>263,915,529</b>    | <b>261,327,398</b>    | <b>259,832,294</b>    | <b>238,909,216</b>    | <b>222,359,732</b>    | <b>210,552,053</b>    | <b>193,511,912</b>    | <b>184,739,792</b>    | <b>175,584,788</b>    |
| <b>Nonoperating Expenses and Other Changes</b>       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Interest on Capital Asset Related Debt               | 7,580,770             | 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             |
| Net Adjustments to Capital Assets                    | (15,304)              | (205,822)             | (26,739)              | (333,485)             | (412,965)             | 1,430,577             | (133,910)             | 2,806,274             | (1,093,659)           | (426,746)             |
| Refunds to Grantors                                  | 67,997                | 88,010                | 290,916               | 94,297                | 275,252               | 74,323                | 68,288                | 233,212               | 29,597                | 622,366               |
| Bond Insurance and Issuance Costs                    | 334,781               | 625,586               | 46,465                | 32,506                | 11,684                | -                     | 400,121               | 656,479               | 382,184               | -                     |
| Other  | -                     | 403,254               | 111,538               | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| <b>Total Nonoperating Expenses and Other Changes</b> | <b>7,968,244</b>      | <b>8,362,784</b>      | <b>8,188,095</b>      | <b>7,262,475</b>      | <b>4,091,385</b>      | <b>9,132,825</b>      | <b>6,249,684</b>      | <b>5,864,819</b>      | <b>2,393,379</b>      | <b>5,233,204</b>      |
| <b>Total Expenses and Other Changes</b>              | <b>\$ 273,217,239</b> | <b>\$ 272,278,313</b> | <b>\$ 269,515,493</b> | <b>\$ 267,094,769</b> | <b>\$ 243,000,601</b> | <b>\$ 231,492,557</b> | <b>\$ 216,801,737</b> | <b>\$ 199,376,731</b> | <b>\$ 187,133,171</b> | <b>\$ 180,817,992</b> |
| <i>By Percentage of Total Expenses</i>               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>Fiscal Year Ended June 30,</b>                    | <b>2014</b>           | <b>2013</b>           | <b>2012</b>           | <b>2011</b>           | <b>2010</b>           | <b>2009</b>           | <b>2008</b>           | <b>2007</b>           | <b>2006</b>           | <b>2005</b>           |
| <b>Operating Expenses</b>                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Personal Services                                    | 53.79%                | 52.76%                | 52.86%                | 52.86%                | 54.29%                | 54.05%                | 54.60%                | 55.39%                | 59.98%                | 59.85%                |
| Scholarships and Fellowships                         | 6.32%                 | 7.04%                 | 7.32%                 | 9.67%                 | 7.58%                 | 5.37%                 | 4.93%                 | 4.78%                 | 4.13%                 | 4.12%                 |
| Supplies and Services                                | 22.34%                | 23.27%                | 23.07%                | 22.15%                | 24.58%                | 24.41%                | 24.85%                | 25.24%                | 23.78%                | 21.99%                |
| Self Insurance                                       | 5.89%                 | 5.57%                 | 5.48%                 | 5.39%                 | 4.64%                 | 5.36%                 | 5.50%                 | 5.57%                 | 5.19%                 | 4.89%                 |
| Depreciation   | 8.72%                 | 8.26%                 | 8.24%                 | 7.17%                 | 7.20%                 | 6.82%                 | 7.17%                 | 6.05%                 | 5.60%                 | 6.19%                 |
| Other  | 0.02%                 | 0.02%                 | 0.02%                 | 0.03%                 | 0.03%                 | 0.05%                 | 0.07%                 | 0.04%                 | 0.04%                 | 0.06%                 |
| <b>Total Operating Expenses</b>                      | <b>97.08%</b>         | <b>96.93%</b>         | <b>96.96%</b>         | <b>97.28%</b>         | <b>98.32%</b>         | <b>96.05%</b>         | <b>97.12%</b>         | <b>97.06%</b>         | <b>98.72%</b>         | <b>97.11%</b>         |
| <b>Nonoperating Expenses and Other Changes</b>       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Interest on Capital Asset Related Debt               | 2.77%                 | 2.74%                 | 2.88%                 | 2.80%                 | 1.74%                 | 3.30%                 | 2.73%                 | 1.09%                 | 1.64%                 | 2.79%                 |
| Net Adjustments to Prior Year Capital Assets         | -0.01%                | -0.08%                | -0.01%                | -0.12%                | -0.17%                | 0.62%                 | -0.06%                | 1.41%                 | -0.58%                | -0.24%                |
| Refunds to Grantors                                  | 0.02%                 | 0.03%                 | 0.11%                 | 0.04%                 | 0.11%                 | 0.03%                 | 0.03%                 | 0.12%                 | 0.02%                 | 0.34%                 |
| Bond Issuance Costs                                  | 0.12%                 | 0.23%                 | 0.02%                 | 0.00%                 | 0.01%                 | 0.18%                 | 0.33%                 | 0.20%                 | 0.20%                 | 0.00%                 |
| Other  | 0.00%                 | 0.15%                 | 0.04%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 |
| <b>Total Nonoperating Expenses and Other Changes</b> | <b>2.92%</b>          | <b>3.07%</b>          | <b>3.04%</b>          | <b>2.72%</b>          | <b>1.68%</b>          | <b>3.95%</b>          | <b>2.88%</b>          | <b>2.94%</b>          | <b>1.28%</b>          | <b>2.89%</b>          |
| <b>Total Expenses and Other Changes</b>              | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        | <b>100.00%</b>        |

