

Arkansas State University System

Little Rock, Arkansas

**Basic Financial Statements
and Other Reports**

June 30, 2013

LEGISLATIVE JOINT AUDITING COMMITTEE



ARKANSAS STATE UNIVERSITY SYSTEM
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the discretely presented component unit in our report dated November 26, 2012. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions on pages 6-20 and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1), the Statement of Net Position by Campus (Schedule 2), the Statement of Revenues, Expenses, and Changes in Net Position by Campus (Schedule 3), and the Statement of Cash Flows by Campus (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 19, 2013
EDHE12513

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



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 19, 2013. Our report includes a reference to other auditors who audited the financial statements of the Arkansas State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Arkansas State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

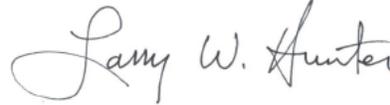
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which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

We noted certain matters that we reported to management of the University in a separate letter dated November 19, 2013.

Purpose of this Report

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 19, 2013

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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

Arkansas State University System
Legislative Joint Auditing Committee

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

Our audit noted control weaknesses in the area of general information system security policies and procedures. Due to the sensitive nature of the conditions found, we have conveyed these findings to management in a separate letter. A similar finding was reported in the previous audit.

STUDENT ENROLLMENT DATA - In accordance with Ark. Code Ann. § 6-60-209, we performed tests of the student enrollment data for the year ended June 30, 2013, as reported to the State Department of Higher Education, to provide reasonable assurance that the data was properly reported. The enrollment data reported was as follows:

	<u>Summer II Term</u> <u>2012</u>	<u>Fall Term</u> <u>2012</u>	<u>Spring Term</u> <u>2013</u>	<u>Summer I Term</u> <u>2013</u>
Student Headcount	7,079	22,905	21,538	7,939
Student Semester Credit Hours	26,825	244,946	229,459	35,056

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

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

DIVISION OF LEGISLATIVE AUDIT

Handwritten signature of Larry W. Hunter in cursive.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 19, 2013

Financial Statement Presentation

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

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

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

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

Statement Discussion

Statement of Net Position

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

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

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

Assets

Total assets increased by \$10.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position (Continued)

Current Assets

Current assets decreased by \$2.6 million. Cash and cash equivalents decreased by \$3.6 million. This decrease was due to redirecting a portion of current unrestricted cash to noncurrent unrestricted cash to be used for capital projects and renovations at the Jonesboro campus. Short-term investments decreased by \$558,000. Jonesboro had a decrease of \$713,000 as the short-term investments matured or were sold and replaced with long-term investments. The Newport campus had a \$155,000 increase as additional short-term investments were needed to fund capital projects. Accounts receivable decreased by \$723,000. Gross receivables decreased by \$550,000. Allowances for doubtful accounts increased by \$173,000. The campuses are continuing to monitor the accounts receivable balances and have increased collection activities. Inventories increased by \$229,000. This was due to the addition of the IT Store inventory on the Jonesboro campus as well as the reduction of bookstore inventory on the Newport campus due to the change in bookstore operations. Deposits with trustees increased by \$2 million. This was due to the construction projects funded with bond proceeds at the Jonesboro campus of sorority housing, honors housing, and renovations to Kays Hall.

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

Capital Assets, net

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

Statement of Net Position (Continued)

Other Assets

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

Liabilities

Total liabilities increased by \$7.1 million.

Current Liabilities

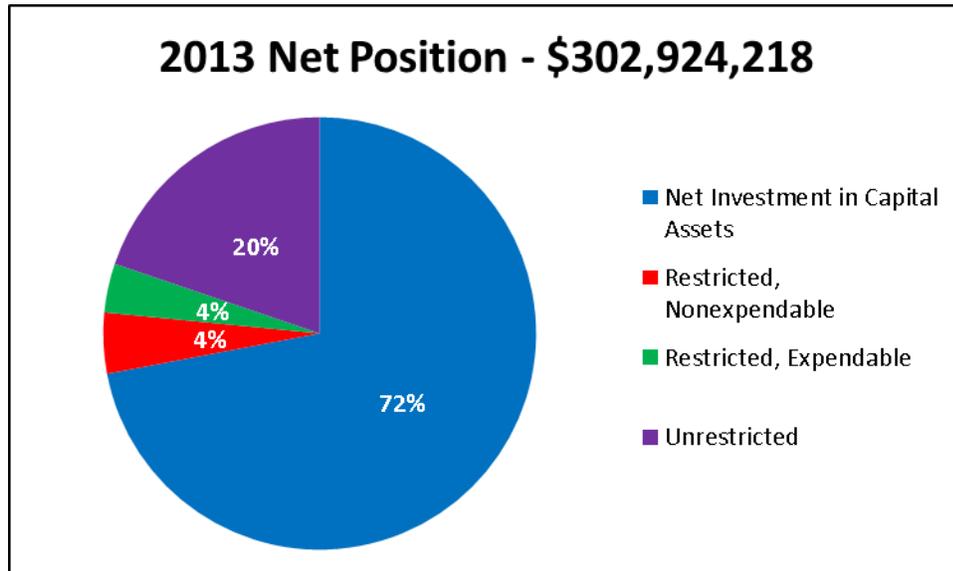
Current liabilities increased by \$4.7 million. Accounts payable and accrued liabilities increased by \$2.3 million. This was attributable to construction and retainages payable at the Jonesboro campus for projects that were expected to be completed by the start of the fall term. Also, bonds, notes and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

Noncurrent Liabilities

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

Net Position

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



Statement of Net Position (Continued)

Net investment in capital assets

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

Restricted, Nonexpendable

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

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

Restricted, Expendable

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

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

Unrestricted

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

Statement of Revenues, Expenses, and Changes in Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

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

Condensed Statement of Revenues, Expenses and Changes in Net Position				
	2013	2012	Increase/ (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees, Net	\$ 54,188,183	\$ 53,179,741	\$ 1,008,442	1.90%
Grants and Contracts	27,839,857	30,928,513	(3,088,656)	(9.99%)
Auxiliary Enterprises, Net	24,706,113	23,926,128	779,985	3.26%
Other	7,610,640	6,370,538	1,240,102	19.47%
Total Operating Revenues	<u>114,344,793</u>	<u>114,404,920</u>	<u>(60,127)</u>	(0.05%)
Operating Expenses	263,915,529	261,327,398	2,588,131	0.99%
Nonoperating Revenues (Expenses)				
Federal Appropriations	3,579,588	5,580,251	(2,000,663)	100.00%
State Appropriations	92,408,687	93,460,349	(1,051,662)	(1.13%)
Grants and Contracts	53,786,731	53,629,309	157,422	0.29%
Interest	(7,451,756)	(7,765,915)	314,159	(4.05%)
Other	6,578,593	5,382,038	1,196,555	22.23%
Total Nonoperating	<u>148,901,843</u>	<u>150,286,032</u>	<u>(1,384,189)</u>	(0.92%)
Income Before Other Revenue, Expenses, Gains or Losses	<u>(668,893)</u>	<u>3,363,554</u>	<u>(4,032,447)</u>	(119.89%)
Capital Appropriations	2,409,353	7,826,005	(5,416,652)	(69.21%)
Capital Grants and Gifts	1,619,695	654,093	965,602	147.62%
Other	439,222	1,943,617	(1,504,395)	(77.40%)
Total	<u>4,468,270</u>	<u>10,423,715</u>	<u>(5,955,445)</u>	
Increase (Decrease) in Net Position	<u>\$ 3,799,377</u>	<u>\$ 13,787,269</u>	<u>\$ (9,987,892)</u>	(72.44%)
Net Position, Beginning of Year	\$ 299,124,841	\$ 285,337,572	\$ 13,787,269	4.83%
Net Position, End of Year	\$ 302,924,218	\$ 299,124,841	\$ 3,799,377	1.27%

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Revenues

Total revenues decreased by \$1.6 million.

