
ARKANSAS STATE UNIVERSITY SYSTEM



Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

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



Arkansas State University System

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

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

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Introductory Section (Unaudited)

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ARKANSAS STATE
UNIVERSITY
SYSTEM

MESSAGE FROM THE PRESIDENT

501 Woodlane Drive, 301-N
Little Rock, AR 72201

Phone:
501-660-1000

Fax:
501-660-1010

www.asusystem.edu

December 14, 2012

Fiscal year 2012 was another successful year for the Arkansas State University System. The consolidated annual financial report that follows presents the results of our accomplishments.

Enrollment during Fall 2011 was 22,065 compared to 21,783 for Fall 2010. During fiscal year 2012, 6,530 certificates and degrees were awarded to our students.

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 Marion Berry Parkway, a new Humanities and Social Sciences Building, and new student housing facilities. ASU Beebe is renovating the J. Ernest Howell Center, expanding the John Deere Agricultural Technology Building and renovating the Student Center. Mountain Home's new Vada Sheid Community Development Center is under construction. Newport completed a new classroom building and has begun a new Hospitality Services building.

State appropriation revenues are expected to increase slightly from the fiscal year 2012 levels, but not at the same levels as enrollment growth and inflationary cost factors. We will continue to look for innovative ways to increase revenue and maintain a high level of quality at a reasonable price.

While the national economy remains uncertain, we are confident that we will find opportunities to better our campuses and remain a sound contributor to the state and each of our local communities.

Sincerely,

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

Dr. Charles L. Welch
President

Vision, Mission and Goals

Vision Statement

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

Mission Statement

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

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

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

Goals Statement

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

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

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



LETTER OF TRANSMITTAL

ARKANSAS STATE
UNIVERSITY
SYSTEM

December 14, 2012

501 Woodlawn Drive, 301-N
Little Rock, AR 72201

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

Phone:
501-660-1000

Fax:
501-660-1010

www.asusystem.edu

I am pleased to present the Comprehensive Annual Financial Report of the Arkansas State University System for the fiscal year ended June 30, 2012. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, net assets, and financial activities of the Jonesboro, Beebe, Mountain Home, and Newport campuses of the University. Combining exhibits are presented as supplementary information.

The responsibility of 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. The Arkansas Division of Legislative Audit has audited the financial statements, management's discussion and analysis, and accompanying footnotes and its unqualified opinion is included herein.

Management's discussion and analysis (MD&A) is included in this report preceding the Basic Financial Statements. This section of the Comprehensive Annual Financial Report is intended to assist readers to gain an understanding of the University's financial activities and position for the fiscal year ended June 30, 2012.

University Profile

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

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

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

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

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

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

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

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

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

ASU offers programs at the doctoral, specialist, master's, bachelor's, associate's and certificate levels. During the academic year ended June 30, 2012, the ASU System conferred 1,840 graduate degrees, 1,649 bachelor's degrees, 1,590 associate degrees and 1,368 certificates. Preliminary enrollment across the ASU System for the Fall 2012 semester totals over 22,000.

Progress and Initiatives

- Bonds were issued on the Jonesboro campus for new construction and renovations. These projects include renovations to Kays Hall, an additional honors residence hall and five new sorority houses. The new facilities will be ready for occupancy by Fall 2013.
- The Office of Financial Aid and Scholarships on the Jonesboro campus processed awards in excess of \$148 million.
- As a result of recommendations from the Cost Containment Task Force, a new IT store has been opened at ASU-Jonesboro. The store provides service and support for students, faculty and staff.

- University Advancement received a record number of gifts on the Jonesboro campus. The total amount of gifts for fiscal year 2012 was over \$11.5 million.
- ASU-Beebe received 10 year accreditation by the Higher Learning Commission.
- The ASU-Newport Career Pathways program was recognized as the 2nd most productive in the state.
- Graduation rates on the Newport, Mountain Home and Beebe campuses were ranked second, third and fourth, respectively, among the 22 two-year colleges in the state.
- ASU-Newport celebrated its 10 year anniversary as a stand-alone campus.
- ASU-Beebe was included in the Aspen Institute's top 10 percent of two-year colleges and is the only college in Arkansas to receive the recognition for two consecutive years.
- Fifty-six teachers with degrees from ASU-Jonesboro achieved National Board Certification. ASU was ranked 13th in the nation for this achievement.
- The online MBA program at ASU-Jonesboro was named to the 2012 Honor Roll as one of the top distance learning MBA programs in the nations by *U. S. News and World Report*.
- ASU-Mountain Home was recognized by the Arkansas State Highway and Transportation Department for 13 years of participation in the Adopt a Highway Program.
- In November, ASU-Jonesboro dedicated the Marion Berry Parkway. Phases I and II of the project, which include an overpass above railroad tracks through campus, are complete. Phase III, a loop to connect campus around the overpass, should be completed in another 18 months. The project was funded by the Arkansas Highway and Transportation Department, ASU-Jonesboro and the city of Jonesboro. Estimated costs of the project are approximately \$20 million.
- The Community College Survey of Student Engagement profiled ASU-Newport as one of ten programs in the nation considered to be an exemplary model of a high school to college transition program.

Transmittal Letter
Page 4

- ASU-Jonesboro achieved the highest student enrollment in history during Fall 2011. A total of 14,220 students were enrolled placing ASU second in the state for overall enrollment.

Economic Indicators

Net general revenues for the state increased 3.9% for fiscal year 2012. This was a result of growth in collections from individual income tax, corporate income tax, and sales tax. The state's unemployment rate fell to 7.2% in June 2012 from 8.1% in June 2011. Both rates were 1% below the national rate. Although employment growth has not been as high this year for Arkansas as it has for some other states, the economy in the state was not affected as dramatically as others during this recessionary period. This stability is a benefit to ASU as a state funded institution.

Financial Highlights

The ASU system continues to seek ways to diversify revenues and contain costs while maintaining a quality educational experience for students. Total Revenues for fiscal year 2012 increased at a rate of 1.56%. Total assets increased by 5.28%, while liabilities increased by 5.89%. Additional information about these percentages and the overall financial health of the University may be found in the management's discussion and analysis.

While fiscal year 2012 was a productive year for the ASU System, the University will continue to strategically manage the challenges posed by the current economic situation and will continue to develop and expand new and innovative funding opportunities in furtherance of its mission.

Respectfully submitted,



Ms. Julie Bates
Vice President for Finance

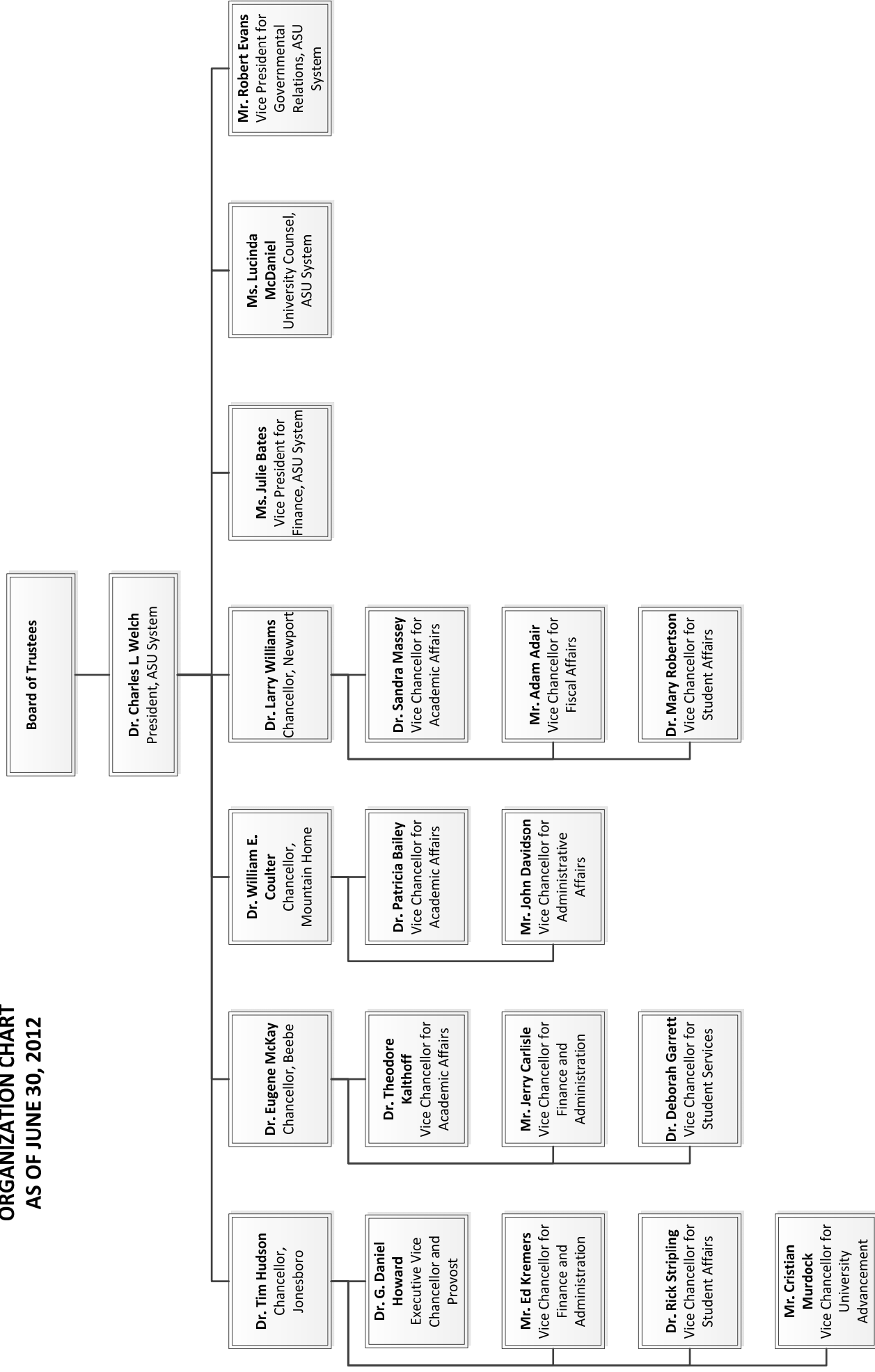
**Governor of the State of Arkansas
Mr. Mike Beebe**

**Board of Trustees
As of June 30, 2012**

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



**ARKANSAS STATE UNIVERSITY SYSTEM
ORGANIZATION CHART
AS OF JUNE 30, 2012**





Financial Section

Independent Auditor's Report

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

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

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, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arkansas State University Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University Foundation, Inc., is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Arkansas State University System as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 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* and should be considered in assessing the results of our audit.

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.

Independent Auditor's Report (Continued)

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 Assets by Campus, the Statement of Revenues, Expenses and Changes in Net Assets 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Statement of Net Assets by Campus, the Statement of Revenues, Expenses and Changes in Net Assets by Campus, and the Statement of Cash Flows by Campus have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Assets by Campus, the Statement of Revenues, Expenses and Changes in Net Assets by Campus, and the Statement of Cash Flows by Campus are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

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

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

Little Rock, Arkansas
November 26, 2012
EDHE12512

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, 2012. 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, 2011 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. While, the University has chosen to not present comparative audited information for the fiscal year ended June 30, 2011, condensed statements are presented in this section to illustrate the various increases and decreases.

The University's financial statements for the year ended June 30, 2012 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, 2012 and 2011 where appropriate.

Statement Discussion

Statement of Net Assets

The Statement of Net Assets is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, and net assets (assets minus liabilities) as of June 30, 2012, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net assets are presented in three categories: invested in capital, net of related debt, restricted net assets, and unrestricted net assets. Restricted net assets are 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 Assets is displayed below.

Readers of the Statement of Net Assets can determine answers to the following key questions as of June 30, 2012:

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

Assets

Total assets increased by \$26 million.

Current Assets

Current assets decreased by \$3.2 million. Cash and cash equivalents increased by \$5.8 million. This increase was due to \$1 million deposit in transit from the state treasury as well as \$4.8 million of increases in campus programs including online education and childhood services at the Jonesboro campus. Short-term investments decreased by \$7.8 million. This decrease was due to the spending of \$6 million in short-term investments at the Beebe campus for residence halls construction. Additionally, the Newport campus showed a decrease of \$1.8 million due to short-term investments being redirected as long-term investments. Accounts receivable decreased by \$1.8 million. This was due to an increased effort at the campuses to collect tuition and fee amounts. Deposits with trustees increased by \$0.8 million. This increase is attributable to the construction and refunding bonds issued for the Jonesboro campus.

Condensed Statement of Net Assets				
	2012	2011	Increase/ (Decrease)	Percent Change
Assets:				
Current Assets	\$ 67,563,252	\$ 70,816,133	\$ (3,252,881)	(4.59%)
Capital Assets, net	376,827,180	381,460,115	\$ (4,632,935)	(1.21%)
Other Noncurrent Assets	79,873,180	45,683,146	\$ 34,190,034	74.84%
Total Assets	<u>\$ 524,263,612</u>	<u>\$ 497,959,394</u>	<u>\$ 26,304,218</u>	5.28%
Liabilities:				
Current Liabilities	\$ 29,367,825	\$ 28,833,371	\$ 534,454	1.85%
Noncurrent Liabilities	195,770,946	183,788,451	\$ 11,982,495	6.52%
Total Liabilities	<u>225,138,771</u>	<u>212,621,822</u>	<u>12,516,949</u>	5.89%
Net Assets:				
Invested in Capital, Net of Debt	205,872,011	206,297,618	(425,607)	(0.21%)
Restricted, Nonexpendable	13,097,190	11,957,122	1,140,068	9.53%
Restricted, Expendable	20,096,584	16,396,814	3,699,770	22.56%
Unrestricted	60,059,056	50,686,018	9,373,038	18.49%
Total Net Assets	<u>299,124,841</u>	<u>285,337,572</u>	<u>13,787,269</u>	4.83%
Total Liabilities and Net Assets	<u>\$ 524,263,612</u>	<u>\$ 497,959,394</u>	<u>\$ 26,304,218</u>	5.28%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets, net

Capital assets, net decreased by \$4.6 million. This decrease was due to an increase in accumulated depreciation from \$226,142,634 in 2011 to \$247,019,480 in 2012. This increase was due to a number of buildings and other improvements that were added in 2011 and began depreciating in 2012. The increase in accumulated depreciation was offset by the addition of \$18 million in capital assets and the retirement of \$2 million in capital assets with accumulated depreciation of \$1 million.

Other Assets

Other assets increased by \$34 million. The increase in noncurrent cash was \$7 million. Cash and cash equivalents are reflected at \$15 million. Previously, this amount had been accounted for as restricted cash and cash equivalents. The change in reporting more accurately reflects the intent of these dollars. The net change of noncurrent cash, from \$21 million in fiscal year 2011 to \$28 million in fiscal year 2012 is due to the Jonesboro campus receiving an appropriation from the state treasury for the Liberal Arts building in the amount of \$6 million. The campus also saw an increase of \$1 million in cash designated for campus projects. Endowment investments increased by \$1 million. This was due to the recognition of the Kays Trust at the Jonesboro campus. Other long-term investments also increased by \$10.5 million. This increase was the result of \$7.2 million in investment purchases at the Beebe campus and the restructuring of \$1.8 million from short-term to long-term investments at the Newport campus. The remaining \$1.5 million increase were additional investment purchases at the Jonesboro campus. Deposits with trustees increased by \$15 million. This is attributable to the three bond issues for housing construction at the Jonesboro campus. Unamortized bond issuance costs also increased by \$0.5 million as a result of these bond issues.

Liabilities

Total liabilities increased by \$12.5 million.

Current Liabilities

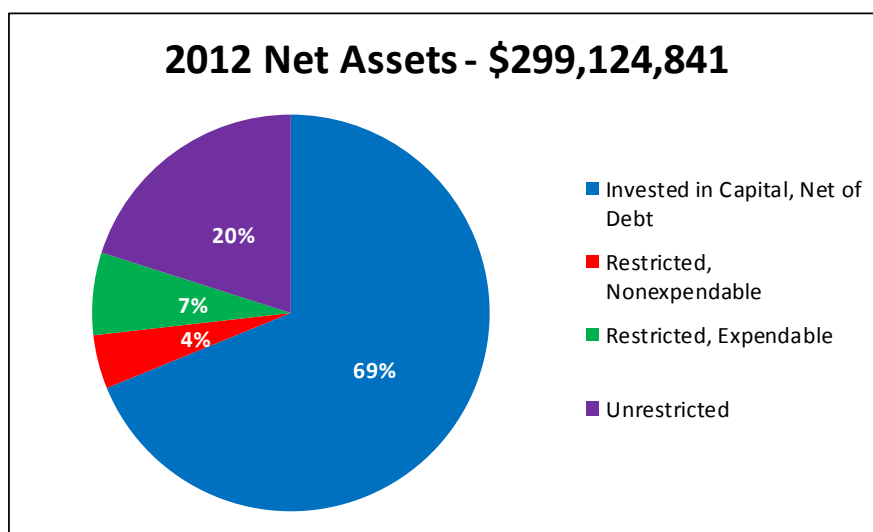
Current liabilities increased by \$0.5 million. This modest variance was due to small increases and decreases in the various current liability categories. Accounts payable increased by \$200,000. This was due to the recognition of construction retainages payable at the Jonesboro campus. Also, current bonds, notes and leases payable increased by \$400,000 and was attributable to the new bond issues at the Jonesboro campus. Deferred revenues decreased by \$370,000 due to the start of the second summer session beginning earlier in July than the previous fiscal year. Funds held in trust for others decreased by \$90,000 due to a slight decrease in the amount of cash on hand in agency accounts. Deposits receivable increased by \$240,000. This was attributable to the increase of international student deposits and the A-State Express Dollar deposits at the Jonesboro campus. Interest payable increased by \$120,000 due to the additional bonds issued by the Jonesboro campus.

Noncurrent Liabilities

Noncurrent Liabilities increased by \$12 million. The majority of this increase was due to an increased \$10 million in bonds, notes and leases payable. This increase was due to the refunding and construction bonds issued for Jonesboro. Also, other post-employment benefits saw an increase of \$1.5 million. The estimate of this liability continues to increase each year due to the increasing costs of retirement benefits. The remaining \$0.5 million in increases was due to slight increases in compensated absences and refundable federal advances. Both of these appear to be typical increases for the fiscal year.

Net Assets

Total net assets increased by \$13.7 million. The percentage of each net assets category is displayed in the chart below.



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital assets, net of related debt

Capital assets, net of related debt decreased by \$425,000. This was a minimal decrease and is attributable to the \$4.6 million decrease in net capital assets mentioned above and the increase in construction in progress attributable to the new debt of \$4.175 million.

Restricted, Nonexpendable

Restricted, nonexpendable net assets increased by \$1.1 million.