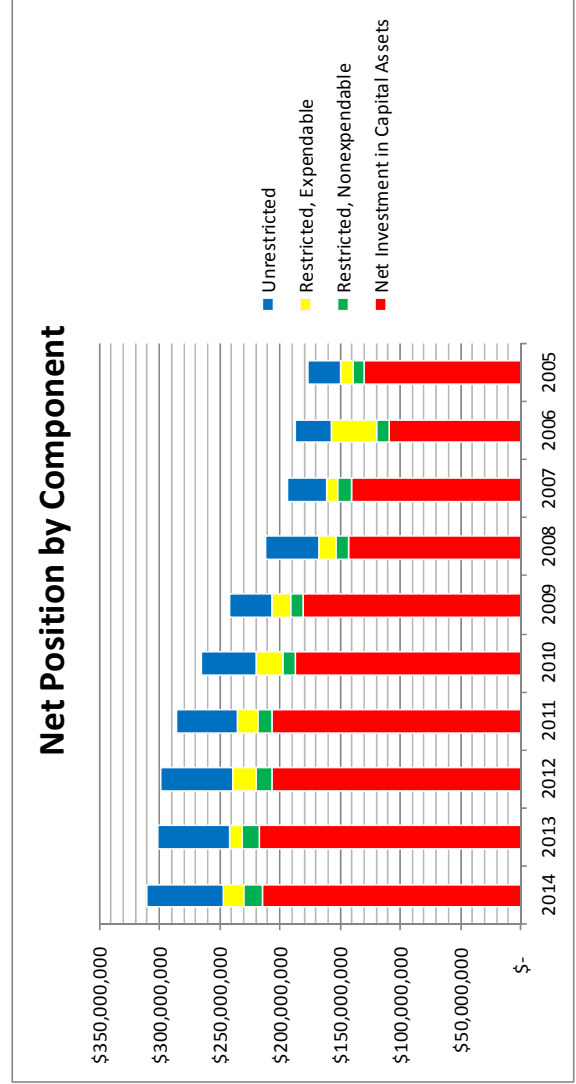
**Schedule of Net Position by Component**

| <b>Fiscal Year Ended June 30,</b> | <b>2014</b>           | <b>2013</b>           | <b>2012</b>           | <b>2011</b>           | <b>2010</b>           | <b>2009</b>           | <b>2008</b>           | <b>2007</b>           | <b>2006</b>           | <b>2005</b>           |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Investment in Capital Assets  | \$ 214,836,136        | \$ 216,938,842        | \$ 205,872,011        | \$ 206,297,618        | \$ 186,931,513        | \$ 180,153,062        | \$ 142,234,133        | \$ 140,318,054        | \$ 109,319,863        | \$ 129,359,062        |
| Restricted, Nonexpendable         | 15,057,533            | 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             |
| Restricted, Expendable            | 17,171,213            | 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             |
| Unrestricted                      | 62,712,176            | 59,531,293            | 60,059,056            | 50,686,018            | 44,884,640            | 34,433,459            | 43,576,850            | 31,806,387            | 30,018,383            | 27,574,101            |
| <b>Total Net Position</b>         | <b>\$ 309,777,058</b> | <b>\$ 301,345,525</b> | <b>\$ 299,124,841</b> | <b>\$ 285,337,572</b> | <b>\$ 264,590,458</b> | <b>\$ 241,409,909</b> | <b>\$ 211,157,477</b> | <b>\$ 192,994,828</b> | <b>\$ 187,422,867</b> | <b>\$ 176,434,471</b> |