Operating Revenues

Total operating revenues decreased by \$60,000.

Tuition and Fees, net

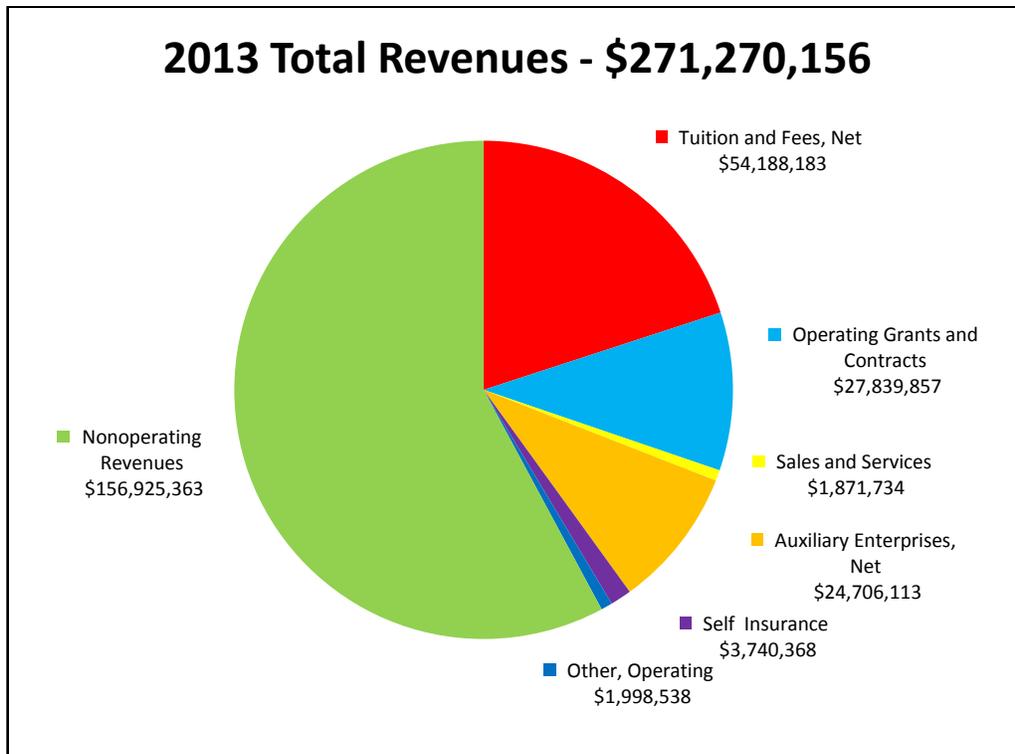
Net tuition and fees increased by \$1 million. Gross tuition and fee revenue increased by \$1.7 million. This was the result of increased enrollment as well as a minimal tuition increase. Scholarship allowances also increased by \$673,000. In addition to more scholarship opportunities provided to students,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

Grants and Contracts

Operating grants and contracts decreased by \$3.1 million. While grants increased in the amount of \$41,000 on the Beebe Campus, all other campuses saw a decrease in grants. The Jonesboro campus had decreases in federal, local and private grants. This decrease was due to a continued decline in available grant resources. Mountain Home had a decrease of \$240,000 due to another campus taking responsibility for the Adult Education grant. The Newport campus had a \$130,000 decrease due to the completion of the Surgical Technology and Renewable Energy grants as well as the reduction of grants during fiscal year 2013, such as the Adult Education and Career Pathways grants.

Sales and Services

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Auxiliary Enterprises, net

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

Self Insurance

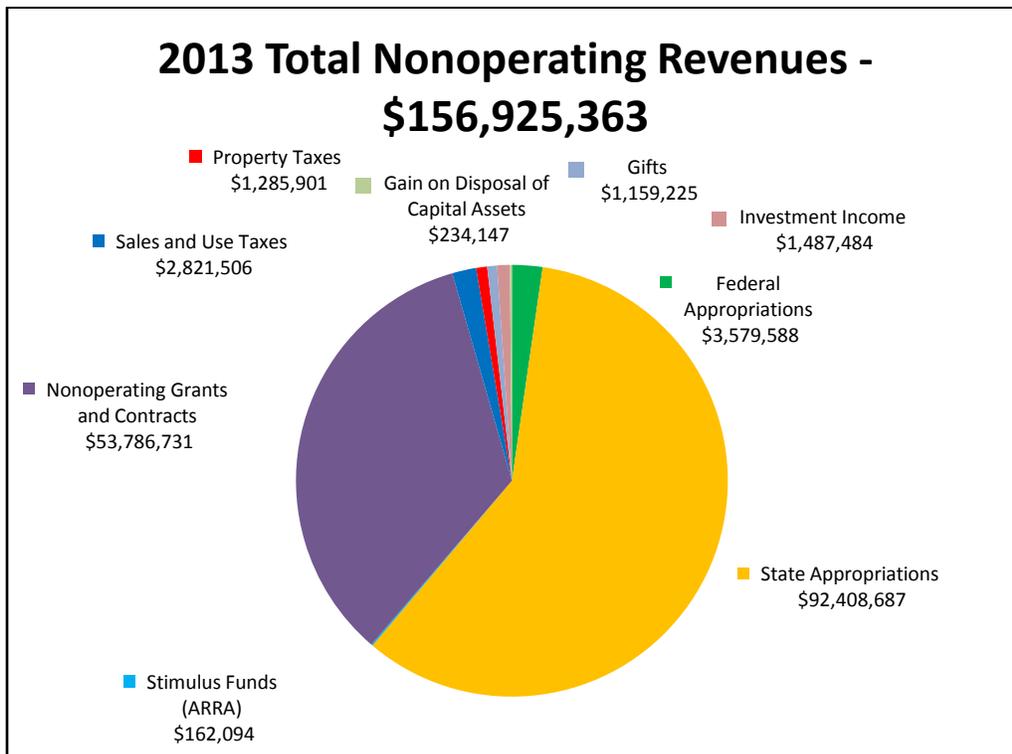
Self insurance revenues increased by \$287,000. This is a result of a minimal increase in premiums that occurred beginning January 1st. In addition, the plan design changes included moving from a two tier rate structure to a four tier rate structure, eliminating the requirement to select a PCP (Primary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

Other

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

Nonoperating Revenues

Total nonoperating revenues decreased by \$1.6 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Federal Appropriations

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

State Appropriations

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

Stimulus Funds (ARRA-American Recovery and Reinvestment Act)