- *Scholarships and Fellowships*—Restricted, nonexpendable net assets for scholarships and fellowships increased by \$1.1 million. This increase was due to the Jonesboro campus's recognition of the restricted, nonexpendable portion of the Kays Trust.
- *Loans*—The restricted, nonexpendable net assets for loans increased slightly in the amount of \$45,000. This was due to a small increase in the Perkins Loan activity.
- *Other*—Restricted, nonexpendable net assets for other purposes than those mentioned above decreased slightly by \$28,000. This indicates a slight decline in endowments for purposes other than scholarships.

Restricted, Expendable

Restricted, expendable net assets increased by \$3.7 million.

- *Scholarships and Fellowships*—Restricted, expendable net assets for scholarships and fellowships increased by \$290,000. This increase was due to the Jonesboro campus's recognition of the restricted, expendable portion of the Kays Trust.
- *Research*—Restricted, expendable net assets for research declined by \$180,000. This is a minimal decrease due to fluctuations in timing of awards.
- *Loans*—The restricted, expendable net assets for loans remained unchanged between fiscal year 2011 and fiscal year 2012.
- *Capital Projects*—The restricted, expendable net assets for capital projects increased by \$4.5 million. This was related to the increased amount available for projects due to the bond issues at the Jonesboro campus as mentioned previously.
- *Debt Service*—Restricted, expendable net assets for debt service decreased by \$830,000. This was due to correctly reflecting these amounts as part of capital assets, net of related debt in accordance with new accounting guidance.
- *Other*—The restricted, expendable net assets for other purposes than those listed above decreased slightly by \$65,000. This was caused by a decrease in non-research grant activity.

Unrestricted

Unrestricted net assets increased by \$9.3 million. This was due to an increase in academic programs at the Jonesboro campus including nursing and online degree programs. Also, the campus saw a rise in revenues generated through the childhood services training programs.

Statement of Revenues, Expenses and Changes in Net Assets

The total net assets as presented on the Statement of Net Assets are 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 Assets. 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, 2012.

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 Uni-

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

versity in exchange for providing the appropriation. A condensed Statement of Revenues, Expenses and Changes in Net Assets for fiscal year 2012 compared to fiscal year 2011 is shown below.

Condensed Statement of Revenues, Expenses and Changes in Net Assets				
	2012	2011	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 53,179,741	\$ 50,458,050	\$ 2,721,691	5.39%
Grants and Contracts	30,928,513	33,399,265	(2,470,752)	(7.40%)
Auxiliary Enterprises, Net	23,926,128	21,252,473	2,673,655	12.58%
Other	6,370,538	7,157,730	(787,192)	(11.00%)
Total Operating Revenues	<u>114,404,920</u>	<u>112,267,518</u>	<u>2,137,402</u>	1.90%
Operating Expenses	261,327,398	259,832,294	1,495,104	0.58%
Nonoperating Revenues (Expenses)				
Federal Appropriations	5,580,251	-	5,580,251	100.00%
State Appropriations	93,460,349	91,995,057	1,465,292	1.59%
Grants and Contracts	53,629,309	55,310,240	(1,680,931)	(3.04%)
Interest	(7,765,915)	(7,470,505)	(295,410)	3.95%
Other	6,361,767	9,782,763	(3,420,996)	(34.97%)
Total Nonoperating	<u>151,265,761</u>	<u>149,617,555</u>	<u>1,648,206</u>	1.10%
Income Before Other Revenue, Expenses, Gains or Losses	<u>4,343,283</u>	<u>2,052,779</u>	<u>2,290,504</u>	111.58%
Capital Appropriations	7,826,005	10,722,718	(2,896,713)	(27.01%)
Capital Grants and Gifts	654,093	2,194,597	(1,540,504)	(70.20%)
Other	963,888	5,777,020	(4,813,132)	(83.32%)
Total	<u>9,443,986</u>	<u>18,694,335</u>	<u>(9,250,349)</u>	
Increase (Decrease) in Net Assets	<u>\$ 13,787,269</u>	<u>\$ 20,747,114</u>	<u>\$ (6,959,845)</u>	(33.55%)
Net Assets, Beginning of Year	\$ 285,337,572	\$ 264,590,458	\$ 20,747,114	7.84%
Net Assets, End of Year	\$ 299,124,841	\$ 285,337,572	\$ 13,787,269	4.83%

Revenues

Total revenues increased by \$4 million.

Operating Revenues

Total operating revenues increased by \$2 million.

Tuition and Fees, net

Tuition and fees increased by \$2.7 million. Gross tuition and fee revenue increased by \$4 million. This was the result of increased enrollment as well as a minimal tuition increase. Scholarship allowances also increased by \$1.3 million which demonstrates the University's efforts to provide affordable educational opportunities.

Grants and Contracts

Operating grants and contracts decreased by \$2.5 million. While additional grants of \$1.6 million were awarded on the Newport

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Campus, the Beebe campus had a decrease of \$350,000. This decrease was due to a decline in available grant resources at the federal and state levels. This category also reflects an adjustment at the Jonesboro campus that shifted certain projects from operating grants and contracts to non-operating federal appropriations.

Sales and Services

Sales and services increased by \$72,000. This minimal increase is attributable to additional agricultural sales at the Jonesboro campus.

Auxiliary Enterprises, net

Auxiliary enterprises increased by \$2.7 million. Gross auxiliary revenues increased by \$3.2 million. This was the result of increased revenues across all auxiliaries at the Jonesboro campus. Additionally, the Beebe campus saw increases due to the completion of new residence halls and Mountain Home had increased ticket sales and rental fees for the new Community Development Center. Scholarship allowances also increased by approximately \$0.5 million.

Self Insurance

Self insurance revenues increased by \$250,000. This is a result of a minimal increase in premiums that occurred beginning January 1st.

Other

Other operating revenues decreased by \$1.1 million. This was due to a reduction in funding from the Arkansas Delta Training and Education Consortium (ADTEC). Additionally, there was a decrease in rental and lease income at the Jonesboro campus.

Nonoperating Revenues

Total nonoperating revenues increased by \$2 million.

Federal Appropriations

Federal appropriations increased by \$5.6 million. In the prior fiscal year, these amounts were included with operating grants and contracts. Beginning in fiscal year 2012, these amounts were moved to this category to more accurately reflect the nature of these projects.

State Appropriations

State appropriations increased by \$1.5 million. This increase is attributable to one-time funding that each campus received near the end of the fiscal year.

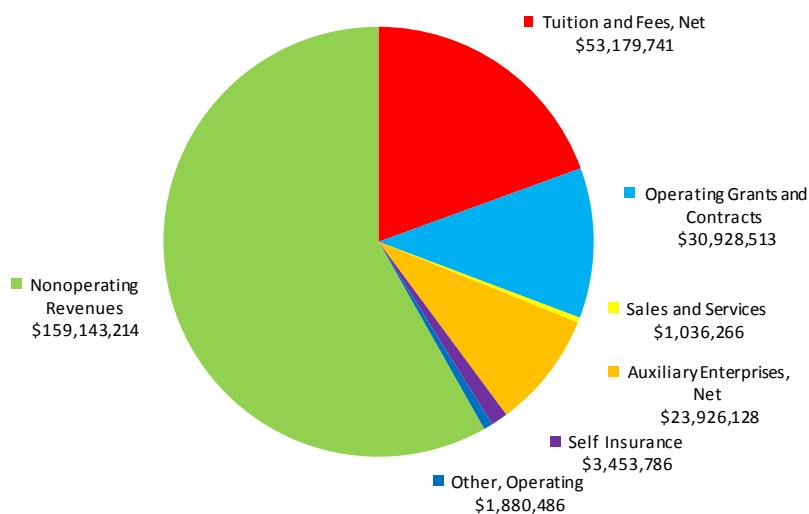
Stimulus Funds (ARRA)

Nonoperating revenues from stimulus funds (ARRA) decreased by \$1.8 million. This was due to one-time funding projects at each campus which were received during fiscal year 2011.

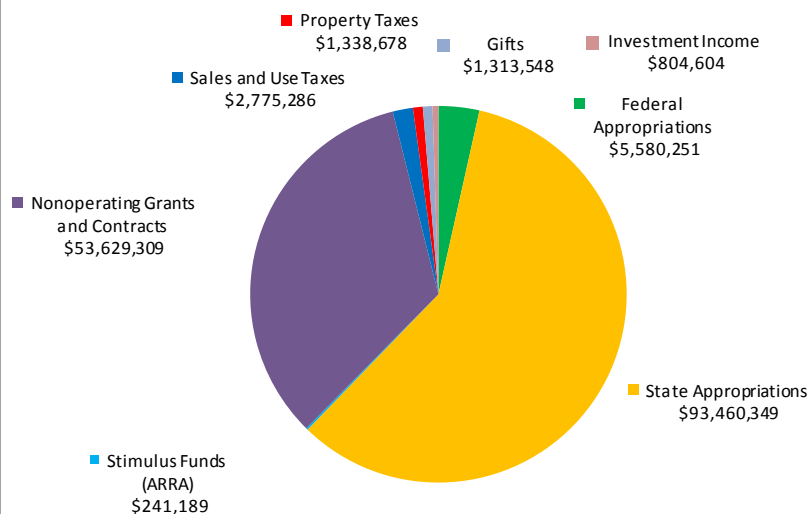
Grants and Contracts

Nonoperating grants and contracts decreased by \$1.7 million. This was due to a decline in student aid, primarily Pell grants as well as other federal student aid.

2012 Total Revenues - \$273,548,134



2012 Total Nonoperating Revenues - \$159,143,214



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Sales and Use Taxes

Sales and use taxes increased by \$65,000. This was due to a modest increase in sales in Jackson and Cleburne counties.

Property Taxes

Property tax revenues increased by \$78,000. This slight increase is due to re-valuation of the assessed property values as determined by Baxter county.

Gifts

Gifts decreased by \$325,000. This decline was due to a reduction in gifts from the ASU Foundation when compared to fiscal year 2011.

Investment Income

Investment income decreased by \$1.3 million. This is due to decreases in market values as well as realized losses on the value of investments. This is indicative of a continued weak market performance.

Expenses

Total expenses increased by \$1.9 million.

Operating Expenses

Total operating expenses increased by \$1.5 million.

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

Personal Services

Personal services increased by \$1.2 million. The majority of this increase was the additional amount of other post employment benefits that was recorded for fiscal year 2012.

Scholarships and Fellowships

Scholarships and fellowships decreased by \$6.1 million. \$3.5 million of this amount was a change in the way some of the waivers at the Jonesboro campus are now accounted for as part of net tuition and fees. Additionally, there was a \$3.3 reduction in federal financial aid during the year. This was offset by an increase in state financial aid.

Supplies and Services

Supplies and services increased by \$3 million. This increase was due to increased costs for facilities that were opened in fiscal year 2012. Also, there were increased operating costs associated with grant activity during the year.

Self Insurance

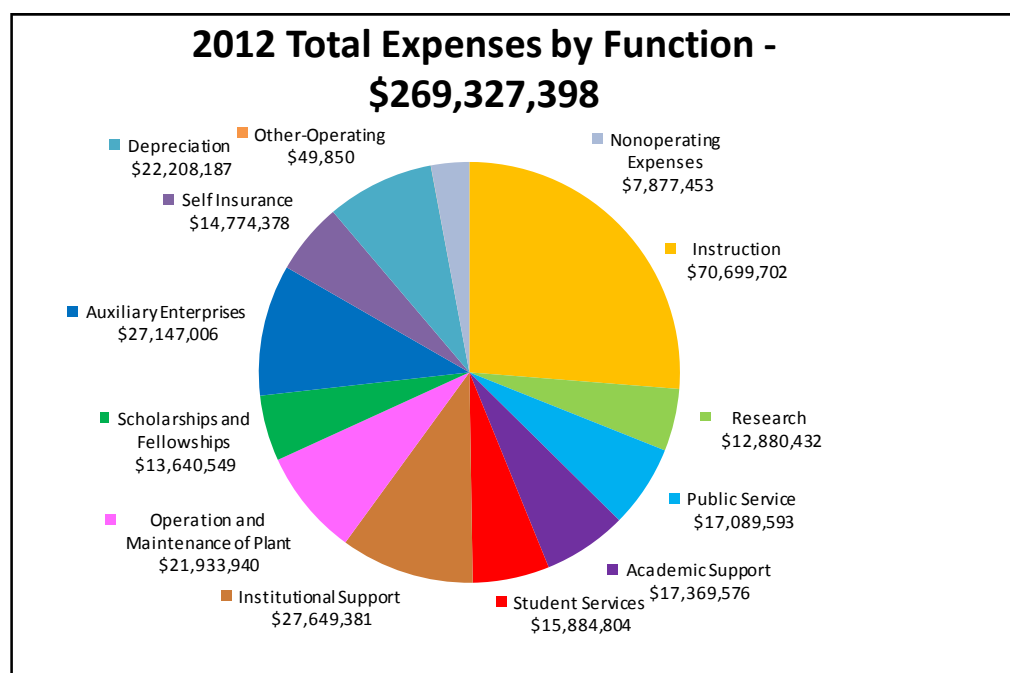
Self insurance expenses increased by \$375,000. This minimal increase was due increased healthcare costs as well as two high dollar claims that were filed during the fiscal year.

Depreciation

Depreciation expense increased by \$3 million. This increase was due to all four campuses adding buildings and other improvements during fiscal year 2011 that began depreciating during fiscal year 2012.

Other

Other operating expenses decreased by \$43,000. These expenses are related to the Perkins Loan program on the Jonesboro campus. The loan cancellation and write-off expenses were lower in fiscal year 2012 when compared to fiscal year 2011.

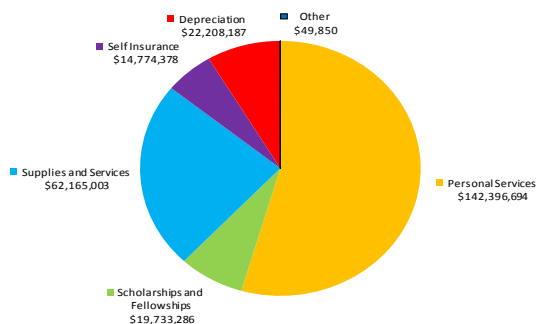


MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

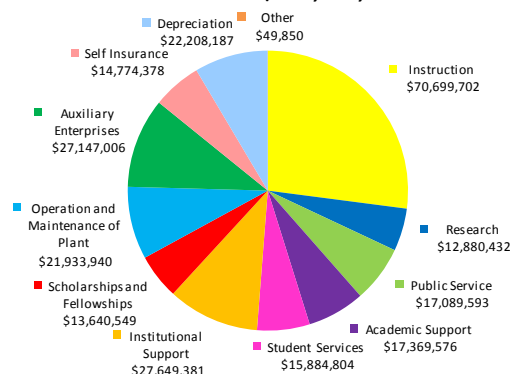
Operating Expenses by Function				
	2012	2011	Increase/ (Decrease)	Percent Change
Instruction	\$ 70,699,702	\$ 69,996,484	\$ 703,218	1.00%
Research	12,880,432	12,923,364	(42,932)	(0.33%)
Public Service	17,089,593	18,605,236	(1,515,643)	(8.15%)
Academic Support	17,369,576	18,651,752	(1,282,176)	(6.87%)
Student Services	15,884,804	15,213,936	670,868	4.41%
Institutional Support	27,649,381	26,602,898	1,046,483	3.93%
Scholarships and Fellowships	13,640,549	19,997,972	(6,357,423)	(31.79%)
Operation and Maintenance of Plant	21,933,940	19,483,715	2,450,225	12.58%
Auxiliary Enterprises	27,147,006	24,728,541	2,418,465	9.78%
Self Insurance	14,774,378	14,397,856	376,522	2.62%
Depreciation	22,208,187	19,138,033	3,070,154	16.04%
Other	49,850	92,507	(42,657)	(46.11%)
Total Operating Expenses	\$ 261,327,398	\$ 259,832,294	\$ 1,495,104	0.58%

Operating Expenses by Natural Classifications				
	2012	2011	Increase/ (Decrease)	Percent Change
Personal Services	\$ 142,396,694	\$ 141,193,099	\$ 1,203,595	0.85%
Scholarships and Fellowships	19,733,286	25,837,301	(6,104,015)	(23.62%)
Supplies and Services	62,165,003	59,173,498	2,991,505	5.06%
Self Insurance	14,774,378	14,397,856	376,522	2.62%
Depreciation	22,208,187	19,138,033	3,070,154	16.04%
Other	49,850	92,507	(42,657)	(46.11%)
Total Operating Expenses	\$ 261,327,398	\$ 259,832,294	\$ 1,495,104	0.58%

2012 Total Operating Expenses by Natural Classification - \$261,327,398



2012 Total Operating Expenses by Functional Classification - \$261,327,398



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Nonoperating Expenses

Total nonoperating expenses increased by \$406,000.

Interest

Interest expense increased by \$295,000. All the campuses, other than Beebe, experienced lower interest costs. Beebe's increase was attributed to fiscal year 2012 being the first year that interest was due on the residence hall bond issues. Although the Jonesboro campus issued bonds during the fiscal year, no interest payments were due before the end of the fiscal year.

Other

Other nonoperating expenses increased by \$111,000. This is primarily an increase in expenses to third party trustees who manage either funds held in trust or endowments.

Other Changes

Other revenues, expenses, gains and losses totaled \$9.4 million. This amount decreased by \$9.2 million.

Capital Appropriations

Capital appropriations decreased by \$2.9 million. This was due to an additional \$2 million received for the Liberal Arts building on the Jonesboro campus when compared to last fiscal year. Also, the appropriations for the Marion Berry Parkway decreased by \$5 when compared to 2011 due to the completion of the second phase of the project.

Capital Grants and Gifts

Capital grants and gifts decreased by \$1.5 million. This decrease was due to completion of a capital grant in fiscal year 2011 for the ABI-COM addition at the Jonesboro campus.

Stimulus Funds (ARRA) for Capital Projects

This funding decreased by \$4.3 million. This was due to one-time funding received in fiscal year 2011.

Additions to Endowments

Additions to endowments increased by \$1.4 million. This was due to the recognition of the Kays Trust at the Jonesboro campus.

Gain or Loss on Disposal of Capital Assets

Gains/losses on disposal of capital assets decreased by \$1.4 million. This was due to the sale of the Mallard Point property in fiscal year 2011.