**Net Position Components by Percent of Total**

| <b>Fiscal Year Ended June 30,</b> | <b>2014</b>    | <b>2013</b>    | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    | <b>2008</b>    | <b>2007</b>    | <b>2006</b>    | <b>2005</b>    |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Investment in Capital Assets  | 69.35%         | 71.99%         | 68.82%         | 72.30%         | 70.65%         | 74.63%         | 67.36%         | 72.71%         | 58.33%         | 73.32%         |
| Restricted, Nonexpendable         | 4.86%          | 4.57%          | 4.38%          | 4.19%          | 4.17%          | 4.22%          | 4.94%          | 5.82%          | 5.31%          | 5.40%          |
| Restricted, Expendable            | 5.54%          | 3.68%          | 6.72%          | 5.75%          | 8.22%          | 6.89%          | 7.06%          | 5.00%          | 20.34%         | 5.65%          |
| Unrestricted                      | 20.24%         | 19.76%         | 20.08%         | 17.76%         | 16.96%         | 14.26%         | 20.64%         | 16.48%         | 16.02%         | 15.63%         |
| <b>Total Net Position</b>         | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: Controller's Office



| <b>Outstanding Debt per Student</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>As of June 30,</b>               | <b>2014</b>          | <b>2013</b>          | <b>2012</b>          | <b>2011</b>          | <b>2010</b>          | <b>2009</b>          | <b>2008</b>          | <b>2007</b>          | <b>2006</b>          | <b>2005</b>          |
| Revenue Bonds                       | \$203,635,581        | \$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        |
| Notes                               | 3,927,386            | 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            |
| Capital Leases                      | 6,732                | 88,444               | 118,486              | -                    | 10,335               | 19,905               | 725,402              | 1,150,352            | 1,547,697            | 1,895,122            |
| <b>Total Outstanding Debt</b>       | <b>\$207,569,699</b> | <b>\$187,286,655</b> | <b>\$186,128,279</b> | <b>\$175,830,873</b> | <b>\$177,249,608</b> | <b>\$173,040,021</b> | <b>\$170,860,174</b> | <b>\$167,923,944</b> | <b>\$133,390,301</b> | <b>\$111,415,906</b> |
| Student FTE                         | 15,272               | 15,453               | 15,466               | 15,469               | 14,752               | 13,983               | 13,331               | 12,935               | 12,447               | 12,332               |
| <b>Total Debt per Student</b>       | <b>\$ 13,592</b>     | <b>\$ 12,120</b>     | <b>\$ 12,035</b>     | <b>\$ 11,367</b>     | <b>\$ 12,015</b>     | <b>\$ 12,375</b>     | <b>\$ 12,817</b>     | <b>\$ 12,982</b>     | <b>\$ 10,717</b>     | <b>\$ 9,035</b>      |

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 Service**

| Fiscal Year Ended June 30, | Tuition and Fees |                    |  | Property Taxes |              | Debt Service Requirements |       |  | Coverage Ratio |
|----------------------------|------------------|--------------------|--|----------------|--------------|---------------------------|-------|--|----------------|
|                            | Revenues         | Operating Expenses | Net Revenue Available for Debt Service | Principal      | Interest     | Total                     |       |  |                |
| 2014                       | \$ 101,583,101   | \$ 1,333,345       | \$ 102,916,446                         | \$ 2,890,613   | \$ 3,146,736 | 6,037,349                 | 17.05 |  |                |
| 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 |  |                |