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

Grants and Contracts

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

Sales and Use Taxes

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

Property Taxes

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

Gifts

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

Investment Income

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

Gain or Loss on Disposal of Capital Assets

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

Expenses

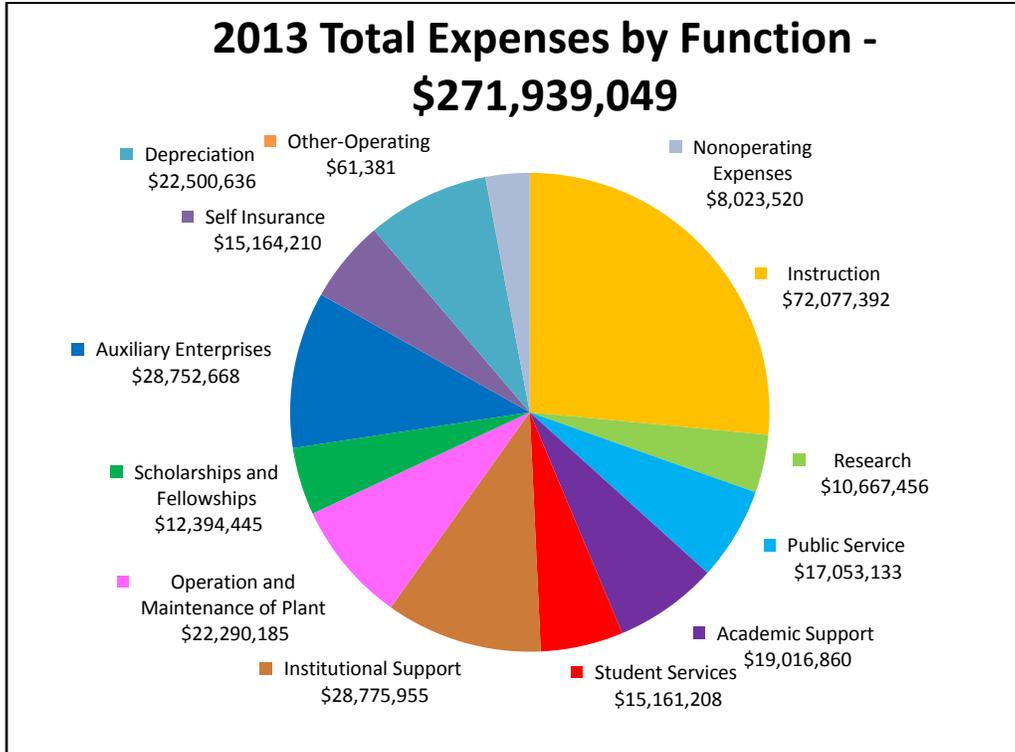
Total expenses increased by \$2.4 million.

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Operating Expenses

Total operating expenses increased by \$2.6 million.

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



Personal Services

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

Scholarships and Fellowships

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

Supplies and Services

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

Self Insurance

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

Depreciation

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Other

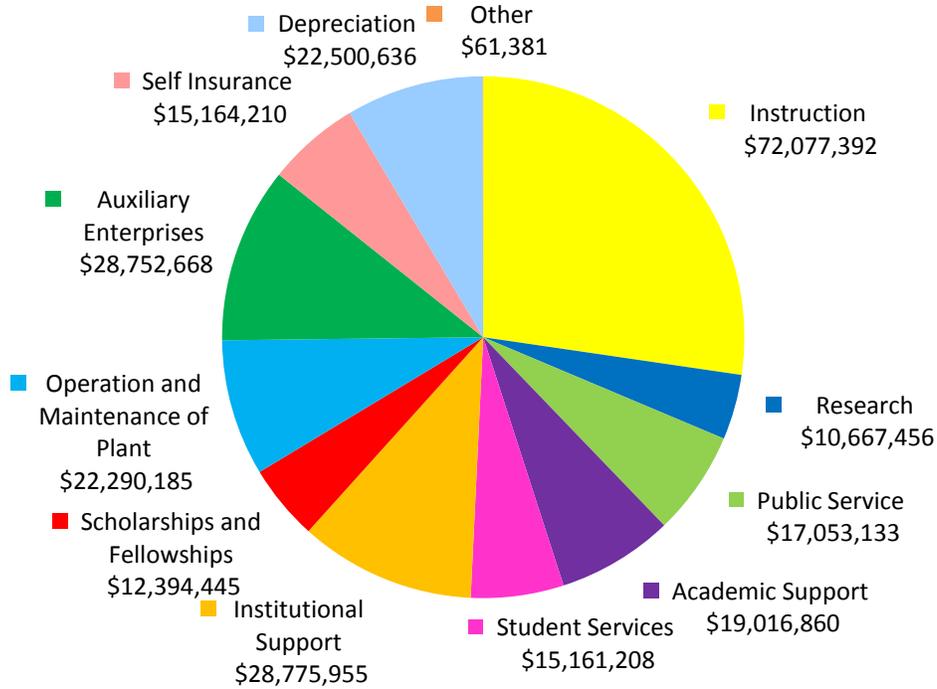
Other operating expenses increased by \$12,000. These expenses are related to the Perkins Loan program on the Jonesboro campus. Bad debt expense was higher in fiscal year 2013 when compared to fiscal year 2012.

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

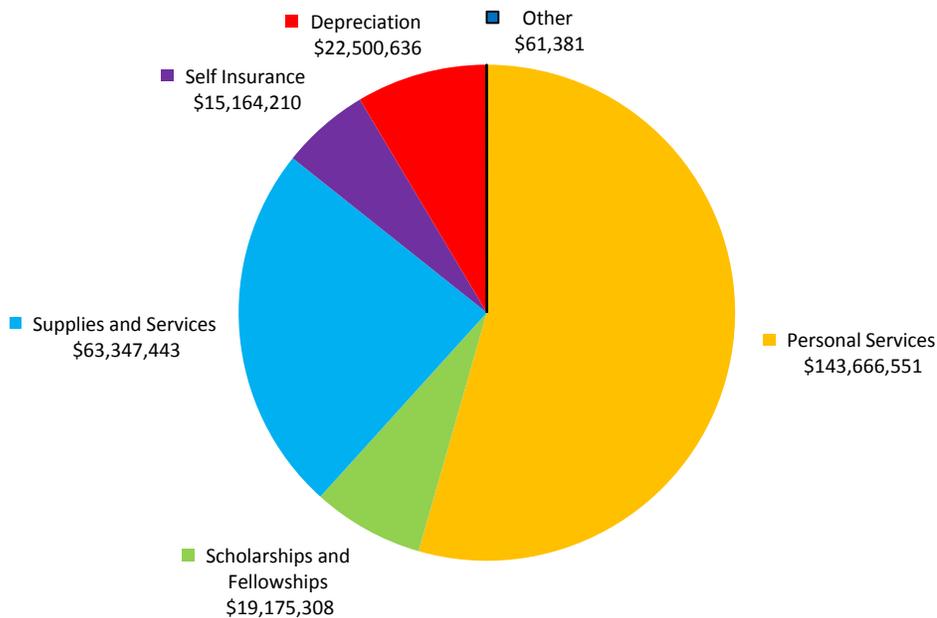
Operating Expenses by Natural Classifications				
	2013	2012	Increase/ (Decrease)	Percent Change
Personal Services	\$ 143,666,551	\$ 142,396,694	\$ 1,269,857	0.89%
Scholarships and Fellowships	19,175,308	19,733,286	(557,978)	(2.83%)
Supplies and Services	63,347,443	62,165,003	1,182,440	1.90%
Self Insurance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

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

2013 Total Operating Expenses by Functional Classification - \$263,915,529



2013 Total Operating Expenses by Natural Classification - \$263,915,529



Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Nonoperating Expenses

Total nonoperating expenses decreased by \$191,000.