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 Assets to the net cash provided (used) by operating activities as presented in component one of the Statement of Cash Flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2012 and June 30, 2011 were as follows:

Capital Assets (net of accumulated depreciation)				
	2012	2011	Increase/ (Decrease)	Percent Change
Land and land improvements	\$ 13,130,572	\$ 13,006,429	\$ 124,143	0.95%
Construction in progress	14,474,812	37,023,268	(22,548,456)	(60.90%)
Livestock	126,905	103,913	22,992	22.13%
Intangibles-Easements	2,627,000	2,627,000	-	0.00%
Intangibles-Software	3,690,332	4,133,011	(442,679)	(10.71%)
Buildings	265,115,402	268,368,965	(3,253,563)	(1.21%)
Improvements and infrastructure	60,157,652	38,274,448	21,883,204	57.17%
Equipment	15,518,000	15,912,598	(394,598)	(2.48%)
Library/audiovisual holdings	1,986,505	2,010,483	(23,978)	(1.19%)
Total	\$ 376,827,180	\$ 381,460,115	\$ (4,632,935)	(1.21%)

Land

The University's value in land and land improvements increased by \$124,143 during fiscal year 2012. This increase is attributable to two purchases of property at the Beebe campus.

Construction in progress

Construction in progress decreased by 60.90%. This decrease was the result of the completion of several projects being transferred to buildings/improvements including: ABI-COM, Marion Berry Parkway, and several elevator and lab upgrades on the Jonesboro campus; residence halls and Summit Trail on the Beebe campus and the first phase of the Community Development Center at the Mountain Home campus.

Livestock

The increase of 22.13% is primarily attributable to an increase in the Beebe's campus livestock herds.

Intangibles-Easements

The University had no additions or disposals of easements during fiscal year 2012.

Intangibles-Software

The University's decrease of \$442,679 was the amount of annual depreciation during the fiscal year. No additions to software were added in fiscal year 2012.

Buildings

The University's decrease in buildings is a result of building additions being extremely high when compared to fiscal year 2011. In fiscal year 2011, there were more than \$24 million added to the value of buildings through either current year spending or transfers from construction in progress. This was offset by the completion of new residence halls transferred from construction in progress in the amount of \$8,277,432 as well as the demolition of a residence hall in the amount of \$238,675 on the Beebe campus. The Mountain Home campus's value of buildings also increased in the amount \$1,183,516 as a result of the transfer from construction in progress of the Community Development Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Improvements and infrastructure

The 57.17% or \$21,883,404 increase in improvements and infrastructure is attributable to several projects at the Jonesboro campus being completed during the fiscal year. These include: Marion Berry Parkway, several Stimulus (ARRA) projects, ABI-COM, elevator upgrades at the Stadium and renovations to the Smith Center.

Equipment

Equipment decreased by 2.48% or \$394,598 during the year. Equipment purchases for the fiscal year declined due to the state's increase in the capitalization threshold from \$2,500 to \$5,000.

Library/Audiovisual Holdings

The University's decrease of \$23,978 or 1.19% is due to a slightly lower purchases from fiscal year 2011 to fiscal year 2012.

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 \$180,099,269 in bonds payable, \$5,910,524 in notes payable and \$116,486 in capital leases payable at June 30, 2012.

The Jonesboro campus issued bonds for construction during fiscal year 2012 as listed below by project and amount:

Sorority Housing	\$6,510,000
Honors Housing	\$6,875,000
Kays Hall Renovations	\$3,425,000

The campus also issued \$8,115,000 in refunding bonds to refund the 2004 Student Fee issue.

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

The \$5,910,524 in notes payable consisted of two notes for IT infrastructure on the Jonesboro campus in the amounts of \$2,969,534 and \$124,910 and a note payable for the Mountain Home campus in the amount of \$2,816,080 for a land purchase.

The \$116,486 in capital leases is comprised of a lease for football equipment in the amount of \$96,798 and a vehicle in the amount of \$19,688. Both of these are located on the Jonesboro campus.

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

Economic Outlook

The economic outlook of the University remains sound.

Economic conditions at the national and state level remained uncertain during the fiscal year ended June 30, 2012. Interest rates continued at historically low levels thereby significantly lowering the University's ability to earn appreciable returns on its operating investments. The value of the University's and its related Foundation's endowments were stable, however, the ability to generate appreciable returns likewise remained low.

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

At the state level, revenue collections marginally exceeded the forecast of the Arkansas Department of Finance and Administration. Growth in state revenues is forecasted to continue to be slow through 2012 and 2013.

State appropriations for fiscal year 2012 were slightly higher than forecasted. This indicates a gradually improving state economy. Revenues increased 2.18% from fiscal year 2011 to fiscal year 2012. Revenues are expected to increase 0.22% from 2012 to 2013. The University has seen an increase in the state lottery scholarship program. The program was begun during the 2010 – 2011 academic year. Revenues from the program increased 9.53% from fiscal year 2011 to fiscal year 2012. ASU Jonesboro also had the

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

highest retention rate (71%) of all the public 4-year universities in the state for the 2011 academic year. The University will continue to benefit as this program makes higher education more affordable for the residents of Arkansas.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 48,100,705
Short-term investments	1,297,819
Accounts receivable (less allowances of \$769,753)	14,346,695
Notes and deposits receivable (less allowances of \$214,195)	1,017,687
Accrued interest and late charges	102,886
Inventories	1,616,422
Deposits with trustees	833,878
Unamortized bond issuance costs	69,398
Prepaid expenses	177,762
Total Current Assets	67,563,252

Noncurrent Assets:

Cash and cash equivalents	15,235,649
Restricted cash and cash equivalents	13,270,334
Endowment investments	11,888,686
Other long-term investments	16,559,287
Accrued interest	341,646
Deposits with trustees	15,875,826
Accounts receivable	394,351
Notes and deposits receivable (less allowances of \$1,031,383)	4,906,901
Unamortized bond issuance costs	1,400,500
Capital assets (net of accumulated depreciation of \$247,019,480)	376,827,180
Total Noncurrent Assets	456,700,360
TOTAL ASSETS	524,263,612

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	7,871,465
Bonds, notes and leases payable	7,519,197
Compensated absences	7,848,099
Deferred revenue	2,232,441
Funds held in trust for others	627,709
Deposits	1,000,025
Interest payable	2,210,595
Other liabilities	58,294
Total Current Liabilities	29,367,825

Noncurrent Liabilities:

Accounts payable and accrued liabilities	98,253
Bonds, notes and leases payable	178,607,082
Compensated absences	3,460,157
Accrued other postemployment benefits payable	5,853,460
Deposits	353,384
Refundable federal advances	7,398,610
Total Noncurrent Liabilities	195,770,946
TOTAL LIABILITIES	225,138,771

NET ASSETS

Invested in capital assets, net of related debt	205,872,011
Restricted for nonexpendable purposes:	
Scholarships and fellowships	7,383,325
Loans	924,432
Other	4,789,433
Restricted for expendable purposes:	
Scholarships and fellowships	840,253
Research	688,413
Loans	20,000
Capital projects	15,773,047
Debt service	240,938
Other	2,533,933
Unrestricted	60,059,056
TOTAL NET ASSETS	\$ 299,124,841

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$45,334,957)	\$ 53,179,741
Grants and contracts	30,928,513
Sales and services of educational departments	1,036,266
Auxiliary enterprises (net of scholarship allowances of \$9,299,049)	23,926,128
Self-insurance	3,453,786
Other operating revenues	1,880,486
TOTAL OPERATING REVENUES	<u>114,404,920</u>

OPERATING EXPENSES

Personal services	142,396,694
Scholarships and fellowships	19,733,286
Supplies and services	62,165,003
Self-insurance	14,774,378
Depreciation	22,208,187
Other	49,850
TOTAL OPERATING EXPENSES	<u>261,327,398</u>
OPERATING INCOME (LOSS)	<u>(146,922,478)</u>

NONOPERATING REVENUES (EXPENSES)

Federal appropriations	5,580,251
State appropriations	93,460,349
Stimulus funds (ARRA)	241,189
Grants and contracts	53,629,309
Sales and use taxes	2,775,286
Property taxes	1,338,678
Gifts	1,313,548
Investment income	804,604
Interest on capital asset - related debt	(7,765,915)
Other nonoperating revenues (expenses)	(111,538)
NET NONOPERATING REVENUES (EXPENSES)	<u>151,265,761</u>

INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES 4,343,283

Capital appropriations	7,826,005
Capital grants and gifts	654,093
Stimulus funds (ARRA) for capital projects	286,380
Additions to endowments	1,476,859
Adjustments to prior year capital assets	26,739
Refunds to grantors	(290,916)
Gain or loss on disposal of capital assets	(642,348)
Capitalization of library holdings at rate per volume	153,639
Bond issuance costs	(46,465)

INCREASE (DECREASE) IN NET ASSETS 13,787,269

NET ASSETS - BEGINNING OF YEAR 285,337,572

NET ASSETS - END OF YEAR **\$ 299,124,841**

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, 2012

CASH FLOW FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 53,174,588
Grants and contracts	31,378,439
Auxiliary enterprises revenues	23,504,692
Sales and services of educational departments	1,034,938
Self-insurance program receipts	3,453,786
Collection of principal and interest related to student loans	1,062,316
Other receipts	2,250,280
Payments to employees	(118,748,996)
Payments for employee benefits	(21,378,058)
Payments to suppliers	(62,809,800)
Scholarships and fellowships	(19,733,286)
Self-insurance program payments	(14,765,672)
Loans issued to students	(945,751)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(122,522,524)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal appropriations	5,561,428
State appropriations	93,460,349
Stimulus funds (ARRA)	331,928
Grants and contracts	53,842,138
Private gifts and grants	1,551,413
Sales and use taxes	2,789,089
Property taxes	1,266,038
Direct lending, PLUS and FFEL loan receipts	89,589,932
Direct lending, PLUS and FFEL loan payments	(90,688,353)
Other agency funds - net	(71,106)
Refunds to grantors	(288,860)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	157,343,996

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Distributions from trustee of current year bond proceeds and interest earnings	660,542
Capital appropriations	9,634,370
Capital gift and grants	1,065,340
Stimulus (ARRA) funds for capital projects	277,650
Proceeds from sale of capital assets	28,722
Purchases of capital assets	(17,375,808)
Payments to trustees for bond principal	(6,124,999)
Payments to trustees for bond interest and fees	(7,472,077)
Payments to debt holders for principal (other than bonds)	(1,205,313)
Payments to debt holders for interest and fees (other than bonds)	(162,390)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(20,673,963)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	9,734,676
Interest on investments (net of fees)	812,959
Purchases of investments	(12,003,305)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,455,670)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 12,691,839

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 63,914,849

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 76,606,688

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)	\$ (146,922,478)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	22,208,187
Change in assets and liabilities:	
Receivables, net	540,315
Inventories	49,931
Prepaid expenses	(106,004)
Accounts and salaries payable	(187,140)
Other postemployment benefits payable	1,575,750
Deferred revenue	(369,530)
Deposits	282,075
Refundable federal advances	134,233
Compensated absences	234,017
Other liabilities	38,120
Net cash provided (used) by operating activities	<u>\$ (122,522,524)</u>

NONCASH TRANSACTIONS

JONESBORO

Equipment-capital gift of \$7,388

Note payable-IT Infrastructure \$249,803

Capital Lease Payable-Football \$126,260

Capital Lease Payable-Convocation Center \$25,672

The University issued refunding bonds. Payment of \$5,200,000 was remitted to the bond escrow account directly from the bond proceeds. Bond Issuance costs of \$135,280 were paid directly from the bond proceeds. Additionally, \$4,720 was remitted directly to the bond trustee from the bond proceeds.

The University issued refunding bonds. Payment of \$2,740,000 was remitted to the bond escrow account directly from the bond proceeds and related premium of \$35,026. Bond Issuance costs of \$67,708 were paid directly from the bond proceeds. Additionally, \$2,318 was remitted directly to the bond trustee from the bond proceeds.

The University issued bonds for construction. Payment of \$3,817,902 was remitted to the bond escrow account directly from the bond proceeds and related premium of \$171,822. Bond Issuance costs of \$78,920 were paid directly from the bond proceeds.

The University issued bonds for construction. Payment of \$6,352,903 was remitted to the bond escrow account directly from the bond proceeds. Bond Issuance costs of \$157,097 were paid directly from the bond proceeds.

The University issued bonds for construction. Payment of \$6,732,739 was remitted to the bond escrow account directly from the bond proceeds and related premium of \$17,113. Bond Issuance costs of \$159,374 were paid directly from the bond proceeds.

Interest earned on reserve accounts held by trustee-\$198

MOUNTAIN HOME

Interest costs paid directly from debt service reserve \$8,662

NEWPORT

Vehicle from state purchasing program \$14,715

Investment income on trustee accounts \$4,245

CD interest reinvested \$1,033

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets

Cash and cash equivalents \$ 48,100,705

Noncurrent Assets

Cash and cash equivalents 15,235,649

Restricted cash and cash equivalents 13,270,334

Total cash and cash equivalents - June 30, 2012 \$ 76,606,688

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, 2012

ASSETS

Cash	\$ 255,258
Repurchase agreement	5,193,491
Certificate of deposit	1,745,201
Short-term investment	88,141
Prepaid expenses	6,121
Unconditional promises to give, net	1,460,664
Long-term investments	39,747,967
Cash surrender value of life insurance	6,400
Property and equipment, net	1,106,514
Other assests	1,100
TOTAL ASSETS	<u>\$ 49,610,857</u>

LIABILITIES

Accounts payable	\$ 38,000
Notes payable	21,423
Annuities payable	170,356
Amounts held on behalf of Arkansas State University related entities	9,167,980
TOTAL LIABILITIES	<u>9,397,759</u>

NET ASSETS

Unrestricted	2,436,225
Temporarily restricted	5,873,738
Permanently restricted	31,903,135
TOTAL NET ASSETS	<u>40,213,098</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 49,610,857

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT				
SUPPORT AND RECLASSIFICATIONS				
Contributions	\$ 454,117	\$ 2,347,343	\$ 762,803	\$ 3,564,263
Contributed services	340,266			340,266
Investment return, net	57,608	776,548	(715,897)	118,259
Other income	385,047	560,537	11,305	956,889
Net assets released from restrictions	3,816,302	(3,816,302)		-
TOTAL SUPPORT	<u>5,053,340</u>	<u>(131,874)</u>	<u>58,211</u>	<u>4,979,677</u>
EXPENSES AND LOSSES				
PROGRAM SERVICES				
Academic Activities	469,885			469,885
Administrative	130,473			130,473
Student activities	84,105			84,105
SUPPORTING SERVICES				
Management and general	533,559			533,559
Fundraising	400,761			400,761
Transfers to Arkansas State University	3,119,288			3,119,288
Transfers to Other Affiliates	24,617			24,617
TOTAL EXPENSES AND LOSSES	<u>4,762,688</u>	<u>-</u>	<u>-</u>	<u>4,762,688</u>
INCREASE (DECREASE) IN NET ASSETS	<u>290,652</u>	<u>(131,874)</u>	<u>58,211</u>	<u>216,989</u>
NET ASSETS AT BEGINNING OF YEAR	2,179,282	5,852,501	31,964,326	39,996,109
RECLASSIFICATION AND INTERNAL TRANSFERS	<u>(33,709)</u>	<u>153,111</u>	<u>(119,402)</u>	<u>-</u>
TOTAL AFTER RECLASSIFICATION AND INTERNAL TRANSFERS	<u>2,145,573</u>	<u>6,005,612</u>	<u>31,844,924</u>	<u>39,996,109</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,436,225</u>	<u>\$ 5,873,738</u>	<u>\$ 31,903,135</u>	<u>\$ 40,213,098</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, 2012, the Foundation transferred property, equipment and funds of \$3,119,288 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 issued Statement No. 34, *Basic Financial Statements - and Management 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 assets, revenues, expenses, changes in net assets and cash flows.

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

NOTES TO FINANCIAL STATEMENTS

from the consolidated statements.

The University may choose whether to apply pronouncements of the FASB issued after November 30, 1989 unless those pronouncements conflict with pronouncements of the GASB. The University has elected to not apply pronouncements of the FASB issued after November 30, 1989.

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, audio-visual 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. Library holdings that are capitalized do not include periodicals, microfilm, microfiche and government documents. The University follows capitalization guidelines established by the State of Arkansas. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$5,000 and an estimated useful life greater than one year. Improvements to buildings, infrastructure, and land that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense when incurred.

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

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

Software costing \$1,000,000 or more has been 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, 2012. 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 Assets. Nonparticipating contracts are reported at cost.

It is the University's policy 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 Assets. Additionally, this classification includes other long-term investments with original maturity dates greater than one year.

Restricted/Unrestricted Resources

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

Deferred Revenues

Deferred 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, 2012 are treated as deferred 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

NOTES TO FINANCIAL STATEMENTS

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 post employment benefits payable (Note 12); (5) accounts payable for construction retainages that will not be paid within the next fiscal year and (6) the refundable federal portion of the Perkins Loan Program.

Property Taxes

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

Sales and Use Taxes

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

Funds Held in Trust for Others

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

Net Assets

The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: 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 Assets: Within this classification there are two (2) categories of net assets:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PUBLIC FUND DEPOSITS AND INVESTMENTS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 5,320,693	\$ 5,899,564
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	74,571,167	73,602,274
Uninsured, Uncollateralized	161,062	
Total Deposits	<u>\$ 80,052,922</u>	<u>\$ 79,501,838</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 \$10,544,086 and \$78,700 for the year ended June 30, 2012, respectively. The above total deposits include certificates of deposits of \$14,067,880 reported as investments and deposits with trustees and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$1,140 reported as deposits with trustees.

Deposits with Trustees

At June 30, 2012, the University's deposits with trustees, excluding nonnegotiable certificates of deposits of \$167,138 and money market checking accounts of \$1,140, of \$16,541,426 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury. The money market 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 49 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, 2012, the University's investments, excluding endowment funds, consisted of corporate bonds of \$1,404,752 and U.S. agencies of \$2,551,612. The corporate bonds will mature as follows:

Less than one year - \$412,920
1-5 years - \$848,456
6-10 years - \$143,376

The U.S. agencies will mature as follows:

6-10 years - \$1,552,602
Greater than 10 years - \$999,010

Credit risk – The credit quality ratings of the corporate bonds ranged from A- to AA+ by Standard and Poor's and Baa1 to A1 by Moody's Investors Service. The credit quality ratings of the U.S. agencies were AA+ by Standard and Poor's and Aaa by Moody's Investors Service.

Interest rate risk – The corporate bonds had an estimated weighted average maturity of 2.765 years at June 30, 2012. The U.S. agencies had an estimated weighted average maturity of 9.602 years at June 30, 2012. 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.