**Auxiliary Bonds**

**Debt Service Requirements**

**Net Revenue Available for Debt Service**

| Fiscal Year Ended June 30, | Operating Expenses |  | Debt Service Requirements |              |              | Coverage Ratio |
|----------------------------|--------------------|--|---------------------------|--------------|--------------|----------------|
|                            | Revenues           | Net Revenue Available for Debt Service | Principal                 | Interest     | Total        |                |
| 2014                       | \$ 19,865,171      | \$ 8,512,141                           | \$ 11,353,029             | \$ 4,174,387 | \$ 4,830,438 | 1.26           |
| 2013                       | 18,800,928         | 8,349,112                              | 10,451,817                | 4,068,628    | 4,495,800    | 1.22           |
| 2012                       | 17,957,702         | 7,776,904                              | 10,180,798                | 3,275,546    | 4,522,009    | 1.31           |
| 2011                       | 16,666,814         | 7,197,473                              | 9,469,341                 | 2,960,000    | 4,537,205    | 1.26           |
| 2010                       | 15,389,208         | 6,275,919                              | 9,113,289                 | 2,635,000    | 3,501,975    | 1.48           |
| 2009                       | 14,417,264         | 6,430,792                              | 7,986,472                 | 2,255,000    | 2,888,363    | 1.55           |
| 2008                       | 13,798,183         | 6,600,579                              | 7,197,604                 | 1,860,000    | 2,776,193    | 1.55           |
| 2007                       | 12,735,135         | 5,680,928                              | 7,054,207                 | 2,105,000    | 2,533,734    | 1.52           |
| 2006                       | 11,044,011         | 5,131,758                              | 5,912,253                 | 780,000      | 1,444,237    | 3.07           |
| 2005                       | 9,404,523          | 4,396,837                              | 5,007,686                 | 1,170,000    | 1,834,312    | 1.67           |

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) |        | FTE (fall term) |       | Undergraduate Students |       | Graduate Students |       | Certificates |     | Associate Degrees |     | Bachelor's Degrees |  | Graduate Degrees |  |
|---------|------------------------|--------|-----------------|-------|------------------------|-------|-------------------|-------|--------------|-----|-------------------|-----|--------------------|--|------------------|--|
|         |                        |        |                 |       |                        |       |                   |       |              |     |                   |     |                    |  |                  |  |
| 2013-14 | 21,417                 | 15,272 | 17,963          | 3,454 | 1,651                  | 1,479 | 1,824             | 1,552 | 1,414        | 924 | 1,362             | 461 |                    |  |                  |  |
| 2012-13 | 21,976                 | 15,453 | 18,267          | 3,709 | 1,685                  | 1,603 | 1,721             | 1,739 | 1,619        | 960 | 1,438             | 422 |                    |  |                  |  |
| 2011-12 | 22,065                 | 15,466 | 18,278          | 3,787 | 1,378                  | 1,572 | 1,641             | 1,892 | 1,429        | 850 | 1,508             | 435 |                    |  |                  |  |
| 2010-11 | 21,783                 | 15,469 | 18,419          | 3,364 | 1,314                  | 1,244 | 1,582             | 1,363 | 1,244        | 905 | 1,555             | 420 |                    |  |                  |  |
| 2009-10 | 20,201                 | 14,752 | 18,069          | 2,132 | 1,314                  | 1,244 | 1,552             | 725   | 1,314        | 905 | 1,555             | 420 |                    |  |                  |  |
| 2008-09 | 18,947                 | 13,983 | 17,221          | 1,726 | 1,656                  | 1,120 | 1,414             | 472   | 1,656        | 924 | 1,362             | 461 |                    |  |                  |  |
| 2007-08 | 17,795                 | 13,331 | 16,311          | 1,484 | 1,694                  | 924   | 1,362             | 461   | 1,694        | 960 | 1,438             | 422 |                    |  |                  |  |
| 2006-07 | 17,274                 | 12,935 | 15,887          | 1,387 | 1,447                  | 960   | 1,438             | 422   | 1,447        | 850 | 1,508             | 435 |                    |  |                  |  |
| 2005-06 | 16,698                 | 12,447 | 15,422          | 1,276 | 1,537                  | 850   | 1,508             | 435   | 1,537        | 905 | 1,555             | 420 |                    |  |                  |  |
| 2004-05 | 16,485                 | 12,332 | 15,239          | 1,246 | 1,364                  | 905   | 1,555             | 420   | 1,364        |     |                   |     |                    |  |                  |  |