Interest

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

Other

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

Other Changes

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

Capital Appropriations

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

Capital Grants and Gifts

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

Stimulus Funds (ARRA) for Capital Projects

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

Additions to Endowments

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

Statement of Cash Flows

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

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

Capital Assets (net of accumulated depreciation)

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

Land

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

Construction in progress

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

Livestock

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

Intangibles-Easements

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

Intangibles-Software

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

Buildings

The University experienced a decrease in the total value of buildings. This is a result of fewer building additions in fiscal year 2013 as compared to 2012, along with the elimination of several existing buildings due to the Honors Housing and Sorority Housing construction projects. The Jonesboro campus was the only site that had a change in building amounts, excluding the depreciation at all campuses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Continued)

Improvements and infrastructure

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

Equipment

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

Library/Audiovisual Holdings

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

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

Debt Administration

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

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

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

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

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

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

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

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

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

Economic Outlook

The economic outlook of the University remains sound.

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

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

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

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

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

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

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

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

Exhibit A

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 44,519,148	\$ 48,100,705
Short-term investments	739,958	1,297,819
Accounts receivable (less allowances of \$942,356 and \$769,753)	13,623,790	14,346,695
Notes and deposits receivable (less allowances of \$230,381 and \$214,195)	1,028,937	1,017,687
Accrued interest and late charges	103,927	102,886
Inventories	1,845,498	1,616,422
Deposits with trustees	2,876,862	833,878
Unamortized bond issuance costs	111,994	69,398
Prepaid expenses	137,303	177,762
Total Current Assets	64,987,417	67,563,252
Noncurrent Assets:		
Cash and cash equivalents	22,328,637	15,235,649
Restricted cash and cash equivalents	5,573,730	13,270,334
Endowment investments	12,588,729	11,888,686
Other long-term investments	17,405,023	16,559,287
Accrued interest and late charges	385,312	341,646
Deposits with trustees	6,787,382	15,875,826
Accounts receivable	68,452	394,351
Notes and deposits receivable (less allowances of \$1,072,707 and \$1,031,383)	4,797,532	4,906,901
Unamortized bond issuance costs	2,199,179	1,400,500
Capital assets (net of accumulated depreciation of \$265,485,623 and \$247,019,480)	398,026,329	376,827,180
Total Noncurrent Assets	470,160,305	456,700,360
TOTAL ASSETS	535,147,722	524,263,612
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	10,178,381	7,871,465
Bonds, notes and leases payable	8,167,262	7,519,197
Compensated absences	7,328,543	7,848,099
Unearned revenue	4,297,280	2,232,441
Funds held in trust for others	966,707	627,709
Deposits	879,669	1,000,025
Interest payable	2,157,562	2,210,595
Other liabilities	68,348	58,294
Total Current Liabilities	34,043,752	29,367,825
Noncurrent Liabilities:		
Accounts payable and accrued liabilities	334,667	98,253
Bonds, notes and leases payable	179,119,393	178,607,082
Compensated absences	3,331,159	3,460,157
Accrued other postemployment benefits payable	7,486,899	5,853,460
Deposits	429,128	353,384
Refundable federal advances	7,478,506	7,398,610
Total Noncurrent Liabilities	198,179,752	195,770,946
TOTAL LIABILITIES	232,223,504	225,138,771
NET POSITION		
Net investment in capital assets	218,122,176	205,872,011
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,672,647	7,383,325
Loans	951,064	924,432
Other	8,158,845	4,789,433
Expendable:		
Scholarships and fellowships	558,481	840,253
Research	143,792	688,413
Loans	20,000	20,000
Capital projects	8,158,796	15,773,047
Debt service		240,938
Other	2,211,765	2,533,933
Unrestricted	59,926,652	60,059,056
TOTAL NET POSITION	\$ 302,924,218	\$ 299,124,841

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

ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

Exhibit A-1

ASSETS

Cash	\$	292,983
Repurchase agreement		7,072,651
Certificate of deposit		1,843,050
Short-term investment		87,723
Prepaid expenses		10,269
Unconditional promises to give, net		1,442,071
Long-term investments		43,833,748
Cash surrender of life insurance		6,710
Property and equipment, net		1,065,816
Other assets		4,165
		45,358,846
 Total Assets	 \$	 55,659,186
		55,659,186

LIABILITIES

Accounts payable	\$	81,643
Notes payable		4,053
Annuities payable		111,700
Amounts held on behalf of Arkansas State University related entities		9,892,101
Total Liabilities		10,089,497

NET ASSETS

Unrestricted		2,461,558
Temporarily restricted		8,556,041
Permanently restricted		34,552,090
Total Net Assets		45,569,689
 Total Liabilities and Net Assets	 \$	 55,659,186
		55,659,186

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

Exhibit B

	2013	2012
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$46,007,592 and \$45,334,957)	\$ 54,188,183	\$ 53,179,741
Grants and contracts	27,839,857	30,928,513
Sales and services of educational departments	1,871,734	1,036,266
Auxiliary enterprises (net of scholarship allowances of \$10,086,006 and \$9,299,049)	24,706,113	23,926,128
Self-insurance	3,740,368	3,453,786
Other operating revenues	1,998,538	1,880,486
TOTAL OPERATING REVENUES	114,344,793	114,404,920
OPERATING EXPENSES		
Personal services	143,666,551	142,396,694
Scholarships and fellowships	19,175,308	19,733,286
Supplies and services	63,347,443	62,165,003
Self-insurance	15,164,210	14,774,378
Depreciation	22,500,636	22,208,187
Other	61,381	49,850
TOTAL OPERATING EXPENSES	263,915,529	261,327,398
OPERATING INCOME (LOSS)	(149,570,736)	(146,922,478)
NON-OPERATING REVENUES (EXPENSES)		
Federal appropriations	3,579,588	5,580,251
State appropriations	92,408,687	93,460,349
Stimulus funds (ARRA)	162,094	241,189
Grants and contracts	53,786,731	53,629,309
Sales and use taxes	2,821,506	2,775,286
Property taxes	1,285,901	1,338,678
Gifts	1,159,225	1,313,548
Investment income	1,487,484	804,604
Interest on capital asset - related debt	(7,451,756)	(7,765,915)
Bond issuance costs	(80,500)	(46,465)
Gain or loss on disposal on capital assets	234,147	(642,348)
Refunds to grantors	(88,010)	(290,916)
Other nonoperating revenues (expenses)	(403,254)	(111,538)
NET NON-OPERATING REVENUES (EXPENSES)	148,901,843	150,286,032
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(668,893)	3,363,554
Capital appropriations	2,409,353	7,826,005
Capital grants and gifts	1,619,695	654,093
Stimulus funds (ARRA) for capital projects	40,305	286,380
Additions to endowments	1,035	1,476,859
Adjustments to capital assets	205,822	26,739
Capitalization of library holdings at rate per volume	105,109	153,639
Livestock additions	205	
Accrued interest on bond issues	86,746	
INCREASE (DECREASE) IN NET POSITION	3,799,377	13,787,269
NET POSITION - BEGINNING OF YEAR	299,124,841	285,337,572
NET POSITION - END OF YEAR	\$ 302,924,218	\$ 299,124,841