NOTES TO FINANCIAL STATEMENTS

Endowment Investments

Except for the investments of the R.E. Lee Wilson, Sr. Trust and the 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 18.2% or \$7,172,387 and consisted of the following types of investments:

- Domestic Equities Mutual Funds - \$1,915,221
- Domestic Equities Securities - \$373,321
- Alternative Assets - \$60,076
- Cash equivalents - \$68,509
- Bonds/Fixed Income - \$4,146,524
- International Securities - \$608,736

The Beebe campus's portion of the investment pool was 0.35% or \$138,073 and consisted of the following types of investments:

- Domestic Equities Mutual Funds - \$36,869
- Domestic Equities Securities - \$7,187
- Alternative Assets - \$1,156
- Cash equivalents - \$1,319
- Bonds/Fixed Income - \$79,823
- International Securities - \$11,719

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 \$3,101,806 consisted of the following types of investments held in trust by a third party:

- Mutual funds - \$2,282,238
- Corporate bonds - \$384,794
- Cash equivalents - \$70,025
- U.S. agencies - \$364,749

The corporate bonds will mature as follows:

- Less than one year - \$22,197
- 1-5 years - \$172,978
- 6-10 years - \$158,276
- Greater than 10 years - \$31,343

The U.S. agencies will mature as follows:

- 1-5 years - \$128,194
- 6-10 years - \$45,819
- Greater than 10 years - \$190,736

Credit risk – The credit quality ratings of the corporate bonds were rated Baa3 to A1 by Moody's Investor Services.

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies had an estimated weighted average maturity of 6.4771 and 12.6432 years, respectively, at June 30, 2012.

Kays Trust Investments

The Kays Trust of \$1,476,420 consisted of the following types of investments held in trust by a third party:

- Mutual funds - \$439,154
- Corporate bonds - \$498,818
- Cash equivalents - \$100,862
- U.S. agencies - \$437,586

NOTES TO FINANCIAL STATEMENTS

The corporate bonds will mature as follows:

Less than one year - \$29,260
1-5 years – \$227,338
6-10 years - \$202,801
Greater than 10 years - \$39,419

The U.S. agencies and treasury notes will mature as follows:

1-5 years – \$129,110
6-10 years - \$62,810
Greater than 10 years - \$245,666

Credit risk – The credit quality ratings of the corporate bonds were rated Baa3 to A1 by Moody's Investor Services.

Interest rate risk – The trust portfolio consists of corporate bonds and U.S. agencies and treasury notes had an estimated weighted average maturity of 6.4 and 13.6228 years, respectively, at June 30, 2012.

NOTE 3.

INCOME TAXES

The Institution is tax exempt under Internal Revenue Service code. It 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, 2012:

Arkansas State University-Jonesboro					
	Balance				Balance
	July 1, 2011	Additions	Transfers	Retirements	June 30, 2012
Nondepreciable capital assets:					
Land and improvements	\$ 6,536,235				\$ 6,536,235
Livestock for educational purposes	39,835			\$ (740)	39,095
Construction-in-progress	28,351,866	\$ 9,569,542	\$ (24,814,505)	(16,032)	13,090,871
Intangibles-Easements	2,627,000				2,627,000
Total nondepreciable capital assets	\$ 37,554,936	\$ 9,569,542	\$ (24,814,505)	\$ (16,772)	\$ 22,293,201
Other capital assets:					
Improvements and infrastructure	\$ 38,813,999	\$ 641,988	\$ 24,556,370	\$ (158,802)	\$ 63,853,555
Buildings	307,813,414	2,478	258,135	(785,221)	307,288,806
Equipment	41,079,270	3,079,065		(743,452)	43,414,883
Library/audiovisual holdings	12,068,600	141,820		(34,661)	12,175,759
Intangibles-Software	5,828,610				5,828,610
Total other capital assets	405,603,893	3,865,351	24,814,505	(1,722,136)	432,561,613
Less accumulated depreciation/amortization:					
Improvements and infrastructure	13,746,717	2,192,997	(51,627)	(61,099)	15,826,988
Buildings	121,124,055	8,811,808	51,627	(220,053)	129,767,437
Equipment	28,735,450	3,206,069		(737,044)	31,204,475
Library/audiovisual holdings	10,964,440	184,216		(34,661)	11,113,995
Intangibles-Software	1,695,599	442,679			2,138,278
Total accumulated depreciation/amortization	176,266,261	14,837,769	-	(1,052,857)	190,051,173
Other capital assets, net	\$ 229,337,632	\$ (10,972,418)	\$ 24,814,505	\$ (669,279)	\$ 242,510,440
Capital Asset Summary:					
Nondepreciable capital assets	\$ 37,554,936	\$ 9,569,542	\$ (24,814,505)	\$ (16,772)	\$ 22,293,201
Other capital assets, at cost	405,603,893	3,865,351	24,814,505	(1,722,136)	432,561,613
Total cost of capital assets	443,158,829	13,434,893	-	(1,738,908)	454,854,814
Less accumulated depreciation/amortization	176,266,261	14,837,769	-	(1,052,857)	190,051,173
Capital Assets, net	\$ 266,892,568	\$ (1,402,876)	\$ -	\$ (686,051)	\$ 264,803,641

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe					
	Balance July 1, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Nondepreciable capital assets:					
Land and improvements	\$ 3,060,963		\$ 124,143		\$ 3,185,106
Livestock for educational purposes	64,078	\$ 23,732			87,810
Construction-in-progress	7,563,401	2,079,241	\$ (8,443,922)		1,198,720
Total nondepreciable capital assets	\$ 10,688,442	\$ 2,102,973	\$ (8,319,779)	\$ -	\$ 4,471,636
Other capital assets:					
Improvements and infrastructure	\$ 12,380,598		\$ 42,347		\$ 12,422,945
Buildings	58,262,653		8,277,432	\$ (238,675)	66,301,410
Equipment	5,332,052	\$ 241,988		(41,141)	5,532,899
Library/audiovisual holdings	2,135,368	162,079		(10,278)	2,287,169
Total other capital assets	78,110,671	404,067	8,319,779	(290,094)	86,544,423
Less accumulated depreciation:					
Improvements and infrastructure	2,278,788	909,565			3,188,353
Buildings	19,157,733	1,478,323		(238,675)	20,397,381
Equipment	3,680,231	456,519		(41,366)	4,095,384
Library/audiovisual holdings	1,427,418	129,878		(10,278)	1,547,018
Total accumulated depreciation	26,544,170	2,974,285	-	(290,319)	29,228,136
Other capital assets, net	\$ 51,566,501	\$ (2,570,218)	\$ 8,319,779	\$ 225	\$ 57,316,287
Capital Asset Summary:					
Nondepreciable capital assets	\$ 10,688,442	\$ 2,102,973	\$ (8,319,779)	\$ -	\$ 4,471,636
Other capital assets, at cost	78,110,671	404,067	8,319,779	(290,094)	86,544,423
Total cost of capital assets	88,799,113	2,507,040	-	(290,094)	91,016,059
Less accumulated depreciation	26,544,170	2,974,285	-	(290,319)	29,228,136
Capital Assets, net	\$ 62,254,943	\$ (467,245)	\$ -	\$ 225	\$ 61,787,923

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home					
	Balance				Balance
	July 1, 2011	Additions	Transfers	Retirements	June 30, 2012
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction-in-progress	822,558		\$ (822,558)		-
Total nondepreciable capital assets	<u>\$ 3,757,366</u>	<u>\$ -</u>	<u>\$ (822,558)</u>	<u>\$ -</u>	<u>\$ 2,934,808</u>
Other capital assets:					
Improvements and infrastructure	\$ 2,280,289				\$ 2,280,289
Buildings	35,946,579	\$ 360,958	\$ 822,558		37,130,095
Equipment	1,262,086	174,546			1,436,632
Library/audiovisual holdings	840,952	11,819			852,771
Total other capital assets	<u>40,329,906</u>	<u>547,323</u>	<u>822,558</u>	<u>-</u>	<u>41,699,787</u>
Less accumulated depreciation:					
Improvements and infrastructure	1,306,309	152,019			1,458,328
Buildings	10,089,567	2,451,275			12,540,842
Equipment	809,085	141,440			950,525
Library/audiovisual holdings	710,472	30,049			740,521
Total accumulated depreciation	<u>12,915,433</u>	<u>2,774,783</u>	<u>-</u>	<u>-</u>	<u>15,690,216</u>
Other capital assets, net	<u>\$ 27,414,473</u>	<u>\$ (2,227,460)</u>	<u>\$ 822,558</u>	<u>\$ -</u>	<u>\$ 26,009,571</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 3,757,366	\$ -	\$ (822,558)	\$ -	\$ 2,934,808
Other capital assets, at cost	40,329,906	547,323	822,558	-	41,699,787
Total cost of capital assets	44,087,272	547,323	-	-	44,634,595
Less accumulated depreciation	<u>12,915,433</u>	<u>2,774,783</u>	<u>-</u>	<u>-</u>	<u>15,690,216</u>
Capital Assets, net	<u>\$ 31,171,839</u>	<u>\$ (2,227,460)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,944,379</u>

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Newport					
	Balance July 1, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Nondepreciable capital assets:					
Land and improvements	\$ 474,423				\$ 474,423
Construction-in-progress	285,443	\$ 1,511,604	\$ (1,611,826)		185,221
Total nondepreciable capital assets	\$ 759,866	\$ 1,511,604	\$ (1,611,826)	\$ -	\$ 659,644
Other capital assets:					
Improvements and infrastructure	\$ 2,332,683		\$ 90,539		\$ 2,423,222
Buildings	25,333,775		1,521,287		26,855,062
Equipment	2,772,034	\$ 286,630		\$ (32,830)	3,025,834
Library/audiovisual holdings	359,177	19,133		(880)	377,430
Total other capital assets	30,797,669	305,763	1,611,826	(33,710)	32,681,548
Less accumulated depreciation:					
Improvements and infrastructure	201,307	147,383			348,690
Buildings	8,616,101	1,138,210			9,754,311
Equipment	1,308,078	321,951		11,835 *	1,641,864
Library/audiovisual holdings	291,284	13,806			305,090
Total accumulated depreciation	10,416,770	1,621,350	-	11,835	12,049,955
Other capital assets, net	\$ 20,380,899	\$ (1,315,587)	\$ 1,611,826	\$ (45,545)	\$ 20,631,593
Capital Asset Summary:					
Nondepreciable capital assets	\$ 759,866	\$ 1,511,604	\$ (1,611,826)	\$ -	\$ 659,644
Other capital assets, at cost	30,797,669	305,763	1,611,826	(33,710)	32,681,548
Total cost of capital assets	31,557,535	1,817,367	-	(33,710)	33,341,192
Less accumulated depreciation	10,416,770	1,621,350	-	11,835	12,049,955
Capital Assets, net	\$ 21,140,765	\$ 196,017	\$ -	\$ (45,545)	\$ 21,291,237
*Prior year depreciation was increased for prior year error in the amount of \$44,665					

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

The summary of long-term debt is as follows:

Arkansas State University-Jonesboro					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2012	Maturities To June 30, 2012
3/1/2004	3/1/2034	3 - 5%	\$ 34,000,000	\$ 29,470,000	\$ 4,530,000
9/15/2005	4/1/2025	3 - 5%	19,230,000	14,480,000	4,750,000
6/1/2007	3/1/2037	3.65 - 5%	17,065,000	15,320,000	1,745,000
6/1/2007	3/1/2037	3.65 - 5%	30,300,000	27,195,000	3,105,000
3/19/2009	3/1/2039	3 - 5.1%	9,290,000	8,925,000	365,000
5/31/2010	5/31/2015	6.74%	27,178	19,688	7,490
10/8/2010	9/8/2015	0.46%	4,568,514	2,969,534	1,598,980
12/7/2010	3/1/2031	2 - 4.125%	6,075,000	5,610,000	465,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	2,395,000	205,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	2,905,000	530,000
8/15/2011	8/15/2015	15.58%	126,260	96,798	29,462
1/16/2012	1/16/2016	4.09%	249,803	124,910	124,893
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	5,340,000	-
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	2,775,000	-
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	6,510,000	-
3/1/2012	3/1/2042	2 - 4%	6,875,000	6,875,000	-
3/1/2012	3/1/2037	2 - 4%	3,425,000	3,425,000	-
Unamortized discount			(121,455)	(110,259)	(11,196)
Unamortized premium			253,831	251,196	2,635
Deferral on debt defeasance			(219,848)	(203,556)	(16,292)
Totals			<u>\$ 151,804,283</u>	<u>\$ 134,373,311</u>	<u>\$ 17,430,972</u>

Arkansas State University-Beebe					
Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2012	Maturities To June 30, 2012
9/15/2005	12/1/2023	3.83%	\$ 3,330,000	\$ 2,325,000	\$ 1,005,000
12/6/2005	12/1/2035	4.78%	15,170,000	13,450,000	1,720,000
3/1/2006	9/1/2035	4.72%	11,000,000	9,745,000	1,255,000
1/15/2008	12/1/2032	3 - 4.375%	2,080,000	1,855,000	225,000
4/15/2010	4/1/2040	4.58%	9,125,000	8,940,000	185,000
Unamortized discount			(114,719)	(107,018)	(7,701)
Totals			<u>\$ 40,590,281</u>	<u>\$ 36,207,982</u>	<u>\$ 4,382,299</u>

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home					
<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2012</u>	<u>Maturities To June 30, 2012</u>
8/1/1999	4/10/2019	4.80%	\$ 1,032,704	\$ 476,180	\$ 556,524
1/29/2008	12/1/2032	4.2 - 4.5%	5,180,000	4,610,000	570,000
10/23/2009	10/23/2019	5.50%	2,500,000	2,339,900	160,100
12/7/2010	12/1/2017	2.2 - 2.6%	2,920,000	2,525,000	395,000
Unamortized premium			28,993	22,780	6,213
Deferral on debt defeasance			(11,295)	(8,874)	(2,421)
Totals			<u>\$ 11,650,402</u>	<u>\$ 9,964,986</u>	<u>\$ 1,685,416</u>

Arkansas State University-Newport					
<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2012</u>	<u>Maturities To June 30, 2012</u>
1/29/2008	12/1/2032	3 - 4.375%	\$ 2,075,000	\$ 1,850,000	\$ 225,000
4/30/2008	5/1/2028	2.75 - 4.5%	4,400,000	3,730,000	670,000
Totals			<u>\$ 6,475,000</u>	<u>\$ 5,580,000</u>	<u>\$ 895,000</u>

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro					
	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 118,289,719	\$ 25,148,961	\$ 12,276,299 *	\$ 131,162,381	\$ 4,655,336
Notes payable	3,883,237	249,803	1,038,596	\$ 3,094,444	943,546
Capital leases payable	-	151,932 **	35,446	\$ 116,486	28,230
Compensated absences	8,579,987	6,112,863	5,899,886	\$ 8,792,964	6,299,130
Totals	<u>\$ 130,752,943</u>	<u>\$ 31,663,559</u>	<u>\$ 19,250,227</u>	<u>\$ 143,166,275</u>	<u>\$ 11,926,242</u>
*Includes advance refunding of \$5,200,000 and \$2,740,000					
**Includes prior year capital lease of \$25,672					

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Beebe					
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds payable	\$ 37,214,132		\$ 1,006,150	\$ 36,207,982	\$ 966,149
Compensated absences	1,444,671	\$ 943,453	953,421	\$ 1,434,703	933,485
Totals	<u>\$ 38,658,803</u>	<u>\$ 943,453</u>	<u>\$ 1,959,571</u>	<u>\$ 37,642,685</u>	<u>\$ 1,899,634</u>

Arkansas State University-Mountain Home					
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds payable	\$ 7,686,434		\$ 537,528	\$ 7,148,906	\$ 547,528
Notes payable	2,947,351		131,271	\$ 2,816,080	138,408
Compensated absences	413,154	\$ 243,763	221,495	\$ 435,422	34,834
Totals	<u>\$ 11,046,939</u>	<u>\$ 243,763</u>	<u>\$ 890,294</u>	<u>\$ 10,400,408</u>	<u>\$ 720,770</u>

Arkansas State University-Newport					
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds payable	\$ 5,810,000		\$ 230,000	\$ 5,580,000	\$ 240,000
Compensated absences	636,426	\$ 757,971	749,230	\$ 645,167	580,650
Totals	<u>\$ 6,446,426</u>	<u>\$ 757,971</u>	<u>\$ 979,230</u>	<u>\$ 6,225,167</u>	<u>\$ 820,650</u>

NOTES TO FINANCIAL STATEMENTS

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

Arkansas State University-Jonesboro			
Year ended June 30,	Principal	Interest	Total
2013	\$ 5,627,112 *	\$ 5,755,699 **	\$ 11,382,811
2014	5,735,165	5,604,206	11,339,371
2015	5,642,789	5,440,051	11,082,840
2016	5,122,208	5,269,291	10,391,499
2017	5,005,336	5,089,188	10,094,524
2018-2022	27,181,680	22,260,327	49,442,007
2023-2027	26,741,680	15,951,933	42,693,613
2028-2032	26,379,168	10,182,681	36,561,849
2033-2037	22,316,058	3,977,030	26,293,088
2038-2042	4,622,115	587,718	5,209,833
Totals	<u>\$ 134,373,311 ***</u>	<u>\$ 80,118,124</u>	<u>\$ 214,491,435</u>
*Includes discount amortization of \$4,595, premium amortization of \$10,792, and deferral on debt defeasance of \$10,861. **Includes interest payable of \$1,842,624 recorded as a current liability at June 30,2012. ***Total principal of \$134,373,311 includes discount amortization of \$110,259, premium amortization of \$251,196, and deferral on debt defeasance of \$203,556.			

Arkansas State University-Beebe			
Year ended June 30,	Principal	Interest	Total
2013	\$ 966,149 *	\$ 1,603,107 **	\$ 2,569,256
2014	1,001,149	1,568,679	2,569,828
2015	1,036,149	1,532,496	2,568,645
2016	1,076,148	1,493,839	2,569,987
2017	1,121,149	1,452,356	2,573,505
2018-2022	6,265,747	6,549,986	12,815,733
2023-2027	6,935,746	5,138,371	12,074,117
2028-2032	8,155,747	3,421,609	11,577,356
2033-2037	8,115,746	1,275,156	9,390,902
2037-2040	1,534,252	146,010	1,680,262
Totals	<u>\$ 36,207,982 ***</u>	<u>\$ 24,181,609</u>	<u>\$ 60,389,591</u>
*Includes discount amortization of \$3,851. **Includes interest payable of \$309,357 recorded as a current liability at June 30,2012. ***Total principal of \$36,207,982 includes discount amortization of \$107,018.			

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home			
Year ended June 30,	Principal	Interest	Total
2013	\$ 685,936 *	\$ 384,821 **	\$ 1,070,757
2014	708,283	364,396	1,072,679
2015	726,023	343,143	1,069,166
2016	743,866	321,358	1,065,224
2017	777,746	297,619	1,075,365
2018-2022	3,433,132	971,657	4,404,789
2023-2027	1,150,000	507,365	1,657,365
2028-2032	1,420,000	230,684	1,650,684
2033	320,000	7,000	327,000
Totals	<u>\$ 9,964,986 ***</u>	<u>\$ 3,428,043</u>	<u>\$ 13,393,029</u>
*Includes premium amortization of \$4,142 and deferral on debt defeasance of \$1,614. **Includes interest payable of \$27,237 recorded as a current liability at June 30, 2012. ***Total principal of \$9,964,986 includes premium amortization of \$22,780 and deferral on debt defeasance of \$8,874.			