Source: Office of Institutional Research and Planning

**Enrollment Sources by Campus**

| Year    | Arkansas  |       |       |               |       |    | Out of State |     |     |           |    |     | International |    |     |               |    |     |         |    |     |    |    |     |    |    |
|---------|-----------|-------|-------|---------------|-------|----|--------------|-----|-----|-----------|----|-----|---------------|----|-----|---------------|----|-----|---------|----|-----|----|----|-----|----|----|
|         | Jonesboro |       |       | Mountain Home |       |    | Newport      |     |     | Jonesboro |    |     | Beebe         |    |     | Mountain Home |    |     | Newport |    |     |    |    |     |    |    |
|         |           |       |       |               |       |    |              |     |     |           |    |     |               |    |     |               |    |     |         |    |     |    |    |     |    |    |
| 2013-14 | 10,437    | 4,300 | 1,359 | 2,004         | 2,308 | 27 | 87           | 24  | 807 | 53        | 11 | 807 | 53            | 11 | 807 | 53            | 11 | 807 | 53      | 11 | 807 | 53 | 11 | 807 | 53 | 11 |
| 2012-13 | 10,708    | 4,543 | 1,329 | 2,000         | 2,311 | 49 | 84           | 27  | 858 | 51        | 16 | 858 | 51            | 16 | 858 | 51            | 16 | 858 | 51      | 16 | 858 | 51 | 16 | 858 | 51 | 16 |
| 2011-12 | 10,698    | 4,566 | 1,376 | 1,975         | 2,414 | 61 | 96           | 19  | 788 | 62        | 10 | 788 | 62            | 10 | 788 | 62            | 10 | 788 | 62      | 10 | 788 | 62 | 10 | 788 | 62 | 10 |
| 2010-11 | 10,761    | 4,628 | 1,480 | 2,057         | 2,079 | 44 | 103          | 36  | 575 | 11        | 9  | 575 | 11            | 9  | 575 | 11            | 9  | 575 | 11      | 9  | 575 | 11 | 9  | 575 | 11 | 9  |
| 2009-10 | 10,474    | 4,425 | 1,411 | 2,023         | 1,263 | 52 | 105          | 14  | 419 | 14        | 0  | 419 | 14            | 0  | 419 | 14            | 0  | 419 | 14      | 0  | 419 | 14 | 0  | 419 | 14 | 0  |
| 2008-09 | 9,998     | 4,381 | 1,217 | 1,625         | 1,170 | 63 | 77           | 77  | 322 | 15        | 0  | 322 | 15            | 0  | 322 | 15            | 0  | 322 | 15      | 0  | 322 | 15 | 0  | 322 | 15 | 0  |
| 2007-08 | 9,500     | 4,238 | 1,160 | 1,311         | 1,237 | 60 | 18           | 124 | 132 | 13        | 1  | 132 | 13            | 1  | 132 | 13            | 1  | 132 | 13      | 1  | 132 | 13 | 1  | 132 | 13 | 1  |
| 2006-07 | 9,459     | 3,992 | 1,115 | 1,230         | 1,141 | 66 | 66           | 58  | 127 | 15        | 4  | 127 | 15            | 4  | 127 | 15            | 4  | 127 | 15      | 4  | 127 | 15 | 4  | 127 | 15 | 4  |
| 2005-06 | 9,165     | 3,910 | 1,136 | 1,265         | 1,113 | 41 | 82           | 61  | 136 | 25        | 2  | 136 | 25            | 2  | 136 | 25            | 2  | 136 | 25      | 2  | 136 | 25 | 2  | 136 | 25 | 2  |
| 2004-05 | 9,225     | 3,616 | 1,231 | 910           | 1,102 | 17 | 78           | 113 | 181 | 3         | 6  | 181 | 3             | 6  | 181 | 3             | 6  | 181 | 3       | 6  | 181 | 3  | 6  | 181 | 3  | 6  |

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

**Annual Tuition and Required Fees**

|                              | 2014    | 2013    | 2012    | 2011    | 2010    | 2009    | 2008    | 2007    | 2006    | 2005    |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b><u>Undergraduate*</u></b> |         |         |         |         |         |         |         |         |         |         |
| <b>Resident</b>              |         |         |         |         |         |         |         |         |         |         |
| Jonesboro                    | \$7,510 | \$7,180 | \$6,934 | \$6,640 | \$6,370 | \$6,370 | \$6,010 | \$5,710 | \$5,440 | \$5,155 |
| Beebe                        | 3,120   | 2,970   | 2,850   | 2,790   | 2,670   | 2,670   | 2,550   | 2,460   | 2,280   | 2,160   |
| Mountain Home                | 3,240   | 3,150   | 3,030   | 2,910   | 2,760   | 2,760   | 2,370   | 2,370   | 2,280   | 2,160   |
| Newport                      | 3,000   | 2,850   | 2,700   | 2,550   | 2,400   | 2,400   | 2,340   | 2,280   | 2,190   | 2,070   |
| <b>Nonresident</b>           |         |         |         |         |         |         |         |         |         |         |
| Jonesboro                    | 13,120  | 12,610  | 12,238  | 14,860  | 14,290  | 14,290  | 13,390  | 12,760  | 12,145  | 11,515  |
| Beebe                        | 5,040   | 4,830   | 4,650   | 4,530   | 4,350   | 4,350   | 4,140   | 3,990   | 3,750   | 3,540   |
| Mountain Home                | 5,100   | 4,950   | 4,770   | 4,560   | 4,410   | 4,410   | 3,900   | 3,900   | 3,750   | 3,540   |
| Newport                      | 4,680   | 4,500   | 4,290   | 4,140   | 3,930   | 3,930   | 3,930   | 3,810   | 3,660   | 3,450   |
| <b><u>Graduate**</u></b>     |         |         |         |         |         |         |         |         |         |         |
| <b>Resident</b>              |         |         |         |         |         |         |         |         |         |         |
| Jonesboro                    | 5,432   | 5,198   | 5,030   | 4,820   | 4,640   | 4,640   | 4,370   | 4,145   | 3,947   | 3,740   |
| <b>Nonresident</b>           |         |         |         |         |         |         |         |         |         |         |
| Jonesboro                    | 9,716   | 9,338   | 9,073   | 10,850  | 10,436  | 10,436  | 9,770   | 9,329   | 8,879   | 8,420   |