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

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

Exhibit B-1

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Support and Reclassifications				
Contributions	\$ 282,493	\$ 4,512,916	\$ 1,138,421	\$ 5,933,830
Contributed services	355,876			355,876
Investment return, net	54,690	1,352,629	1,549,953	2,957,272
Other income	423,818	318,293	1,716	743,827
Net assets released from restrictions	3,595,132	(3,595,132)		
Total Support	4,712,009	2,588,706	2,690,090	9,990,805
Expenses and Losses				
Program services				
Academic activities	642,184			642,184
Administrative	129,658			129,658
Student activities	50,934			50,934
Supporting services				
Management and general	518,248			518,248
Fundraising	401,273			401,273
Transfers to Arkansas State University	2,888,267			2,888,267
Transfers to Other Affiliates	3,650			3,650
Total Expenses and Losses	4,634,214			4,634,214
Increase (Decrease) in net assets	77,795	2,588,706	2,690,090	5,356,591
Net assets at beginning of year	2,436,225	5,873,738	31,903,135	40,213,098
Reclassification and internal transfers	(52,462)	93,597	(41,135)	
Total after reclassification and internal transfers	2,383,763	5,967,335	31,862,000	40,213,098
Net assets at end of year	\$ 2,461,558	\$ 8,556,041	\$ 34,552,090	\$ 45,569,689

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

Exhibit C

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 55,338,323	\$ 53,174,588
Grants and contracts	28,340,328	31,378,439
Auxiliary enterprises revenues	24,834,062	23,504,692
Sales and services of educational departments	1,872,110	1,034,938
Self-insurance program receipts	3,740,368	3,453,786
Collection of principal and interest related to student loans	901,407	1,062,316
Other receipts	2,119,300	2,250,280
Payments to employees	(121,145,102)	(118,748,996)
Payments for employee benefits	(21,920,623)	(21,378,058)
Payments to suppliers	(63,362,558)	(62,809,800)
Scholarships and fellowships	(19,175,308)	(19,733,286)
Self-insurance program payments	(15,114,966)	(14,765,672)
Loans issued to students	(935,733)	(945,751)
Net cash provided (used) by operating activities	(124,508,392)	(122,522,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal appropriations	3,910,914	5,561,428
State appropriations	92,408,687	93,460,349
Stimulus funds (ARRA)	151,483	331,928
Grants and contracts	53,824,157	53,842,138
Private gifts and grants	1,447,681	1,551,413
Sales and use taxes	2,822,367	2,789,089
Property taxes	1,302,462	1,266,038
Direct lending, PLUS and FFEL loan receipts	85,287,329	89,589,932
Direct lending, PLUS and FFEL loan payments	(84,377,275)	(90,688,353)
Other agency funds - net	447,120	(71,106)
Refunds to grantors	(89,683)	(288,860)
Net cash provided (used) by noncapital financing activities	157,135,242	157,343,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	1,500,000	
Distributions from trustee of current year bond proceeds and interest earnings	1,034,355	660,542
Distributions from trustee of prior year bond proceeds and interest earnings	12,380,654	
Capital appropriations	2,409,353	9,634,370
Capital gift and grants	1,389,560	1,065,340
Stimulus (ARRA) funds for capital projects	46,594	277,650
Proceeds from sale of capital assets	347,608	28,722
Purchases of capital assets	(40,312,616)	(17,375,808)
Payments to trustees for bond principal	(6,999,998)	(6,124,999)
Payments to trustees for bond interest and fees	(7,252,845)	(7,472,077)
Payments to debt holders for principal (other than bonds)	(1,118,962)	(1,205,313)
Payments to debt holders for interest and fees (other than bonds)	(145,110)	(162,390)
Net cash provided (used) by capital and related financing activities	(36,721,407)	(20,673,963)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	10,420,612	9,734,676
Interest on investments (net of fees)	672,426	812,959
Purchases of investments	(11,183,654)	(12,003,305)
Net cash provided (used) by investing activities	(90,616)	(1,455,670)
Net increase (decrease) in cash and cash equivalents	(4,185,173)	12,691,839
Cash and cash equivalents - beginning of year	76,606,688	63,914,849
Cash and cash equivalents - end of year	\$ 72,421,515	\$ 76,606,688

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

	2013	2012
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (149,570,736)	\$ (146,922,478)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	22,500,636	22,208,187
Change in assets and liabilities:		
Receivables, net	(168,732)	540,315
Inventories	(229,076)	49,931
Prepaid expenses	40,459	(106,004)
Accounts and salaries payable	(158,184)	(187,140)
Other postemployment benefits payable	1,633,439	1,575,750
Unearned revenue	2,047,018	(369,530)
Deposits	(44,612)	282,075
Refundable federal advances	79,896	134,233
Compensated absences	(648,554)	234,017
Other liabilities	10,054	38,120
Net cash provided (used) by operating activities	\$ (124,508,392)	\$ (122,522,524)
Reconciliation of Cash and Cash Equivalents		
Current Assets:		
Cash and Cash Equivalents	\$ 44,519,148	\$ 48,100,705
Noncurrent Assets:		
Cash and Cash Equivalents	22,328,637	15,235,649
Restricted Cash and Cash Equivalents	5,573,730	13,270,334
	\$ 72,421,515	\$ 76,606,688

NONCASH TRANSACTIONS - 2013

JONESBORO

Equipment-capital gift of \$159,611

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

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

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

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

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

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

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

Amount of interest earned on CDs reinvested with CDs-\$3,509

BEEBE

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

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

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

Amount of interest earned on CDs reinvested with CDs-\$27,746

NONCASH TRANSACTIONS - 2013 (Continued)

MOUNTAIN HOME

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

NEWPORT

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

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

Vehicle from state purchasing program-\$20,941

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

Amount of interest earned on CDs reinvested with CDs-\$646

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

NONCASH TRANSACTIONS - 2012

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 \$3,517,902 was remitted to the bond trustee 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 trustee 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 trustee 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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Component Units (Continued)

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

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

Financial Statement Presentation

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

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

Basis of Accounting

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

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

Capital Assets and Depreciation

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

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

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

Operating and Nonoperating Revenues

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

Operating Revenues: Operating revenues result from activities that have characteristics of exchange transactions; that is, the University receives payment in exchange for providing services or products to students or other constituencies. Student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary operations, net of scholarship discounts and allowances, and most federal, state, local and private grants are the main categories of operating revenues for the University.