Arkansas State University-Newport			
Year ended June 30,	Principal	Interest	Total
2013	\$ 240,000 *	\$ 225,235	\$ 465,235
2014	245,000	217,450	462,450
2015	255,000	209,275	464,275
2016	260,000	200,425	460,425
2017	270,000	191,244	461,244
2018-2022	1,520,000	793,121	2,313,121
2023-2027	1,870,000	447,460	2,317,460
2028-2032	790,000	103,151	893,151
2033	130,000	2,844	132,844
Totals	<u>\$ 5,580,000</u>	<u>\$ 2,390,205</u>	<u>\$ 7,970,205</u>
*Includes interest payable of \$31,377 recorded as a current liability at June 30, 2012.			

Refunding of Debt

Arkansas State University-Jonesboro

On March 1, 2012, the University issued \$5,340,000 in taxable refunding bonds with interest rates of 0.77 to 4.776 percent to refund \$5,200,000 of outstanding bonds dated March 1, 2004 with interest rates of 2 to 4.6 percent. Net proceeds of \$5,200,000, after payment of \$135,280 bond issuance costs, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on March 1, 2012. Additionally, bond proceeds of \$4,720 were remitted directly to the bond trustee for subsequent debt payments.

On March 1, 2012, the University issued \$2,775,000 in tax exempt refunding bonds with interest rates of 2 to 3.625 percent to refund \$2,740,000 of outstanding bonds dated March 1, 2004 with interest rates of 2 to 4.6 percent. Net proceeds of \$2,740,000, after payment of \$67,708 bond issuance costs and a premium of \$35,026 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on March 1, 2012. Additionally, bond proceeds of \$2,318 were remitted directly to the bond trustee for subsequent debt payments.

The University refunded the above bonds to reduce its total debt service payments by \$632,755 over the next 22 years and to obtain an economic gain of \$427,290.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL LEASES

The University has acquired certain capital assets under various capital leases.

Arkansas State University-Jonesboro	
Type of Asset	Asset Amount
Athletic Equipment	\$ 126,260
Vehicle	27,178
Total	\$ 153,438

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2012:

Fiscal Year Ending June 30,	Amount
2013	\$ 36,422
2014	36,534
2015	36,033
2016	29,222
Total Minimum Lease Payments	138,211
Less: Amount Representing Interest	21,725
Total Present Value of Net Minimum Lease Payments	<u>\$ 116,486</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. COMMITMENTS

The University was contractually obligated for the following at June 30, 2012:

A. Construction Contracts

Project Title	Estimated Completion Date	Contract Balance
Jonesboro		
Arkansas and University Halls Painting	July 2012	\$ 196,192
Biology Pole Barn	August 2012	77,000
Campus Master Plan	August 2012	62,211
Dyess Colony Phase II	August 2012	77,268
Wilson Hall Auditorium	August 2012	83,645
Convocation Center Masonry Repairs	August 2012	66,008
IT Store	September 2012	397,603
Johnny Cash Boyhood Home	September 2012	94,489
Convocation Center	October 2012	682,954
Arkansas Biosciences Building	December 2012	371,355
Caraway Road Overpass	June 2013	398,092
Science, Technology, Engineering & Math Renovations	June 2013	100,000
Liberal Arts Building	June 2013	697,014
Sorority Housing	August 2013	111,840
Honors Housing	August 2013	109,196
Kays Hall Renovations	October 2013	2,205,247
Beebe		
Princess Hall/Music Renovation	October 2012	248,380
Newport		
Hospitality Services Building ASUN-Jonesboro	May 2013	2,217,866

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

Various leases for office space, residences, copiers, computers and other office equipment with terms ranging from 24 to 60 months

- Future minimum rental payments (aggregate) at June 30, 2012: \$1,135,267
- Future minimum rental payments for the five (5) succeeding fiscal years:

2013	\$ 666,686
2014	344,498
2015	81,744
2016	35,594
2017	6,745

Rental payments for the above operating leases, for the year ended June 30, 2012, were approximately \$841,841.

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, 2012 were \$7,049,527 and \$4,566,587, respectively.

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans (prior to 7-1-1999). Contributory members are required by law to contribute 6% of their salaries. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%. Vesting occurs for all participants after 5 years of service. The University's contributions to ATRS for the years ended June 30, 2012, 2011 and 2010 were \$1,602,067, \$1,669,301, and \$1,459,262, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

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

Funding Policy. Employees are required by law to contribute 5% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 13.47% 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, 2012, 2011 and 2010 were \$1,186,714 and \$978,538 and \$866,636, respectively, equal to the required contributions for each year.

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, 2012 were \$767,731 and \$993,799, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. NATURAL CLASSIFICATIONS BY FUNCTION

The University's operating expenses by function for the year ended June 30, 2012 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self Insurance	Depreciation	Other	Total
Instruction	\$ 60,584,021	\$ 1,399,491	\$ 8,716,190				\$ 70,699,702
Research	8,889,113	238,877	3,752,442				12,880,432
Public Service	11,250,330	633,023	5,206,240				17,089,593
Academic Support	11,197,804	25,390	6,146,382				17,369,576
Student Services	12,035,800	269,478	3,579,526				15,884,804
Institutional Support	18,489,809		9,159,572				27,649,381
Scholarships and Fellowships		13,640,549					13,640,549
Operations and Maintenance of Plant	11,429,804		10,504,136				21,933,940
Auxiliary Enterprises	8,520,013	3,526,478	15,100,515				27,147,006
Self Insurance				\$ 14,774,378			14,774,378
Depreciation					\$ 22,208,187		22,208,187
Other						\$ 49,850	49,850
Total	<u>\$ 142,396,694</u>	<u>\$ 19,733,286</u>	<u>\$ 62,165,003</u>	<u>\$ 14,774,378</u>	<u>\$ 22,208,187</u>	<u>\$ 49,850</u>	<u>\$ 261,327,398</u>

NOTE 10. DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Accounts receivable from students was \$5,303,117 at June 30, 2012. This amount was reduced by an allowance for doubtful accounts of \$769,753.

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable was \$7,163,599 at June 30, 2012. This amount was reduced by an allowance for doubtful loans of \$1,245,578. Deposits receivable was \$6,567 at June 30, 2012.

Other receivables of \$10,207,682 at June 30, 2012 primarily consisted of reimbursements of \$4,820,259 from various agencies for grants and contracts, \$451,007 for sales and use taxes, \$814,490 for property tax accrual, \$250,000 from the state treasury and auxiliary enterprises receivables of \$760,268. Other receivables also consisted of \$1,345,952 due from the U.S. Department of Education for cancellations pertaining to the Federal Perkins Loan Program and miscellaneous items of \$1,765,706.

The accounts payable and accrued liabilities of \$7,969,718 consisted of \$4,962,329 due to vendors, \$2,667 due to students, \$28,375 due for sales and use taxes, \$1,723,561 for salaries and other payroll related items, \$1,225,900 for health claims and miscellaneous items of \$26,886. As of June 30, 2012, the University had no liability for arbitrage related to bond issues.

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.

NOTES TO FINANCIAL STATEMENTS

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 \$1,575,750 in retiree healthcare expense during fiscal year 2012. This compares to \$1,272,130 accrued during fiscal year 2011.

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

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

NOTES TO FINANCIAL STATEMENTS

Determination of Annual Required Contribution (ARC) and End of Year Accrual				
Cost Element	Fiscal Year Ended			
	June 30, 2012		June 30, 2011	
	Amount	Percent of Payroll¹	Amount	Percent of Payroll²
1. Beginning of year unfunded actuarial accrued liability	\$ 11,980,562	11.84%	\$ 10,139,178	8.90%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,258,347		\$ 977,705	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	611,239		517,293	
4. Annual Required Contribution (ARC) (2. + 3.)	<u>\$ 1,869,586</u>	1.85%	<u>\$ 1,494,998</u>	1.31%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,258,347		\$ 977,705	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	611,239		517,293	
7. Amortization of the beginning of year accrual	(218,246)		(153,342)	
8. Interest on beginning of year accrual	<u>128,331</u>		<u>90,167</u>	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	<u>\$ 1,779,671</u>	1.76%	<u>\$ 1,431,823</u>	1.26%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 4,277,710		\$ 3,005,580	
11. Annual OPEB cost	1,779,671		1,431,823	
12. Employer contribution (benefit payments)	<u>203,921</u>		<u>159,693</u>	
13. End of year accrual (10. + 11. -12.) ³	<u>\$ 5,853,460</u>	5.78%	<u>\$ 4,277,710</u>	3.76%
¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997. ² Annual payroll for the 2,073 plan participants for fiscal year beginning July 1, 2010 is \$113,897,937. ³ Actual contributions and administrative fees paid in fiscal year 2012 of \$503,118 less participant contributions of \$299,197; \$666,778 and \$507,085, respectively, in fiscal year 2011. The employer contributed 11.5% of annual OPEB cost during fiscal year 2012, compared to 11.2% during fiscal year 2011.				

NOTES TO FINANCIAL STATEMENTS

Schedule of Employer Contributions			
Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ⁴	Percentage Contributed
June 30, 2012	\$1,779,671	\$ 203,921	11.5%
June 30, 2011	1,431,823	159,693	11.2%
June 30, 2010	1,396,855	210,917	15.1%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2012, these amounts are \$503,118 and \$299,197, respectively. For 2011, these amounts are \$666,778 and \$507,085, respectively. For 2010, these amounts are \$469,078 and \$258,161, respectively.

Schedule of Funding Progress						
The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.						
Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll ⁵ (c)	UAAL as a Percentage of Covered Payroll ⁵ [(b) - (a) / (c)]
June 30, 2012	\$ -	\$11,980,562	\$ 11,980,562	0%	\$101,213,997	11.84%
June 30, 2011	-	10,139,178	10,139,178	0%	113,897,937	8.90%
June 30, 2010	-	9,523,361	9,523,361	0%	110,244,776	8.64%

⁵ Payroll as of July 1, 2011, July 1, 2010 and July 1, 2009 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,869,586 for fiscal year 2012 and accrual of \$5,853,460 as of June 30, 2012, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,494,998 and \$4,277,710, respectively, as of June 30, 2011; and \$1,435,103 and \$3,005,580, respectively, as of June 30, 2010.

Three-Year Schedule of Percentage of OPEB Cost Contributed			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$1,779,671	11.5%	\$ 5,853,460
June 30, 2011	1,431,823	11.2%	4,277,710
June 30, 2010	1,396,855	15.1%	3,005,580

Summary of Key Actuarial Methods and Assumptions

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

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

Actuarial assumptions:

Discount rate	3.0%
Projected payroll growth rate	N/A

NOTES TO FINANCIAL STATEMENTS

Health care cost trend rate for medical and prescription drugs

Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached.

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2012. These premiums are used in this roll-forward of plan liabilities per GASB Statement No. 45.

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

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

Valuation Year

July 1, 2011 – June 30, 2012

Date of Census Data

April 1, 2012

Actuarial Cost Method

Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

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

Annual Health Care Trend Rate

Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached.

Discount Rate

3.0% per annum

Spouse Age Difference

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

Mortality

IRS 2008 Combined Static Mortality Table has been used.

Participation Rates

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

NOTES TO FINANCIAL STATEMENTS

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48-49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53-54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60-61	100%	14%
62	100%	28%
63-64	100%	17%
65	100%	27%
66-74	100%	30%
75 and older	100%	100%

Sample Withdrawal and Disability Rates

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

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

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, 2012, approximately 4,245 active employees, their dependents, former employees and retirees were participating in the program. For those participating in single coverage, the University pays 86.55% of the total premium. The University pays 72.56% of the total premium for those participating in family coverage. Retirees, including early retirees, pay 50% of their coverage and the University covers the other 50%.

The University estimates its unpaid health claims liability at June 30, 2012 to be \$1,225,900 with BlueAdvantage. This liability is established for incurred but not reported medical and pharmacy claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

Unpaid Claims Liability	
Fiscal Year 2012	
Unpaid claims, 7-1-2011	\$ 1,241,000
Incurred claims during current year	13,225,843
Total claims	14,466,843
Current year claims paid	\$ 12,046,117
Prior year claims paid	1,194,826
Total payments	13,240,943
Unpaid claims, 6-30-2012	<u>\$ 1,225,900</u>

The University purchases specific reinsurance to reduce its exposure to large claims. HCC Life was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$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 assets at June 30, 2012 were \$10,637,783. Of this amount, \$10,159,083 was nonexpendable and the remaining \$478,700 was expendable.

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

It is the University's policy for annual expenses from the endowment funds not to exceed 4.5% of the five (5) year average market value as determined at December 31. 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 assets at June 30, 2012 were \$138,073. Of this amount, \$112,007 was nonexpendable and the remaining \$26,066 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 endow-

NOTES TO FINANCIAL STATEMENTS

ment funds were established.

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

NOTE 15. PLEDGED REVENUES

The University's pledged revenues at June 30, 2012 are as follows:

Arkansas State University-Jonesboro

- **Series 2004 Housing**—Issue Date: 3-1-2004; Maturity Date: 3-1-2034; Purpose: Construction of Northpark Quads residence hall; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$3,500,277; Amount Issued: \$26,500,000; 2012 Principal Paid: 611,838; 2012 Interest Paid: \$1,103,433; Principal Outstanding: \$22,969,265; Interest Outstanding: \$14,811,590; Percent of revenue pledged in 2012: 49%
- **Series 2005 Refunding**—Issue Date: 9-15-2005; Maturity Date: 4-1-2025; Purpose: Refinance Student Union; Type of Revenue Pledged: Student Union Fee; 2012 Gross Revenue: \$2,359,051; Amount Issued: \$14,342,625; 2012 Principal Paid: \$633,969; 2012 Interest Paid: \$565,202; Principal Outstanding: \$10,799,855; Interest Outstanding: \$3,907,340; Percent of revenue pledged in 2012: 50.8%
- **Series 2005 Refunding**—Issue Date: 9-15-2005; Maturity Date: 4-1-2025; Purpose: Refinance Parking Garage; Type of Revenue Pledged: Parking Fees; 2012 Gross Revenue: \$1,301,940; Amount Issued: \$4,887,375; 2012 Principal Paid: \$216,031; 2012 Interest Paid: \$192,598; Principal Outstanding: \$3,680,145; Interest Outstanding: \$1,331,460; Percent of revenue pledged in 2012: 31.4%
- **Series 2007 Student Fee**—Issue Date: 6-1-2007; Maturity Date: 3-1-2037; Purpose: Construction of Recreation Center; Type of Revenue Pledged: Recreation Center Fee; 2012 Gross Revenue: \$1,651,380; Amount Issued: \$17,065,000; 2012 Principal Paid: \$335,000; 2012 Interest Paid: \$721,545; Principal Outstanding: \$15,320,000; Interest Outstanding: \$11,130,971; Percent of revenue pledged in 2012: 64%
- **Series 2007 Housing**—Issue Date: 6-1-2007; Maturity Date: 3-1-2037; Purpose: Construction of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$2,939,083; Amount Issued: \$30,300,000; 2012 Principal Paid: \$820,000; 2012 Interest Paid: \$1,325,518; Principal Outstanding: \$27,195,000; Interest Outstanding: \$17,899,462; Percent of revenue pledged in 2012: 73%
- **Series 2009 Housing**—Issue Date: 3-19-2009; Maturity Date: 3-1-2039; Purpose: Construction of Living Learning Community residence halls; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$311,711; Amount Issued: \$9,290,000; 2012 Principal Paid: \$185,000; 2012 Interest Paid: \$411,934; Principal Outstanding: \$8,925,000; Interest Outstanding: \$7,171,640; Percent of revenue pledged in 2012: 100%
- **Series 2004 Housing**—Issue Dates: 3-1-2004; Maturity Date: 3-1-2034; Purpose: Construction of Family Housing Phase II; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$1,283,817; Amount Issued: \$7,500,000; 2012 Principal Paid: \$173,162; 2012 Interest Paid: \$312,292; Principal Outstanding: \$6,500,735; Interest Outstanding: \$4,191,960; Percent of revenue pledged in 2012: 37.8%
- **Series 2010 Refunding**—Issue Dates: 12-7-2010; Maturity Date: 3-1-2031; Purpose: Refinance Series 2001 Family Housing Phase I; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$1,283,817; Amount Issued: \$6,075,000; 2012 Principal Paid: \$235,000; 2012 Interest Paid: \$190,856; Principal Outstanding: \$5,610,000; Interest Outstanding: \$2,203,160; Percent of revenue pledged in 2012: 33.2%
- **Series 2010A Refunding**—Issue Date: 12-7-2010; Maturity Date: 3-1-2031; Purpose: Refinance Series 2001 Track Facility; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,600,000; 2012 Principal Paid: \$105,000; 2012 Interest Paid: \$80,954; Principal Outstanding: \$2,395,000; Interest Outstanding: \$916,467; Percent of revenue pledged in 2012: 0.2%
- **Series 2010B Refunding**—Issue Date: 12-7-2010; Maturity Date: 12-1-2017; Purpose: Refinance Series 2002-Refunding for renovation of Kays Hall and Twin Towers; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$1,489,433; Amount Issued: \$1,568,376; 2012 Principal Paid: \$215,546; 2012 Interest Paid: \$34,619; Principal Outstanding: \$1,352,830; Interest Outstanding: \$107,641; Percent of revenue pledged in 2012: 16.8%
- **Series 2010B Refunding**—Issue Date: 12-7-2010; Maturity Date: 12-1-2027; Purpose: Refinance Series 2002- Refunding for property purchase and Fowler Center refinancing; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$1,866,624; 2012 Principal Paid: \$314,454; 2012 Interest Paid: \$40,506; Principal Outstanding: \$1,552,170; Interest Outstanding: \$282,271; Percent of revenue pledged in 2012: 0.04%
- **Series 2012A Taxable Housing**—Issue Date: 3-1-2012; Maturity Date: 3-1-2042; Purpose: Construction of sorority housing; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$0; Amount Issued: \$6,510,000; 2012 Principal Paid: \$0; 2012 Interest Paid: \$0; Princi-

NOTES TO FINANCIAL STATEMENTS

pal Outstanding: \$6,510,000; Interest Outstanding: \$5,918,298; Percent of revenue pledged in 2012: 0%