\*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**

|                                       | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Academic and Administrative Buildings | 149  | 143  | 142  | 143  | 137  | 136  | 140  | 138  | 138  | 136  |
| Auxiliary Buildings                   | 163  | 158  | 164  | 182  | 180  | 178  | 186  | 191  | 185  | 171  |
| Total                                 | 312  | 301  | 306  | 325  | 317  | 314  | 326  | 329  | 323  | 307  |

Source: Campus Financial Offices

| <b>Number of Employees by Campus</b> |                  |              |                      |                |              |
|--------------------------------------|------------------|--------------|----------------------|----------------|--------------|
| <b>Year</b>                          | <b>Jonesboro</b> | <b>Beebe</b> | <b>Mountain Home</b> | <b>Newport</b> | <b>Total</b> |
| 2013-14                              | 1,603            | 347          | 119                  | 144            | 2,213        |
| 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        |

Note: Information is as of Fall term

Source: Office of Institutional Research and Planning

| <b>Principal Employers in the State of Arkansas<br/>Current Fiscal Year as Compared to 2005</b> |                                     |                                     |  |
|---|-------------------------------------|-------------------------------------|--|
| <b>Rank</b>   | <b>2014</b>                         | <b>2005</b>                         |  |
| 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 Services, Inc. |  |
| 6   | Union Pacific Railroad Company      | Baptist Health, Inc.                |  |
| 7   | Community Health Systems, Inc.      | Sisters of Mercy Health System      |  |
| 8   | J. B. Hunt Transport Services, Inc. | ALLTEL Corporation                  |  |
| 9   | Arkansas Children's Hospital        | Triad Hospitals, Inc.               |  |
| 10  | Sisters of Mercy Health System      | Whirlpool Corporation               |  |

Note: 2014 numbers are based on the first quarter of 2014.

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

Source: Arkansas Economic Development Commission

| <b>State of Arkansas Demographic and Economic Information</b> |  |                                       |  |   |
|---|--|---------------------------------------|--|---|
| <b>Year</b>   | <b>Total Population<br/>(in 000's)</b> | <b>Per Capita<br/>Personal Income</b> | <b>State<br/>Unemployment<br/>Rate</b> | <b>National<br/>Unemployment<br/>Rate</b> |
| 2014  | 2,971                                  | 37,036                                | 6.2%                                   | 6.1%                                      |
| 2013  | 2,963                                  | 35,480                                | 7.2%                                   | 7.6%                                      |
| 2012  | 2,951                                  | 34,769                                | 7.3%                                   | 8.2%                                      |
| 2011  | 2,940                                  | 33,722                                | 7.9%                                   | 9.1%                                      |
| 2010  | 2,924                                  | 32,346                                | 7.9%                                   | 9.4%                                      |
| 2009  | 2,900                                  | 31,651                                | 7.5%                                   | 9.5%                                      |
| 2008  | 2,877                                  | 32,832                                | 5.4%                                   | 5.6%                                      |
| 2007  | 2,852                                  | 31,316                                | 5.3%                                   | 4.6%                                      |
| 2006  | 2,824                                  | 29,358                                | 5.3%                                   | 4.6%                                      |
| 2005  | 2,787                                  | 27,800                                | 5.1%                                   | 5.0%                                      |

Source: Arkansas Department of Finance and Administration