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

Cash Equivalents

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

Accounts Receivable

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

Investments

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

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

Inventories

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

Noncurrent Cash and Investments

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

Restricted/Unrestricted Resources

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

Unearned Revenues

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

Compensated Absences Payable

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

Deposits with Trustees

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

Noncurrent Liabilities

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

Property Taxes

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

Sales and Use Taxes

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

Funds Held in Trust for Others

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

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Discounts and Allowances

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

NOTE 2: Public Fund Deposits and Investments

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: Public Fund Deposits and Investments (Continued)

Deposits with Trustees

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

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

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

The U.S. agencies will mature as follows:

<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Total</u>
\$ 0	\$ 133,754	\$869,962	\$ 1,934,562	\$ 2,938,278

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
\$ 0	\$ 0	\$ 733,241	\$ 152,168	\$ 418,390	\$ 1,303,799

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

<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>	<u>Total</u>
\$ 2,883,301	\$ 0	\$ 54,977	\$ 0	\$ 0	\$ 2,938,278

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: Public Fund Deposits and Investments (Continued)

Endowment Investments

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

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

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

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

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

R.E. Lee Wilson, Sr. Trust Investments

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: Public Fund Deposits and Investments (Continued)

R.E. Lee Wilson, Sr. Trust Investments (Continued)

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

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

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

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

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

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2: Public Fund Deposits and Investments (Continued)

V.C. and Bertie H. Kays Educational Trust Investments (Continued)

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

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

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

NOTE 3: Income Taxes

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: Capital Assets

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

Arkansas State University-Jonesboro					
	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Nondepreciable capital assets:					
Land and improvements	\$ 6,536,235	\$ 15,000		\$ (588)	\$ 6,550,647
Livestock for educational purposes	39,095	205			39,300
Construction-in-progress	13,090,871	32,245,421	\$ (10,922,333)	(62,806)	34,351,153
Intangibles-Easements	2,627,000	48,000			2,675,000
Total nondepreciable capital assets	<u>\$ 22,293,201</u>	<u>\$ 32,308,626</u>	<u>\$ (10,922,333)</u>	<u>\$ (63,394)</u>	<u>\$ 43,616,100</u>
Other capital assets:					
Improvements and infrastructure	\$ 63,853,555	\$ 1,195,331	\$ 10,830,783		\$ 75,879,669
Buildings	307,288,806	100,000	91,550	\$ (210,688)	307,269,668
Equipment	43,414,883	4,607,108		(3,703,372)	44,318,619
Library/audiovisual holdings	12,175,759	74,520			12,250,279
Intangibles-Software	5,828,610				5,828,610
Total other capital assets	<u>432,561,613</u>	<u>5,976,959</u>	<u>10,922,333</u>	<u>(3,914,060)</u>	<u>445,546,845</u>
Less accumulated depreciation/amortization for:					
Improvements and infrastructure	15,826,988	2,694,350			18,521,338
Buildings	129,767,437	8,782,969		(40,203)	138,510,203
Equipment	31,204,475	3,297,751		(3,647,567)	30,854,659
Library/audiovisual holdings	11,113,995	167,388			11,281,383
Intangibles-Software	2,138,278	193,166			2,331,444
Total accumulated depreciation	<u>190,051,173</u>	<u>15,135,624</u>		<u>(3,687,770)</u>	<u>201,499,027</u>
Other capital assets, net	<u>\$ 242,510,440</u>	<u>\$ (9,158,665)</u>	<u>\$ 10,922,333</u>	<u>\$ (226,290)</u>	<u>\$ 244,047,818</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 22,293,201	\$ 32,308,626	\$ (10,922,333)	\$ (63,394)	\$ 43,616,100
Other capital assets, at cost	432,561,613	5,976,959	10,922,333	(3,914,060)	445,546,845
Total cost of capital assets	<u>454,854,814</u>	<u>38,285,585</u>		<u>(3,977,454)</u>	<u>489,162,945</u>
Less accumulated depreciation	<u>190,051,173</u>	<u>15,135,624</u>		<u>(3,687,770)</u>	<u>201,499,027</u>
Capital Assets, net	<u>\$ 264,803,641</u>	<u>\$ 23,149,961</u>	<u>\$ 0</u>	<u>\$ (289,684)</u>	<u>\$ 287,663,918</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: Capital Assets (Continued)

Arkansas State University-Beebe					
	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Nondepreciable capital assets:					
Land and improvements	\$ 3,185,106		\$ 75,881		\$ 3,260,987
Livestock for educational purposes	87,810			\$ (10,480)	77,330
Construction-in-progress	1,198,720	\$ 1,619,753	(1,984,177)		834,296
	<u>4,471,636</u>	<u>1,619,753</u>	<u>(1,908,296)</u>	<u>(10,480)</u>	<u>4,172,613</u>
Total nondepreciable capital assets					
	<u>\$ 4,471,636</u>	<u>\$ 1,619,753</u>	<u>\$ (1,908,296)</u>	<u>\$ (10,480)</u>	<u>\$ 4,172,613</u>
Other capital assets:					
Improvements and infrastructure	\$ 12,422,945		\$ 1,908,296		\$ 14,331,241
Buildings	66,301,410				66,301,410
Equipment	5,532,899	\$ 175,509		\$ (199,408)	5,509,000
Library/audiovisual holdings	2,287,169	92,476		(10,005)	2,369,640
	<u>86,544,423</u>	<u>267,985</u>	<u>1,908,296</u>	<u>(209,413)</u>	<u>88,511,291</u>
Total other capital assets					
	<u>86,544,423</u>	<u>267,985</u>	<u>1,908,296</u>	<u>(209,413)</u>	<u>88,511,291</u>
Less accumulated depreciation for:					
Improvements and infrastructure	3,188,353	763,025			3,951,378
Buildings	20,397,381	1,478,323			21,875,704
Equipment	4,095,384	464,282		(199,408)	4,360,258
Library/audiovisual holdings	1,547,018	128,691		(10,005)	1,665,704
	<u>29,228,136</u>	<u>2,834,321</u>		<u>(209,413)</u>	<u>31,853,044</u>
Total accumulated depreciation					
	<u>29,228,136</u>	<u>2,834,321</u>		<u>(209,413)</u>	<u>31,853,044</u>
Other capital assets, net					
	<u>\$ 57,316,287</u>	<u>\$ (2,566,336)</u>	<u>\$ 1,908,296</u>	<u>\$ 0</u>	<u>\$ 56,658,247</u>
Capital Asset Summary:					
Nondepreciable capital assets	\$ 4,471,636	\$ 1,619,753	\$ (1,908,296)	\$ (10,480)	\$ 4,172,613
Other capital assets, at cost	86,544,423	267,985	1,908,296	(209,413)	88,511,291
	<u>91,016,059</u>	<u>1,887,738</u>		<u>(219,893)</u>	<u>92,683,904</u>
Total cost of capital assets				(209,413)	31,853,044
Less accumulated depreciation	<u>29,228,136</u>	<u>2,834,321</u>		<u>(209,413)</u>	<u>31,853,044</u>
Capital Assets, net					
	<u>\$ 61,787,923</u>	<u>\$ (946,583)</u>	<u>\$ 0</u>	<u>\$ (10,480)</u>	<u>\$ 60,830,860</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: Capital Assets (Continued)