- **Series 2012B Housing**—*Issue Date: 3-1-2012; Maturity Date: 3-1-2042; Purpose: Construction of honors housing; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$0; Amount Issued: \$6,875,000; 2012 Principal Paid: \$0; 2012 Interest Paid: \$0; Principal Outstanding: \$6,875,000; Interest Outstanding: \$4,530,810; Percent of revenue pledged in 2012: 0%*
- **Series 2012C Housing**—*Issue Date: 3-1-2012; Maturity Date: 3-1-2037; Purpose: Renovate Kays Hall; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$1,489,433; Amount Issued: \$3,425,000; 2012 Principal Paid: \$0; 2012 Interest Paid: \$0; Principal Outstanding: \$3,425,000; Interest Outstanding: \$1,923,763; Percent of revenue pledged in 2012: 0%*
- **Series 2004 Student Fee**—*Issue Date: 3-1-2004; Maturity Date: 3-1-2034 (refunded below); Purpose: Property purchase, refinance Library and Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations, Utility infrastructure improvements; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$11,555,000; 2012 Principal Paid: \$505,000; 2012 Interest Paid: \$359,670; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2012: 1.1%*
- **Series 2012A Taxable Refunding**—*Issue Date: 3-1-2012; Maturity Date: 3-1-2034; Purpose: Refinance Series 2004 Student Fee-Property purchase, refinance Library and Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations, Utility infrastructure improvements (see above); Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$5,340,000; 2012 Principal Paid: \$0; 2012 Interest Paid: \$0; Principal Outstanding: \$5,340,000; Interest Outstanding: \$2,731,585; Percent of revenue pledged in 2012: 0%*
- **Series 2012B Refunding**—*Issue Date: 3-1-2012; Maturity Date: 3-1-2034; Purpose: Refinance Series 2004 Student Fee-Property purchase, refinance Library and Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations, Utility infrastructure improvements (see above); Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,775,000; 2012 Principal Paid: \$0; 2012 Interest Paid: \$0; Principal Outstanding: \$2,775,000; Interest Outstanding: \$1,014,788; Percent of revenue pledged in 2012: 0%*

Note: Issues with Tuition and Fees pledged, 2012 Gross Revenue--\$79,319,818

Arkansas State University-Beebe

- **1992 Student Fee AA**—*Issue Date: 10-1-1992; Maturity Date: 10-1-2012; Purpose: Construction of Business and Agriculture Building; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$400,000; 2012 Principal Paid: \$70,000; 2012 Interest Paid: \$2,310; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2012: 0.69%*
- **2005 Student Center Refunding**—*Issue Date: 9-15-2005; Maturity Date: 12-1-2023; Purpose: Refinance Student Center; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$3,330,000; 2012 Principal Paid: \$155,000; 2012 Interest Paid: \$91,518; Principal Outstanding: \$2,325,000; Interest Outstanding: \$590,886; Percent of revenue pledged in 2012: 2.35%*
- **2005 ASUHS Phase I**—*Issue Date: 12-1-2005; Maturity Date: 12-1-2035; Purpose: Construction of academic buildings at the Heber Springs campus; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$15,170,000; 2012 Principal Paid: \$315,000; 2012 Interest Paid: \$635,107; Principal Outstanding: \$13,450,000; Interest Outstanding: \$9,209,247; Percent of revenue pledged in 2012: 9.04%*
- **2006 Science Building**—*Issue Date: 3-1-2006; Maturity Date: 9-1-2035; Purpose: Construction of Math and Science building; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$11,000,000; 2012 Principal Paid: \$230,000; 2012 Interest Paid: \$450,188; Principal Outstanding: \$9,745,000; Interest Outstanding: \$6,607,523; Percent of revenue pledged in 2012: 6.47%*
- **2008 ASUS Construction**—*Issue Date: 1-15-2008; Maturity Date: 12-1-2032; Purpose: Renovate the Main Building at the Searcy campus; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,080,000; 2012 Principal Paid: \$55,000; 2012 Interest Paid: \$76,880; Principal Outstanding: \$1,855,000; Interest Outstanding: \$945,538; Percent of revenue pledged in 2012: 1.25%*
- **2010 Residence Halls**—*Issue Date: 4-15-2010; Maturity Date: 4-1-2040; Purpose: Construction of new residence halls; Type of Revenue Pledged: Housing Fees; 2012 Gross Revenue: \$693,981; Amount Issued: \$9,125,000; 2012 Principal Paid: \$181,150; 2012 Interest Paid: \$385,559; Principal Outstanding: \$8,940,000; Interest Outstanding: \$6,828,415; Percent of revenue pledged in 2012: 81.66%*

Note: Issues with Tuition and Fees pledged, 2012 Gross Revenue--\$10,510,325

NOTES TO FINANCIAL STATEMENTS

Arkansas State University-Mountain Home

- **2008 Construction**—Issue Date: 1-15-2008; Maturity Date: 12-1-2032; Purpose: Construction of Community Development Center; Type of Revenue Pledged: Student Fee Revenue; 2012 Gross Revenue: \$4,084,776; Amount Issued: \$5,180,000; 2012 Principal Paid: \$140,000; 2012 Interest Paid: \$191,485; Principal Outstanding: \$4,610,000; Interest Outstanding: \$2,347,491; Percent of revenue pledged in 2012: 8.1%
- **2010 Refunding (2002 Refunding)**—Issue Date: 12-1-2010; Maturity Date: 12-1-2017; Purpose: Refinance previous issue; Type of Revenue Pledged: Student Fee Revenue and Ad Valorem Tax; 2012 Gross Revenue: \$5,423,454; Amount Issued: \$2,920,000; 2012 Principal Paid: \$395,000; 2012 Interest Paid: \$57,105; Principal Outstanding: \$2,525,000; Interest Outstanding: \$168,500; Percent of revenue pledged in 2012: 8.3%

Arkansas State University-Newport

- **2008 Building**—Issue Date: 1-29-2008; Maturity Date: 12-01-2032; Purpose: Construction of Transportation Center; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,075,000; 2012 Principal Paid: \$55,000; 2012 Interest Paid: \$76,705; Principal Outstanding: \$1,850,000; Interest Outstanding: \$945,100; Percent of revenue pledged in 2012: 2.86%
- **2008 Refunding**—Issue Date: 4-30-2008; Maturity Date: 5-1-2028; Purpose: Refinancing Issue; Type of Revenue Pledged: Tuition and Fees; 2012 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$4,400,000; 2012 Principal Paid: \$175,000; 2012 Interest Paid: \$154,874; Principal Outstanding: \$3,730,000; Interest Outstanding: \$1,445,105; Percent of revenue pledged in 2012: 7.17%

Note: Issues with Tuition and Fees pledged, 2012 Gross Revenue--\$4,599,779

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's risk management programs or through the purchase of commercial insurance coverage.

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefits

Determination of Annual Required Contribution (ARC) and End of Year Accrual				
Cost Element	Fiscal Year Ended			
	June 30, 2012		June 30, 2011	
	Amount	Percent of Payroll¹	Amount	Percent of Payroll²
1. Beginning of year unfunded actuarial accrued liability	\$ 11,980,562	11.84%	\$ 10,139,178	8.90%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	\$ 1,258,347		\$ 977,705	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	611,239		517,293	
4. Annual Required Contribution (ARC) (2. + 3.)	<u>\$ 1,869,586</u>	1.85%	<u>\$ 1,494,998</u>	1.31%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,258,347		\$ 977,705	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	611,239		517,293	
7. Amortization of the beginning of year accrual	(218,246)		(153,342)	
8. Interest on beginning of year accrual	<u>128,331</u>		<u>90,167</u>	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	<u>\$ 1,779,671</u>	1.76%	<u>\$ 1,431,823</u>	1.26%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 4,277,710		\$ 3,005,580	
11. Annual OPEB cost	1,779,671		1,431,823	
12. Employer contribution (benefit payments)	<u>203,921</u>		<u>159,693</u>	
13. End of year accrual (10. + 11. - 12.) ³	<u>\$ 5,853,460</u>	5.78%	<u>\$ 4,277,710</u>	3.76%
¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997.				
² Annual payroll for the 2,073 plan participants for fiscal year beginning July 1, 2010 is \$113,897,937.				
³ Actual contributions and administrative fees paid in fiscal year 2012 of \$503,118 less participant contributions of \$299,197; \$666,778 and \$507,085, respectively, in fiscal year 2011. The employer contributed 11.5% of annual OPEB cost during fiscal year 2012, compared to 11.2% during fiscal year 2011.				

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions			
Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ⁴	Percentage Contributed
June 30, 2012	\$1,779,671	\$ 203,921	11.5%
June 30, 2011	1,431,823	159,693	11.2%
June 30, 2010	1,396,855	210,917	15.1%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2012, these amounts are \$503,118 and \$299,197, respectively. For 2011, these amounts are \$666,778 and \$507,085, respectively. For 2010, these amounts are \$469,078 and \$258,161, respectively.

Schedule of Funding Progress						
The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.						
Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll ⁵ (c)	UAAL as a Percentage of Covered Payroll ⁵ [(b) - (a) / (c)]
June 30, 2012	\$ -	\$11,980,562	\$ 11,980,562	0%	\$101,213,997	11.84%
June 30, 2011	-	10,139,178	10,139,178	0%	113,897,937	8.90%
June 30, 2010	-	9,523,361	9,523,361	0%	110,244,776	8.64%

⁵ Payroll as of July 1, 2011, July 1, 2010 and July 1, 2009 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,869,586 for fiscal year 2012 and accrual of \$5,853,460 as of June 30, 2012, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,494,998 and \$4,277,710, respectively, as of June 30, 2011; and \$1,435,103 and \$3,005,580, respectively, as of June 30, 2010.

Three-Year Schedule of Percentage of OPEB Cost Contributed			
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$1,779,671	11.5%	\$ 5,853,460
June 30, 2011	1,431,823	11.2%	4,277,710
June 30, 2010	1,396,855	15.1%	3,005,580

REQUIRED SUPPLEMENTARY INFORMATION

Summary of Key Actuarial Methods and Assumptions

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

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

Actuarial assumptions:

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

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2012. These premiums are used in this roll-forward of plan liabilities per GASB Statement No. 45.

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

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

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

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

Annual Health Care Trend Rate Trend rates are 9% initially, decreasing to 8% in year 2, and then by ½ of 1% each year until an ultimate trend rate of 4.5% is reached.

Discount Rate 3.0% per annum

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

Mortality IRS 2008 Combined Static Mortality Table has been used.

Participation Rates Active employees are assumed to elect the same postretirement health insurance cover-

REQUIRED SUPPLEMENTARY INFORMATION

age upon retirement.

Retirement Rates

Employees are assumed to retire according to the following schedule:

Age	Retirement Rate (Less than 28 years of service)	Retirement Rate (28 or more years of service)
48-49	0%	50%
50	2%	13%
51	2%	10%
52	3%	9%
53-54	4%	9%
55	6%	9%
56	9%	12%
57	9%	10%
58	9%	11%
59	9%	14%
60-61	100%	14%
62	100%	28%
63-64	100%	17%
65	100%	27%
66-74	100%	30%
75 and older	100%	100%

Sample Withdrawal and Disability Rates

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

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



Supplementary Information

**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET ASSETS BY CAMPUS
JUNE 30, 2012**

ASSETS	Jonesboro	Beebe	Mountain Home	Newport	Consolidation Entries	Total
Current Assets:						
Cash and cash equivalents	\$ 33,914,239	\$ 4,000,111	\$ 5,776,744	\$ 4,409,611		\$ 48,100,705
Short-term investments	1,162,497			135,322		1,297,819
Accounts receivable (less allowances of \$769,753)	10,234,574	916,518	1,524,871	1,670,732		14,346,695
Notes and deposits receivable (less allowances of \$214,195)	1,017,687					1,017,687
Accrued interest and late charges	98,880	2,993		1,013		102,886
Inventories	1,184,038	344,277		88,107		1,616,422
Deposits with trustees	832,738			1,140		833,878
Unamortized bond issuance costs	49,763	8,669	10,966			69,398
Prepaid expenses	139,083	11,393	24,745			177,762
Total Current Assets	48,633,499	5,283,961	7,337,326	6,308,466		67,563,252
Noncurrent Assets:						
Cash and cash equivalents	15,235,649					15,235,649
Restricted cash and cash equivalents	12,586,646	604,058	79,630			13,270,334
Endowment investments	11,750,613	138,073				11,888,686
Other long-term investments	4,743,374	8,290,275		3,525,638		16,559,287
Accrued interest and late charges	341,646					341,646
Deposits with trustees	15,708,688			167,138		15,875,826
Accounts receivable	394,351					394,351
Notes and deposits receivable (less allowances of \$1,031,383)	4,906,901					4,906,901
Unamortized bond issuance costs	1,118,882	232,269	49,349			1,400,500
Capital assets (net of accumulated depreciation of \$247,019,480)	264,803,641	61,787,923	28,944,379	21,291,237		376,827,180
Total Noncurrent Assets	331,590,391	71,052,598	29,073,358	24,984,013		456,700,360
TOTAL ASSETS	380,223,890	76,336,559	36,410,684	31,292,479		524,263,612
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities					\$ 1,225,900	7,871,465
Bonds, notes and leases payable	5,476,646	295,553	115,904	757,462		7,519,197
Compensated absences	5,627,112	966,149	685,936	240,000		7,848,099
Deferred revenue	6,299,130	933,485	34,834	580,650		2,232,441
Funds held in trust for others	1,834,873	167,375	142,479	87,714		627,709
Deposits	427,801	98,027	52,743	49,138		1,000,025
Interest payable	958,395	34,188		7,442		2,210,595
Other liabilities	1,842,624	309,357	27,237	31,377		58,294
Total Current Liabilities	30,000	28,294				
	22,496,581	2,832,428	1,059,133	1,753,783		29,367,825
Noncurrent Liabilities:						
Accounts payable and accrued liabilities	98,253					98,253
Bonds, notes and leases payable	128,746,199	35,241,833	9,279,050	5,340,000		178,607,082
Compensated absences	2,493,834	501,218	400,588	64,517		3,460,157
Accrued other postemployment benefits payable	1,286,702	274,069	78,306	140,594	4,073,789	5,853,460
Deposits	353,384					353,384
Refundable federal advances	7,398,610					7,398,610
Total Noncurrent Liabilities	140,376,982	36,017,120	9,757,944	5,545,111	4,073,789	195,770,946
TOTAL LIABILITIES	162,873,563	38,849,548	10,817,077	7,298,894	5,299,689	225,138,771
NET ASSETS						
Invested in capital assets, net of related debt	145,373,988	25,579,941	19,039,708	15,878,374		205,872,011
Restricted for nonexpendable purposes:						-
Scholarships and fellowships		112,007				7,383,325
Loans	7,271,318					924,432
Other	924,432					4,789,433
Restricted for expendable purposes:						-
Scholarships and fellowships		369,755				840,253
Loans	470,498					688,413
Capital projects	688,413					20,000
Debt service		20,000	79,630			15,773,047
Other		5,750,665				240,938
Unrestricted	9,942,752	240,938				2,533,933
	1,618,666		694,521	220,746		60,059,056
	46,270,827	5,413,705	5,779,748	7,894,465	(5,299,689)	
TOTAL NET ASSETS	\$ 217,350,327	\$ 37,487,011	\$ 25,593,607	\$ 23,993,585	\$ (5,299,689)	\$ 299,124,841

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

ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2012

	Jonesboro	Beebe	Mountain Home	Newport	Consolidation Entries	Total
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$45,334,957)	\$ 42,579,954	\$ 5,841,219	\$ 1,903,191	\$ 2,855,377		\$ 53,179,741
Grants and contracts	19,867,504	5,539,440	1,575,199	3,946,370		\$ 30,928,513
Sales and services of educational departments	971,288	64,978				\$ 1,036,266
Auxiliary enterprises (net of scholarship allowances of \$9,299,049)	20,889,066	2,197,545	479,926	359,591		\$ 23,926,128
Self-insurance	3,453,786					\$ 3,453,786
Other operating revenues	1,182,168	400,872	222,739	74,707		\$ 1,880,486
TOTAL OPERATING REVENUES	<u>88,943,766</u>	<u>14,044,054</u>	<u>4,181,055</u>	<u>7,236,045</u>		<u>114,404,920</u>
OPERATING EXPENSES						
Personal services	104,862,227	20,884,074	7,331,514	9,522,800	\$ (203,921)	142,396,694
Scholarships and fellowships	11,131,595	4,202,507	2,847,030	1,552,154		19,733,286
Supplies and services	45,613,904	7,703,333	3,341,666	5,506,100		62,165,003
Self-insurance	14,789,478				(15,100)	14,774,378
Depreciation	14,837,769	2,974,285	2,774,783	1,621,350		22,208,187
Other	49,850					49,850
TOTAL OPERATING EXPENSES	<u>191,284,823</u>	<u>35,764,199</u>	<u>16,294,993</u>	<u>18,202,404</u>	<u>(219,021)</u>	<u>261,327,398</u>
OPERATING INCOME (LOSS)	<u>(102,341,057)</u>	<u>(21,720,145)</u>	<u>(12,113,938)</u>	<u>(10,966,359)</u>	<u>219,021</u>	<u>(146,922,478)</u>
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	5,580,251					5,580,251
State appropriations	66,884,074	14,222,973	4,784,127	7,569,175		93,460,349
Stimulus funds (ARRA)	113,230	63,509		64,450		241,189
Grants and contracts	38,801,014	6,716,269	5,032,415	3,079,611		53,629,309
Sales and use taxes		1,812,669		962,617		2,775,286
Property taxes			1,338,678			1,338,678
Gifts	1,009,118		253,056	51,374		1,313,548
Investment income	624,395	114,171	10,760	55,278		804,604
Interest on capital asset - related debt	(5,489,324)	(1,636,745)	(408,267)	(231,579)		(7,765,915)
Other nonoperating revenues (expenses)	(53,403)	(56,885)		(1,250)		(111,538)
NET NON-OPERATING REVENUES (EXPENSES)	<u>107,469,355</u>	<u>21,235,961</u>	<u>11,010,769</u>	<u>11,549,676</u>	<u>-</u>	<u>151,265,761</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	5,128,298	(484,184)	(1,103,169)	583,317	219,021	4,343,283
Capital appropriations	7,751,005	75,000				7,826,005
Capital grants and gifts	597,031	42,347		14,715		654,093
Stimulus funds (ARRA) for capital projects	36,380			250,000		286,380
Additions to endowments	1,476,420	439				1,476,859
Adjustments to prior year capital assets	71,404			(44,665)		26,739
Refunds to grantors	(284,063)	(6,853)				(290,916)
Gain or loss on disposal of capital assets	(651,248)		118	8,900		(642,348)
Capitalization of library holdings at rate per volume	141,820	(8,669)	(10,966)			153,639
Bond issuance costs	(26,830)					(46,465)
INCREASE (DECREASE) IN NET ASSETS	<u>14,240,217</u>	<u>(381,920)</u>	<u>(1,102,316)</u>	<u>812,267</u>	<u>219,021</u>	<u>13,787,269</u>
NET ASSETS - BEGINNING OF YEAR	203,110,110	37,868,931	26,695,923	23,181,318	(5,518,710)	285,337,572
NET ASSETS - END OF YEAR	<u>\$ 217,350,327</u>	<u>\$ 37,487,011</u>	<u>\$ 25,593,607</u>	<u>\$ 23,993,585</u>	<u>\$ (5,299,689)</u>	<u>\$ 299,124,841</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, 2012**