Arkansas State University-Mountain Home

	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction-in-progress		\$ 29,425			29,425
Total nondepreciable capital assets	\$ 2,934,808	\$ 29,425			\$ 2,964,233
Other capital assets:					
Improvements and infrastructure	\$ 2,280,289				\$ 2,280,289
Buildings	37,130,095				37,130,095
Equipment	1,436,632	\$ 166,109		\$ (5,522)	1,597,219
Library/audiovisual holdings	852,771	30,589			883,360
Total other capital assets	41,699,787	196,698		(5,522)	41,890,963
Less accumulated depreciation for:					
Improvements and infrastructure	1,458,328	152,020			1,610,348
Buildings	12,540,842	2,475,340			15,016,182
Equipment	950,525	135,807		(5,522)	1,080,810
Library/audiovisual holdings	740,521	22,188			762,709
Total accumulated depreciation	15,690,216	2,785,355		(5,522)	18,470,049
Other capital assets, net	\$ 26,009,571	\$ (2,588,657)		\$ 0	\$ 23,420,914
Capital Asset Summary:					
Nondepreciable capital assets	\$ 2,934,808	\$ 29,425			\$ 2,964,233
Other capital assets, at cost	41,699,787	196,698		\$ (5,522)	41,890,963
Total cost of capital assets	44,634,595	226,123		(5,522)	44,855,196
Less accumulated depreciation	15,690,216	2,785,355		(5,522)	18,470,049
Capital Assets, net	\$ 28,944,379	\$ (2,559,232)	\$ 0	\$ 0	\$ 26,385,147

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4: Capital Assets (Continued)

Arkansas State University-Newport

	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Nondepreciable capital assets:					
Land and improvements	\$ 474,423				\$ 474,423
Construction-in-progress	185,221	\$ 3,108,520		\$ (61,229)	3,232,512
Total nondepreciable capital assets	\$ 659,644	\$ 3,108,520		\$ (61,229)	\$ 3,706,935
Other capital assets:					
Improvements and infrastructure	\$ 2,423,222	\$ 372,577			\$ 2,795,799
Buildings	26,855,062				26,855,062
Equipment	3,025,834	178,306		\$ (148,887)	3,055,253
Library/audiovisual holdings	377,430	20,385		(957)	396,858
Total other capital assets	32,681,548	571,268		(149,844)	33,102,972
Less accumulated depreciation for:					
Improvements and infrastructure	348,690	153,420			502,110
Buildings	9,754,311	1,239,629			10,993,940
Equipment	1,641,864	337,442		(130,870)	1,848,436
Library/audiovisual holdings	305,090	14,845		(918)	319,017
Total accumulated depreciation	12,049,955	1,745,336		(131,788)	13,663,503
Other capital assets, net	\$ 20,631,593	\$ (1,174,068)		\$ (18,056)	\$ 19,439,469
Capital Asset Summary:					
Nondepreciable capital assets	\$ 659,644	\$ 3,108,520		\$ (61,229)	\$ 3,706,935
Other capital assets, at cost	32,681,548	571,268		(149,844)	33,102,972
Total cost of capital assets	33,341,192	3,679,788		(211,073)	36,809,907
Less accumulated depreciation	12,049,955	1,745,336		(131,788)	13,663,503
Capital Assets, net	\$ 21,291,237	\$ 1,934,452	\$ 0	\$ (79,285)	\$ 23,146,404

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities

A summary of long-term debt is as follows:

Arkansas State University-Jonesboro

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2013	Maturities To June 30, 2013
9/15/2005	4/1/2025	3 - 5%	\$ 19,230,000	\$ 13,590,000	\$ 5,640,000
6/1/2007	3/1/2037	3.65 - 5%	17,065,000	14,970,000	2,095,000
6/1/2007	3/1/2037	3.65 - 5%	30,300,000	26,340,000	3,960,000
3/19/2009	3/1/2039	3 - 5.1%	9,290,000	8,735,000	555,000
5/31/2010	5/31/2015	6.74%	27,178	13,555	13,623
10/8/2010	9/8/2015	0.46%	4,568,514	2,055,831	2,512,683
12/7/2010	3/1/2031	2 - 4.125%	6,075,000	5,370,000	705,000
12/7/2010	3/1/2031	2 - 4.125%	2,600,000	2,290,000	310,000
12/7/2010	12/1/2027	2 - 4%	3,435,000	2,365,000	1,070,000
8/15/2011	8/15/2015	15.58%	126,260	74,889	51,371
1/16/2012	1/16/2016	4.09%	249,803	95,067	154,736
3/1/2012	3/1/2034	0.7 - 4.8%	5,340,000	5,080,000	260,000
3/1/2012	3/1/2034	2 - 3.6%	2,775,000	2,455,000	320,000
3/1/2012	3/1/2042	0.9 - 5.2%	6,510,000	6,510,000	
3/1/2012	3/1/2042	2 - 4%	6,875,000	6,875,000	
3/1/2012	3/1/2037	2 - 4%	3,425,000	3,335,000	90,000
12/1/2012	3/1/2042	.866 - 4.7%	4,470,000	4,470,000	
12/1/2012	3/1/2042	1.375 - 3.5%	1,255,000	1,255,000	
12/1/2012	3/1/2037	1.375 - 3.375%	1,500,000	1,500,000	
3/1/2013	3/1/2034	1 - 5%	28,895,000	28,895,000	
Unamortized discount			(163,516)	(147,725)	(15,791)
Unamortized premium			1,665,635	1,652,207	13,428
Deferral on debt defeasance			(1,538,383)	(1,511,230)	(27,153)
Totals			<u>\$ 153,975,491</u>	<u>\$ 136,267,594</u>	<u>\$ 17,707,897</u>

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities (Continued)

Arkansas State University-Beebe

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

Arkansas State University-Mountain Home

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

Arkansas State University-Newport

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities (Continued)

The changes in long-term liabilities are as follows:

Arkansas State University-Jonesboro

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

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

Arkansas State University-Beebe

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

*Includes refunding of \$1,795,000

Arkansas State University-Mountain Home

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

*Includes refunding of \$4,465,000

**Includes refunding of \$2,307,983

Arkansas State University-Newport

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities (Continued)

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

Arkansas State University-Jonesboro

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

*Includes discount amortization of \$6,200, premium amortization of \$78,021 and deferral on debt defeasance of \$73,649.

**Includes interest payable of \$1,803,684 recorded as a current liability at June 30, 2013.

***Total principal of \$136,267,594 includes discount amortization of \$147,725, premium amortization of \$1,652,207 and deferral on debt defeasance of \$1,511,230.

Arkansas State University-Beebe

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities (Continued)

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

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

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

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

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

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

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

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

Refunding of Debt

Arkansas State University-Jonesboro

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5: Long-Term Liabilities (Continued)

Refunding of Debt (Continued)

Arkansas State University-Beebe

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

Arkansas State University-Mountain Home

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

Arkansas State University-Newport

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6: Capital Leases

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

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

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

NOTE 7: Commitments

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

A. Construction Contracts

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

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 7: Commitments (Continued)

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

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

(a) Future minimum rental payments (aggregate) at June 30, 2013: \$1,736,821

(b) Future minimum rental payments for the five (5) succeeding fiscal years and thereafter:

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

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

NOTE 8: Retirement Plans

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

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

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

Arkansas Teacher Retirement System

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8: Retirement Plans (Continued)

Arkansas Public Employees Retirement System

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

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

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

Variable Annuity Life Insurance Company (VALIC)

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

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

NOTE 9: Natural Classifications by Function

The University's operating expenses by function were as follows:

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10: Receivable and Payable Balances

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

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

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

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

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

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

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

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Vendors	\$ 7,591,449	\$ 334,667	\$ 7,926,116
Students	3,654		3,654
Sales Tax and Use Tax	70,188		70,188
Health Claims	1,072,950		1,072,950
Salaries and Other Payroll Related Items	1,340,607		1,340,607
Miscellaneous	99,533		99,533
Totals	<u>\$ 10,178,381</u>	<u>\$ 334,667</u>	<u>\$ 10,513,048</u>

NOTE 11: Museum Collection

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

NOTE 12: Other Postemployment 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).