	Jonesboro	Beebe	Mountain Home	Newport	Consolidation Entries	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Student tuition and fees	\$ 42,522,312	\$ 6,013,041	\$ 1,799,130	\$ 2,840,105		\$ 53,174,588
Grants and contracts	20,284,208	5,658,945	1,749,802	3,685,484		31,378,439
Auxiliary enterprises revenues	20,512,489	2,138,222	482,939	371,042		23,504,692
Sales and services of educational departments	969,960	64,978				1,034,938
Self-insurance program receipts	3,453,786					3,453,786
Collection of principal and interest related to student loans	1,062,316					1,062,316
Other receipts	1,396,751	556,083	222,739	74,707		2,250,280
Payments to employees	(89,755,700)	(16,098,697)	(5,609,905)	(7,284,694)		(118,748,996)
Payments for employee benefits	(13,119,242)	(4,524,213)	(1,614,244)	(2,120,359)		(21,378,058)
Payments to suppliers	(46,111,708)	(8,124,687)	(3,385,877)	(5,187,528)		(62,809,800)
Scholarships and fellowships	(11,131,595)	(4,202,507)	(2,847,030)	(1,552,154)		(19,733,286)
Self-insurance program payments	(14,765,672)					(14,765,672)
Loans issued to students	(945,751)					(945,751)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(85,627,846)	(18,518,835)	(9,202,446)	(9,173,397)		(122,522,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Federal appropriations	5,561,428					5,561,428
State appropriations	66,884,074	14,222,973	4,784,127	7,569,175		93,460,349
Stimulus funds (ARRA)	138,605	43,236		150,087		331,928
Grants and contracts	46,523,350	6,725,340	171,081	422,367		53,842,138
Private gifts and grants	1,246,983		253,056	51,374		1,551,413
Payments to other campus for financial aid distribution	(7,518,580)				\$ 7,518,580	-
Payments from ASUJ for financial aid distribution			4,861,336	2,657,244	(7,518,580)	-
Sales and use taxes		1,828,848		960,241		2,789,089
Property taxes			1,266,038			1,266,038
Direct lending, PLUS and FFEL loan receipts	85,156,887	4,433,045				89,589,932
Direct lending, PLUS and FFEL loan payments	(86,273,184)	(4,415,169)				(90,688,353)
Other agency funds - net	(94,701)	(3,580)	32,568	(5,393)		(71,106)
Refunds to grantors	(384,063)	(4,797)				(288,860)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	111,340,799	22,829,896	11,368,206	11,805,095	-	157,343,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Distributions from trustee of current year bond proceeds and interest earnings	660,542					660,542
Capital appropriations	9,559,370	75,000				9,634,370
Capital gift and grants	1,022,993	42,347				1,065,340
Stimulus (ARRA) funds for capital projects	27,650			250,000		277,650
Proceeds from sale of capital assets	18,030			10,692		28,722
Purchases of capital assets	(12,345,878)	(2,627,934)	(535,504)	(1,866,492)		(17,375,808)
Payments to trustees for bond principal	(4,349,999)	(1,010,000)	(535,000)	(230,000)		(6,124,999)
Payments to debt holders for bond interest and fees	(5,354,612)	(1,639,678)	(247,928)	(230,000)		(7,472,077)
Payments to debt holders for principal (other than bonds)	(1,074,042)	(1,639,678)	(131,271)	(229,859)		(1,205,313)
Payments to debt holders for interest and fees (other than bonds)	(6,369)		(156,021)			(162,390)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(11,842,315)	(5,160,265)	(3,605,724)	(2,065,659)		(20,673,963)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	2,125,005	7,483,358		126,313		9,734,676
Interest on investments (net of fees)	674,830	76,875	10,760	812,959		1,565,424
Purchases of investments	(3,619,005)	(8,250,000)		(134,300)		(12,003,305)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(819,170)	(689,767)	10,760	42,507		(1,455,670)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,051,468	(1,538,971)	570,796	608,546		12,691,839
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	48,685,066	6,143,140	5,285,578	3,801,065		63,914,849
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,736,534	\$ 4,604,169	\$ 5,856,374	\$ 4,409,611	\$ -	\$ 76,606,688
Operating income (loss)	\$ (102,341,057)	\$ (21,720,145)	\$ (12,113,938)	\$ (10,966,359)	\$ 219,021	\$ (146,922,478)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	14,837,769	2,974,285	2,774,783	1,621,350		22,208,187
Change in assets and liabilities:						
Receivables, net	397,361	291,369	99,647	(248,062)		540,315
Inventories	(141,849)	106,769	851	84,160		49,931
Prepaid expenses	(93,453)	(5,411)	(8,463)	1,323		(106,004)
Accounts and salaries payable	219,034	(514,519)	(33,440)	156,885		(187,140)
Other postemployment benefits payable	1,286,702	274,069	78,306	140,594	(15,100)	1,575,750
Deferred revenue	(424,312)	47,049	(22,458)	30,191	(203,921)	(369,530)
Deposits	274,922	9,373				282,075
Refundable federal advances	134,233		22,266	8,741		134,233
Compensated absences	212,978	(9,968)				203,010
Other liabilities	9,826	28,294				38,120
Net cash provided (used) by operating activities	\$ (85,627,846)	\$ (18,518,835)	\$ (9,202,446)	\$ (9,173,397)	\$ -	\$ (122,522,524)

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



Statistical Section (Unaudited)

**Statistical Section
(Unaudited)**

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

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Financial Trends	67
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These schedules present information to understand how the University’s financial activities and performance have changed over time.

Debt Capacity	71
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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	73
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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	75
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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 Assets												
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003		
Revenues												
Operating Revenues												
Tuition and Fees, net	\$ 53,179,741	\$ 50,458,050	\$ 49,599,394	\$ 46,395,525	\$ 41,233,852	\$ 37,712,037	\$ 34,385,605	\$ 30,468,657	\$ 27,527,158	\$ 25,689,671		
Grants and Contracts	30,928,513	33,399,265	32,927,442	28,873,222	34,511,606	45,210,978	42,238,822	35,393,907	35,747,879	33,039,235		
Sales and Services	1,036,266	964,531	886,927	765,520	822,233	762,381	716,885	395,710	369,262	281,839		
Auxiliary Enterprises, net	23,926,128	21,252,473	23,313,170	23,161,155	22,017,670	20,614,549	19,049,122	19,032,736	16,524,913	15,714,589		
Self Insurance	3,453,786	3,205,048	3,074,210	2,816,292	2,718,232	2,264,238	9,736,456	9,243,663	9,609,754	8,454,750		
Other	1,880,486	2,988,151	3,525,323	1,474,721	1,303,743	1,511,140	1,728,935	2,719,850	3,077,752	3,311,698		
Total Operating Revenues	114,404,920	112,267,518	113,326,466	103,486,435	102,607,336	108,075,323	107,855,825	97,254,523	92,856,718	86,491,782		
Expenses												
Operating Expenses												
Personal Services	142,396,694	141,193,099	131,923,161	125,112,683	118,371,034	110,428,777	112,242,519	108,217,482	102,679,058	93,221,800		
Scholarships and Fellowships	19,733,286	25,837,301	18,413,213	12,440,439	10,684,615	9,520,839	7,737,131	7,441,160	9,579,938	10,412,331		
Supplies and Services	62,165,003	59,173,498	59,735,964	56,501,323	53,872,766	50,312,948	44,506,401	39,770,753	39,469,775	34,255,150		
Self Insurance	14,774,378	14,397,856	11,270,220	12,414,970	11,925,924	11,113,482	9,710,449	8,850,553	7,947,364	7,672,198		
Depreciation	22,208,187	19,138,033	17,488,556	15,785,543	15,551,238	12,054,714	10,471,072	11,191,206	12,038,905	8,725,191		
Other	49,850	92,507	78,102	104,774	146,476	81,152	72,220	113,634	122,874	388,979		
Total Operating Expenses	261,327,398	259,832,294	238,909,216	222,359,732	210,552,053	193,511,912	184,739,792	175,584,788	171,837,914	154,675,649		
Operating Loss	(146,922,478)	(147,564,776)	(125,582,750)	(118,873,297)	(107,944,717)	(85,436,589)	(76,883,967)	(78,330,265)	(78,981,196)	(68,183,867)		
Nonoperating Revenues (Expenses)												
Federal Appropriations	5,580,251	-	3,544,193	776,366	35,399	183,101	504,267	14,195	-	-		
State Appropriations	93,460,349	91,995,057	91,402,392	90,818,135	92,164,251	83,983,692	79,543,950	73,637,882	73,397,713	67,030,378		
Stimulus Funds (ARRA)	241,189	2,042,785	1,695,457	-	-	-	-	-	-	-		
Grants and Contracts	53,629,309	55,310,240	40,410,638	29,297,438	15,665,730	-	-	-	-	-		
Sales and Use Taxes	2,775,286	2,710,217	2,595,140	2,760,722	2,697,782	2,259,112	2,149,978	2,018,258	2,166,482	-		
Property Taxes	1,338,678	1,260,788	1,180,217	1,117,495	1,074,144	1,021,436	956,465	910,623	876,862	-		
Gifts	1,313,548	1,639,038	2,866,816	1,145,463	2,811,013	1,045,309	1,152,048	1,622,464	2,309,636	753,371		
Investment Income	804,604	2,130,476	2,588,860	(1,014,048)	1,998,031	4,617,945	3,266,446	2,496,693	2,124,434	2,341,150		
Interest on Capital Asset Related Debt	(7,765,915)	(7,469,157)	(4,217,414)	(7,627,925)	(5,915,185)	(2,168,854)	(3,075,257)	(5,037,584)	(79,409)	(3,796,450)		
Other	1,365,321	2,446	(1,714,609)	7,542,082	6,870,537	(413,060)	(1,120,298)	(291,160)	2,593,455	(513,871)		
Net Nonoperating Revenues (Expenses)	152,742,620	149,621,890	140,351,690	124,815,728	117,401,702	90,528,681	83,377,599	75,371,371	83,389,173	65,814,578		
Income Before Other Revenues, Expenses, Gain or Losses	5,820,142	2,057,114	14,768,940	5,942,431	9,456,985	5,092,092	6,493,632	(2,958,894)	4,407,977	(2,369,289)		
Capital Appropriations	7,826,005	10,722,718	2,923,156	8,428,625	3,002,314	1,728,787	3,224,043	2,021,802	2,296,304	2,268,065		
Capital Grants and Gifts	940,473	6,810,236	4,781,955	17,636,054	6,199,054	895,893	352,013	2,624,948	406,261	1,812,761		
Adjustments to Prior Year Capital Assets	26,739	333,485	412,965	(1,430,577)	133,910	(2,806,274)	1,093,659	426,746	(231,879)	(319,794)		
Refunds to Grantors	(290,916)	(94,297)	(275,252)	(74,323)	(68,288)	(233,212)	(29,597)	(622,366)	182,446	(63,385)		
Gain or Loss on Disposal of Capital Assets	(642,348)	744,391	(350,187)	(441,908)	(389,780)	1,321,904	51,190	(127,969)	25,385	45,932		
Capitalization of Library Holdings	153,639	175,735	247,905	190,680	218,820	229,250	181,825	109,375	103,950	242,795		
Livestock Additions	-	1,775	-	1,450	9,755	-	3,815	-	-	-		
Bond Issuance Costs	(46,465)	(32,506)	(11,684)	-	(400,121)	(656,479)	(382,184)	-	-	-		
Bond Proceeds	-	28,463	-	-	-	-	-	-	-	-		
Increase (Decrease) in Net Assets	\$ 13,787,269	\$ 20,747,114	\$ 22,497,798	\$ 30,252,432	\$ 18,162,649	\$ 5,571,961	\$ 10,988,396	\$ 1,473,642	\$ 7,190,444	\$ 1,617,085		

Source: Controller's Office

Schedule of Major Sources of Revenue										
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues										
Tuition and Fees, net	\$ 53,179,741	\$ 50,458,050	\$ 49,599,394	\$ 46,395,525	\$ 41,233,852	\$ 37,712,037	\$ 34,385,605	\$ 30,468,657	\$ 27,527,158	\$ 25,689,671
Grants and Contracts	30,928,513	33,399,265	32,927,442	28,873,222	34,511,606	45,210,978	42,238,822	35,393,907	35,747,879	33,039,235
Sales and Services	1,036,266	964,531	886,927	765,520	822,233	762,381	716,885	395,710	369,262	281,839
Auxiliary Enterprises, net	23,926,128	21,252,473	23,313,170	23,161,155	22,017,670	20,614,549	19,049,122	19,032,736	16,524,913	15,714,589
Self Insurance	3,453,786	3,205,048	3,074,210	2,816,292	2,718,232	2,264,238	9,736,456	9,243,663	9,609,754	8,454,750
Other	1,880,486	2,988,151	3,525,323	1,474,721	1,303,743	1,511,140	1,728,935	2,719,850	3,077,752	3,311,698
Total Operating Revenues	114,404,920	112,267,518	113,326,466	103,486,435	102,607,336	108,075,323	107,855,825	97,254,523	92,856,718	86,491,782
Nonoperating Revenues and Other Changes										
Federal Appropriations	5,580,251	-	3,544,193	776,366	35,399	183,101	504,267	14,195	-	-
State Appropriations	93,460,349	91,995,057	91,402,392	90,818,135	92,164,251	83,983,692	79,543,950	73,637,882	73,397,713	67,030,378
Stimulus Funds (ARRA)	241,189	2,042,785	1,695,457	-	-	-	-	-	-	-
Grants and Contracts	53,629,309	55,310,240	40,410,638	29,297,438	15,665,730	-	-	-	-	-
Sales and Use Taxes	2,775,286	2,710,217	2,595,140	2,760,722	2,697,782	2,259,112	2,149,978	2,018,258	2,166,482	-
Property Taxes	1,338,678	1,260,788	1,180,217	1,117,495	1,074,144	1,021,436	956,465	910,623	876,862	-
Gifts	1,313,548	1,639,038	2,866,816	1,145,463	2,811,013	1,045,309	1,152,048	1,622,464	2,309,636	753,371
Investment Income	804,604	2,130,476	2,588,860	(1,014,048)	1,998,031	4,617,945	3,266,446	2,496,693	2,124,434	2,341,150
Capital Appropriations	7,826,005	10,722,718	2,923,156	8,428,625	3,002,314	1,728,787	3,224,043	2,021,802	2,296,304	2,268,065
Capital Grants and Gifts	940,473	6,810,236	4,781,955	17,636,054	6,199,054	895,893	352,013	2,624,948	406,261	1,812,761
Net Gain on Disposal of Capital Assets	(642,348)	744,391	(350,187)	(441,908)	(389,780)	1,321,904	51,190	(127,969)	25,385	45,932
Capitalization of Library Holdings	153,639	175,735	247,905	190,680	218,820	229,250	181,825	109,375	103,950	242,795
Livestock Additions	-	1,775	-	1,450	9,755	-	3,815	-	-	-
Net Other Nonoperating Revenues	1,365,321	30,909	(1,714,609)	7,542,082	6,870,537	(413,060)	(1,120,298)	(291,160)	2,593,455	(513,871)
Total Nonoperating Revenues and Other Changes	168,786,304	175,574,365	152,171,933	158,258,554	132,357,050	96,873,369	90,265,742	85,037,111	86,300,482	73,980,581
Total Revenues and Other Changes	\$ 283,191,224	\$ 287,841,883	\$ 265,498,399	\$ 261,744,989	\$ 234,964,386	\$ 204,948,692	\$ 198,121,567	\$ 182,291,634	\$ 179,157,200	\$ 160,472,363

By Percent of Total Revenues										
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues										
Tuition and Fees, net	18.78%	17.53%	18.68%	17.73%	17.55%	18.40%	17.36%	16.71%	15.36%	16.01%
Grants and Contracts	10.92%	11.60%	12.40%	11.03%	14.69%	22.06%	21.32%	19.42%	19.95%	20.59%
Sales and Services	0.37%	0.34%	0.33%	0.29%	0.35%	0.37%	0.36%	0.22%	0.21%	0.18%
Auxiliary Enterprises, net	8.45%	7.38%	8.78%	8.85%	9.37%	10.06%	9.61%	10.44%	9.22%	9.79%
Self Insurance	1.22%	1.11%	1.16%	1.08%	1.16%	1.10%	4.91%	5.07%	5.36%	5.27%
Other	0.66%	1.04%	1.33%	0.56%	0.55%	0.74%	0.87%	1.49%	1.72%	2.06%
Total Operating Revenues	40.40%	39.00%	42.68%	39.54%	43.67%	52.73%	54.44%	53.35%	51.83%	53.90%
Nonoperating Revenues and Other Changes										
Federal Appropriations	1.97%	0.00%	1.33%	0.30%	0.02%	0.09%	0.25%	0.01%	0.00%	0.00%
State Appropriations	33.00%	31.96%	34.43%	34.70%	39.22%	40.98%	40.15%	40.40%	40.97%	41.77%
Stimulus Funds (ARRA)	0.09%	0.71%	0.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Grants and Contracts	18.94%	19.22%	15.22%	11.19%	6.67%	0.00%	0.00%	0.00%	0.00%	0.00%
Sales and Use Taxes	0.98%	0.94%	0.98%	1.05%	1.15%	1.10%	1.09%	1.11%	1.21%	0.00%
Property Taxes	0.47%	0.44%	0.44%	0.43%	0.46%	0.50%	0.48%	0.50%	0.49%	0.00%
Gifts	0.46%	0.57%	1.08%	0.44%	1.20%	0.51%	0.58%	0.89%	1.29%	0.47%
Investment Income	0.28%	0.74%	0.98%	-0.39%	0.85%	2.25%	1.65%	1.37%	1.19%	1.46%
Capital Appropriations	2.76%	3.73%	1.10%	3.22%	1.28%	0.84%	1.63%	1.11%	1.28%	1.41%
Capital Grants and Gifts	0.33%	2.37%	1.80%	6.74%	2.64%	0.44%	0.18%	1.44%	0.23%	1.13%
Net Gain on Disposal of Capital Assets	-0.23%	0.26%	-0.13%	-0.17%	-0.17%	0.64%	0.03%	-0.07%	0.01%	0.03%
Capitalization of Library Holdings	0.05%	0.06%	0.09%	0.07%	0.09%	0.11%	0.09%	0.06%	0.06%	0.15%
Livestock Additions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Other Nonoperating Revenues	0.48%	0.01%	-0.65%	2.88%	2.92%	-0.20%	-0.57%	-0.16%	1.45%	-0.32%
Total Nonoperating Revenues and Other Changes	59.60%	61.00%	57.32%	60.46%	56.33%	47.27%	45.56%	46.65%	48.17%	46.10%
Total Revenues and Other Changes	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Source: Controller's Office										

Schedule of Expenses by Use											
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Operating Expenses											
Personal Services	\$ 142,396,694	\$ 141,193,099	\$ 131,923,161	\$ 125,112,683	\$ 118,371,034	\$ 110,428,777	\$ 112,242,519	\$ 108,217,482	\$ 102,679,058	\$ 93,221,800	
Scholarships and Fellowships	19,733,286	25,837,301	18,413,213	12,440,439	10,684,615	9,520,839	7,737,131	7,441,160	9,579,938	10,412,331	
Supplies and Services	62,165,003	59,173,498	59,735,964	56,501,323	53,872,766	50,312,948	44,506,401	39,770,753	39,469,775	34,255,150	
Self Insurance	14,774,378	14,397,856	11,270,220	12,414,970	11,925,924	11,113,482	9,710,449	8,850,553	7,947,364	7,672,198	
Depreciation	22,208,187	19,138,033	17,488,556	15,785,543	15,551,238	12,054,714	10,471,072	11,191,206	12,038,905	8,725,191	
Other	49,850	92,507	78,102	104,774	146,476	81,152	72,220	113,634	122,874	388,979	
Total Operating Expenses	261,327,398	259,832,294	238,909,216	222,359,732	210,552,053	193,511,912	184,739,792	175,584,788	171,837,914	154,675,649	
Nonoperating Expenses and Other Changes											
Interest on Capital Asset Related Debt	7,765,915	7,469,157	4,217,414	7,627,925	5,915,185	2,168,854	3,075,257	5,037,584	79,409	3,796,450	
Net Adjustments to Prior Year Capital Assets	(26,739)	(333,485)	(412,965)	1,430,577	(133,910)	2,806,274	(1,093,659)	(426,746)	231,879	319,794	
Refunds to Grantors	290,916	94,297	275,252	74,323	68,288	233,212	29,597	622,366	(182,446)	63,385	
Bond Issuance Costs	46,465	32,506	11,684	-	400,121	656,479	382,184	-	-	-	
Total Nonoperating Expenses and Other Changes	8,076,557	7,262,475	4,091,385	9,132,825	6,249,684	5,864,819	2,393,379	5,233,204	128,842	4,179,629	
Total Expenses and Other Changes	\$ 269,403,955	\$ 267,094,769	\$ 243,000,601	\$ 231,492,557	\$ 216,801,737	\$ 199,376,731	\$ 187,133,171	\$ 180,817,992	\$ 171,966,756	\$ 158,855,278	
By Percentage of Total Expenses											
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Operating Expenses											
Personal Services	52.86%	52.86%	54.29%	54.05%	54.60%	55.39%	59.98%	59.85%	59.71%	58.68%	
Scholarships and Fellowships	7.32%	9.67%	7.58%	5.37%	4.93%	4.78%	4.13%	4.12%	5.57%	6.55%	
Supplies and Services	23.08%	22.15%	24.58%	24.41%	24.85%	25.24%	23.78%	21.99%	22.95%	21.56%	
Self Insurance	5.48%	5.39%	4.64%	5.36%	5.50%	5.57%	5.19%	4.89%	4.62%	4.83%	
Depreciation	8.24%	7.17%	7.20%	6.82%	7.17%	6.05%	5.60%	6.19%	7.00%	5.49%	
Other	0.02%	0.03%	0.03%	0.05%	0.07%	0.04%	0.04%	0.06%	0.07%	0.24%	
Total Operating Expenses	97.00%	97.28%	98.32%	96.05%	97.12%	97.06%	98.72%	97.11%	99.93%	97.37%	
Nonoperating Expenses and Other Changes											
Interest on Capital Asset Related Debt	2.88%	2.80%	1.74%	3.30%	2.73%	1.09%	1.64%	2.79%	0.05%	2.39%	
Net Adjustments to Prior Year Capital Assets	-0.01%	-0.12%	-0.17%	0.62%	-0.06%	1.41%	-0.58%	-0.24%	0.13%	0.20%	
Refunds to Grantors	0.11%	0.04%	0.11%	0.03%	0.03%	0.12%	0.02%	0.34%	-0.11%	0.04%	
Bond Issuance Costs	0.02%	0.01%	0.00%	0.00%	0.18%	0.33%	0.20%	0.00%	0.00%	0.00%	
Total Nonoperating Expenses and Other Changes	3.00%	2.72%	1.68%	3.95%	2.88%	2.94%	1.28%	2.89%	0.07%	2.63%	
Total Expenses and Other Changes	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

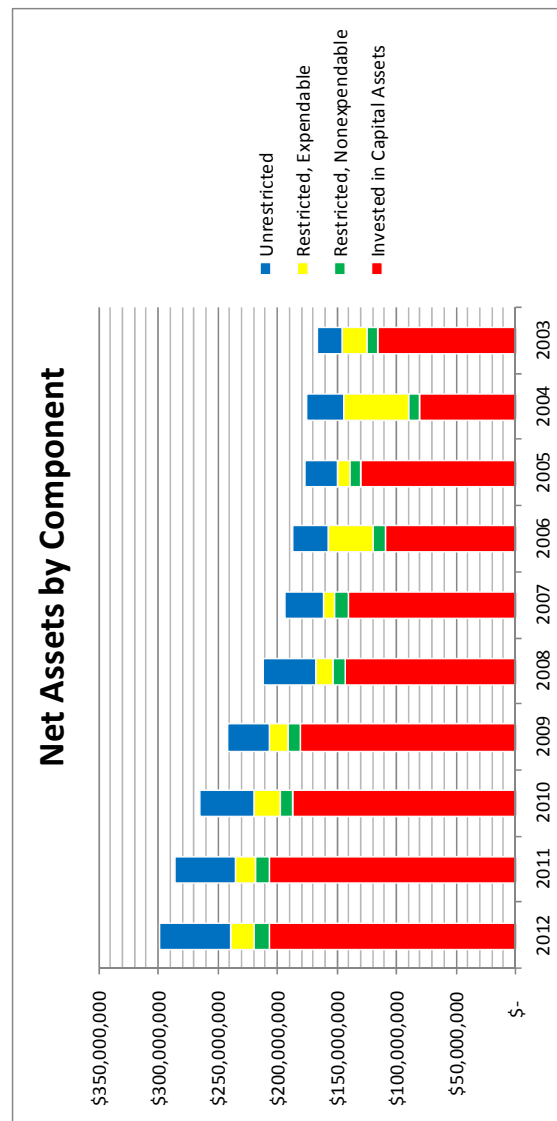
Source: Controller's Office

Source: Controller's Office

Schedule of Net Assets by Component											
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Invested in Capital Assets	\$ 205,872,011	\$ 206,297,618	\$ 186,931,513	\$ 180,153,062	\$ 142,234,133	\$ 140,318,054	\$ 109,319,863	\$ 129,359,062	\$ 80,219,320	\$ 116,034,924	
Restricted, Nonexpendable	13,097,190	11,957,122	11,025,202	10,182,498	10,429,210	11,222,923	9,957,681	9,528,813	9,462,551	8,362,776	
Restricted, Expendable	20,096,584	16,396,814	21,749,103	16,640,890	14,917,284	9,647,464	38,126,940	9,972,495	54,863,862	20,726,339	
Unrestricted	60,059,056	50,686,018	44,884,640	34,433,459	43,576,850	31,806,387	30,018,383	27,574,101	30,902,313	21,215,033	
Total Net Assets	\$ 299,124,841	\$ 285,337,572	\$ 264,590,458	\$ 241,409,909	\$ 211,157,477	\$ 192,994,828	\$ 187,422,867	\$ 176,434,471	\$ 175,448,046	\$ 166,339,072	

Net Asset Components by Percent of Total											
Fiscal Year Ended June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Invested in Capital Assets	68.82%	72.30%	70.65%	74.63%	67.36%	72.71%	58.33%	73.32%	45.72%	69.76%	
Restricted, Nonexpendable	4.38%	4.19%	4.17%	4.22%	4.94%	5.82%	5.31%	5.40%	5.39%	5.03%	
Restricted, Expendable	6.72%	5.75%	8.22%	6.89%	7.06%	5.00%	20.34%	5.65%	31.27%	12.46%	
Unrestricted	20.08%	17.76%	16.96%	14.26%	20.64%	16.48%	16.02%	15.63%	17.61%	12.75%	
Total Net Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

Source: Controller's Office



As of June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue Bonds	180,099,269	169,000,285	174,167,092	170,463,943	166,175,000	161,505,000	125,835,000	102,534,000	105,706,676	65,041,676
Notes	5,910,524	6,830,588	3,072,181	2,556,173	3,959,772	5,268,592	6,007,604	6,986,784	3,883,774	2,383,246
Capital Leases	118,486	-	10,335	19,905	725,402	1,150,352	1,547,697	1,895,122	491,097	482,569
Total Outstanding Debt	\$186,128,279	\$175,830,873	\$177,249,608	\$173,040,021	\$170,860,174	\$167,923,944	\$133,390,301	\$111,415,906	\$110,081,547	\$ 67,907,491
Student FTE	15,466	15,469	14,752	13,983	13,331	12,935	12,447	12,332	12,372	11,296
Total Debt per Student	\$ 12,035	\$ 11,367	\$ 12,015	\$ 12,375	\$ 12,817	\$ 12,982	\$ 10,717	\$ 9,035	\$ 8,898	\$ 6,012

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

Bonds Secured by Pledged Revenues										
Educational & General Bonds										
Fiscal Year Ended June 30,	Tuition and Fees	Property Taxes	Total Revenue Available for Debt		Debt Service Requirements			Total	Coverage Ratio	
			Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest				
2012	\$ 98,514,698	\$ 1,338,678	\$ 1,338,678	\$ 99,853,376	\$ 2,849,454	\$ 2,937,709	\$ 5,787,163	17.25		
2011	94,499,066	1,260,788	1,260,788	95,759,854	2,660,000	3,056,750	5,716,750	16.75		
2010	85,290,759	1,180,217	1,180,217	86,470,976	2,545,000	3,252,088	5,797,088	14.92		
2009	77,465,017	1,117,495	1,117,495	78,582,512	2,495,000	3,234,441	5,729,441	13.72		
2008	65,045,464	1,074,144	1,074,144	66,119,608	2,485,000	2,545,794	5,030,794	13.14		
2007	62,234,099	1,021,436	1,021,436	63,255,535	1,965,000	2,346,021	4,311,021	14.67		
2006	57,231,049	956,465	956,465	58,187,514	1,623,835	1,884,376	3,508,211	16.59		
2005	52,454,205	910,623	910,623	53,364,828	1,856,000	1,292,064	3,148,064	16.95		
2004	46,403,489	876,862	876,862	47,280,351	1,425,000	805,957	2,230,957	21.19		
2003	41,590,119	-	-	41,590,119	960,790	588,678	1,549,468	26.84		

Auxiliary Bonds										
Fiscal Year Ended June 30,	Revenues	Operating Expenses	Net Revenue Available for Debt Service		Debt Service Requirements			Total	Coverage Ratio	
			Revenues	Net Revenue Available for Debt Service	Principal	Interest				
2012	\$ 17,957,702	\$ 7,776,904	\$ 10,180,798	\$ 10,180,798	\$ 3,275,546	\$ 4,522,009	\$ 7,797,555	1.31		
2011	16,666,814	7,197,473	9,469,341	9,469,341	2,960,000	4,537,205	7,497,205	1.26		
2010	15,389,208	6,275,919	9,113,289	9,113,289	2,635,000	3,501,975	6,136,975	1.48		
2009	14,417,264	6,430,792	7,986,472	7,986,472	2,255,000	2,888,363	5,143,363	1.55		
2008	13,798,183	6,600,579	7,197,604	7,197,604	1,860,000	2,776,193	4,636,193	1.55		
2007	12,735,135	5,680,928	7,054,207	7,054,207	2,105,000	2,533,734	4,638,734	1.52		
2006	11,044,011	5,131,758	5,912,253	5,912,253	780,000	1,144,237	1,924,237	3.07		
2005	9,404,523	4,396,837	5,007,686	5,007,686	1,170,000	1,834,312	3,004,312	1.67		
2004	10,104,739	4,084,239	6,020,500	6,020,500	1,210,000	1,898,240	3,108,240	1.94		
2003	8,816,715	4,307,582	4,509,133	4,509,133	1,155,000	1,992,563	3,147,563	1.43		

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	
2011-12	22,065	15,466	18,278	3,787	1,378	1,619	1,641	1,892	
2010-11	21,783	15,469	18,419	3,364	1,429	1,572	1,582	1,363	
2009-10	20,201	14,752	18,069	2,132	1,314	1,244	1,552	725	
2008-09	18,947	13,983	17,221	1,726	1,656	1,120	1,414	472	
2007-08	17,795	13,331	16,311	1,484	1,694	924	1,362	461	
2006-07	17,274	12,935	15,887	1,387	1,447	960	1,438	422	
2005-06	16,698	12,447	15,422	1,276	1,537	850	1,508	435	
2004-05	16,485	12,332	15,239	1,246	1,364	905	1,555	420	
2003-04	16,653	12,372	15,493	1,160	1,194	793	1,460	377	
2002-03	15,558	11,296	14,398	1,160	1,039	730	1,604	309	

Source: Office of Institutional Research, Planning, and Assessment

Enrollment Sources by Campus														
Arkansas					Out of State					International				
Year	Jonesboro	Beebe	Mountain Home	Newport	Jonesboro	Beebe	Mountain Home	Newport	Jonesboro	Beebe	Mountain Home	Newport		
2011-12	10,698	4,566	1,376	1,975	2,414	61	96	19	788	62	-	10		
2010-11	10,761	4,628	1,480	2,057	2,079	44	103	36	575	11	-	9		
2009-10	10,474	4,425	1,411	2,023	1,263	52	105	14	419	14	1	-		
2008-09	9,998	4,381	1,217	1,625	1,170	63	77	77	322	15	2	-		
2007-08	9,500	4,238	1,160	1,311	1,237	60	18	124	132	13	1	1		
2006-07	9,459	3,992	1,115	1,230	1,141	66	66	58	127	15	1	4		
2005-06	9,165	3,910	1,136	1,265	1,113	41	82	61	136	25	1	2		
2004-05	9,225	3,616	1,231	910	1,102	17	78	113	181	3	3	6		
2003-04	9,333	3,615	1,257	846	1,062	16	90	242	178	1	-	13		
2002-03	9,195	3,107	1,187	667	1,064	25	61	76	176	-	-	-		

Note: Information is as of Fall term

Source: Office of Institutional Research, Planning, and Assessment

Annual Tuition and Required Fees										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Undergraduate*										
Resident										
Jonesboro	\$6,934	\$6,640	\$6,370	\$6,370	\$6,010	\$5,710	\$5,440	\$5,155	\$4,810	\$4,480
Beebe	2,850	2,790	2,670	2,670	2,550	2,460	2,280	2,160	2,040	1,830
Mountain Home	3,030	2,910	2,760	2,760	2,370	2,370	2,280	2,160	2,040	1,920
Newport	2,700	2,550	2,400	2,400	2,340	2,280	2,190	2,070	1,950	1,830
Nonresident										
Jonesboro	12,238	14,860	14,290	14,290	13,390	12,760	12,145	11,515	10,720	10,090
Beebe	4,650	4,530	4,350	4,350	4,140	3,990	3,750	3,540	3,300	3,000
Mountain Home	4,770	4,560	4,410	4,410	3,900	3,900	3,750	3,540	3,300	2,520
Newport	4,290	4,140	3,930	3,930	3,930	3,810	3,660	3,450	3,210	3,000
Graduate**										
Resident										
Jonesboro	5,030	4,820	4,640	4,640	4,370	4,145	3,947	3,740	3,488	3,254
Nonresident										
Jonesboro	9,073	10,850	10,436	10,436	9,770	9,329	8,879	8,420	7,844	7,394
*Undergraduate rates are based on a 15 hour load										
**Graduate rates are based on a 9 hour load										
Source: Office of Institutional Research, Planning and Assessment										

Capital Asset Usage										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Academic and Administrative Buildings	154	154	142	145	136	134	127	127	127	105
Auxiliary Buildings	29	29	26	25	21	21	23	21	22	22
Total	183	183	168	170	157	155	150	148	149	127
Source: ASU Office of Institutional Research, Planning and Assessment; Campus Financial Offices										

Number of Employees by Campus					
Year	Jonesboro	Beebe	Mountain Home	Newport	Total
2011-12	1,550	333	124	151	2,158
2010-11	1,519	344	123	149	2,135
2009-10	1,521	343	114	147	2,125
2008-09	1,435	339	108	152	2,034
2007-08	1,434	332	105	145	2,016
2006-07	1,370	309	74	148	1,901
2005-06	1,342	298	91	140	1,871
2004-05	1,329	294	87	128	1,838
2003-04	1,330	287	86	129	1,832
2002-03	1,307	216	84	132	1,739

Note: Information is as of Fall term

Source: Office of Institutional Research, Planning, and Assessment

Principal Employers in the State of Arkansas Current Fiscal Year as Compared to 2003		
Rank	2012	2003
1	State of Arkansas	State of Arkansas
2	Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.
3	Tyson Foods, Inc.	Tyson Foods, Inc.
4	Federal Government	Federal Government
5	Baptist Health, Inc.	J.B. Hunt Transport Service, Inc.
6	Sisters of Mercy Health System	Baptist Health, Inc.
7	J.B. Hunt Transport Service, Inc.	Conagra, Inc.
8	Arkansas Children's Hospital	Triad Hospitals
9	The Kroger Company	Whirlpool Corporation
10	Arvest Bank Group, Inc.	ALLTEL Corporation

Note: 2012 numbers are based on the last quarter of 2011.

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

Source: Arkansas Economic Development Commission

State of Arkansas Demographic and Economic Information				
Year	Total Population (in 000's)	Per Capita Personal Income	State Unemployment Rate	National Unemployment Rate
2012	2,957	34,591	7.2%	8.2%
2011	2,931	34,141	7.8%	9.1%
2010	2,924	33,057	7.9%	9.4%
2009	2,902	32,176	7.4%	9.5%
2008	2,879	32,470	5.3%	5.6%
2007	2,853	31,306	5.2%	4.6%
2006	2,824	29,359	5.3%	4.6%
2005	2,787	27,799	5.1%	5.0%
2004	2,755	26,762	5.6%	5.6%
2003	2,729	25,369	5.8%	6.3%

Source: Arkansas Department of Finance and Administration