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12: Other Postemployment Benefits (Continued)

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:

1. 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).
2. 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
3. Continuing eligibility of the retiree, their spouse and unmarried dependent children for tuition discounts in effect for current university employees.

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

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

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

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12: Other Postemployment Benefits (Continued)

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

Cost Element	Fiscal Year Ending			
	June 30, 2013		June 30, 2012	
	Amount	Percent of Payroll ¹	Amount	Percent of Payroll ²
1. Beginning of year unfunded actuarial accrued liability	\$ 12,920,854	12.87%	\$ 11,980,562	11.84%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	1,296,097		1,258,347	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	659,212		611,239	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ <u>1,955,309</u>	1.95%	\$ <u>1,869,586</u>	1.85%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,296,097		\$ 1,258,347	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	659,212		611,239	
7. Amortization of beginning of year accrual	(298,639)		(218,246)	
8. Interest on beginning of year accrual	175,604		128,331	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	\$ <u>1,832,274</u>	1.83%	\$ <u>1,779,671</u>	1.76%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 5,853,460		\$ 4,277,710	
11. Annual OPEB cost	1,832,274		1,779,671	
12. Employer contribution (benefit payments)	198,835		203,921	
13. End of year accrual (10. + 11. - 12.) ³	\$ <u>7,486,899</u>	7.46%	\$ <u>5,853,460</u>	5.78%

¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429.

² Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997.

³ Actual contributions and administrative fees paid in fiscal year 2013 of \$503,743 less participant contributions of \$304,908; \$503,118 and \$299,197, respectively, in fiscal year 2012. The employer contributed 10.9% of annual OPEB cost during fiscal year 2013, compared to 11.5% during fiscal year 2012.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ⁴	Percentage Contributed
June 30, 2013	\$ 1,832,274	\$ 198,835	10.9%
June 30, 2012	1,779,671	203,921	11.5%
June 30, 2011	1,431,823	159,693	11.2%

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12: Other Postemployment Benefits (Continued)

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 Ending	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, 2013	\$ 0	\$ 12,920,854	\$ 12,920,854	0%	\$ 100,382,429	12.87%
June 30, 2012	0	11,980,562	11,980,562	0%	101,213,997	11.84%
June 30, 2011	0	10,139,178	10,139,178	0%	113,897,937	8.90%

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

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

Three-Year Schedule of Percentage of OPEB Cost Contributed

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

Summary of Key Actuarial Methods and Assumptions

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

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

Actuarial assumptions:

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

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2013. These premiums are used in this roll-forward of plan liabilities per GASB Statement no. 45.

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12: Other Postemployment Benefits (Continued)

Retiree Premiums

Health (monthly rate)	Employee Cost	Employer Cost	Total
Single	\$ 197.68	\$ 197.68	\$ 395.36
Family (retired after 6/30/2001)	405.71	405.71	811.42

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

Discount Rate 3.0% per annum

Inflation Rate 2.5% per annum

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

Mortality IRS 2008 Combined Static Mortality Table has been used.

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 13: Self-insurance Program

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

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

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

Unpaid Claims Liability

	FY 2013
Unpaid Claims, 7-1-12	\$ 1,225,900
Incurred claims during current year	14,124,901
Current year claims paid	13,064,582
Prior year claims paid	1,213,269
Total payments	14,277,851
Unpaid Claims, 6-30-13	\$ 1,072,950

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

NOTE 14: Endowment Funds

Arkansas State University-Jonesboro

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

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

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

Arkansas State University-Beebe

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: Pledged Revenues

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

Arkansas State University-Jonesboro

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Jonesboro (Continued)

	Issue Date	Maturity Date	Purpose	Type of Revenue Pledged	2013 Gross Revenue	Amount Issued	2013 Principal Paid	2013 Interest Paid	Principal Outstanding	Interest Outstanding	Percent of Revenue Pledged
Series 2012A Taxable Housing	3/1/2012	3/1/2042	Construction of sorority housing	Housing Fees		\$ 6,510,000			\$ 6,510,000	\$ 5,634,069	0.00%
Series 2012C Taxable Housing	12/1/2012	3/1/2042	Construction of sorority housing	Housing Fees		4,470,000			4,470,000	3,541,232	0.00%
Series 2012B Housing	3/1/2012	3/1/2042	Construction of honors housing	Housing Fees		6,875,000			6,875,000	4,301,675	0.00%
Series 2012D Housing	12/1/2012	3/1/2042	Construction of honors housing	Housing Fees		1,255,000			1,255,000	692,079	0.00%
Series 2012C Student Fee	3/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	\$ 1,545,618	3,425,000	\$ 90,000	\$ 124,106	3,335,000	1,799,656	13.85%
Series 2012D Student Fee	12/1/2012	3/1/2037	Renovation of Kays Hall	Housing Fees	1,545,618	1,500,000			1,500,000	626,204	0.00%
Series 2012A Taxable Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Property Purchases	Gross Tuition and Fees	see below	5,340,000	260,000	181,442	5,080,000	2,550,143	0.55%
Series 2012B Refunding	3/1/2012	3/1/2034	Refinance Series 2004 Student Fee-Refinance Library/Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations and utility infrastructure improvements	Gross Tuition and Fees	see below	2,775,000	320,000	78,919	2,455,000	935,869	0.50%
Series 2004 Housing	Refunded below		Construction of Northpark Quads residence hall	Housing Fees	3,610,970	26,500,000	639,118	1,078,959			47.58%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Northpark Quads residence hall	Housing Fees	3,610,970	22,521,103			22,521,103	10,186,269	0.00%
Series 2004 Housing	Refunded below		Construction of Family Housing Phase II	Housing Fees	1,308,678	7,500,000	180,882	305,366			37.16%
Series 2013 Refunding	3/1/2013	3/1/2034	Refinance Series 2004 Housing-Construction of Family Housing Phase II	Housing Fees	1,308,678	6,373,897			6,373,897	2,882,906	0.00%

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Beebe

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15: Pledged Revenues (Continued)

Arkansas State University-Mountain Home

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

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

Arkansas State University-Newport

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16: Risk Management

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

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

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

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

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

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

NOTE 17: Subsequent Events

Arkansas State University-Jonesboro

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

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

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

ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Other Postemployment Benefits

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

Cost Element	Fiscal Year Ending			
	June 30, 2013		June 30, 2012	
	Amount	Percent of Payroll ¹	Amount	Percent of Payroll ²
1. Beginning of year unfunded actuarial accrued liability	\$ 12,920,854	12.87%	\$ 11,980,562	11.84%
<u>Annual Required Contribution (ARC)</u>				
2. Normal cost	1,296,097		1,258,347	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	659,212		611,239	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ <u>1,955,309</u>	1.95%	\$ <u>1,869,586</u>	1.85%
<u>Annual OPEB Cost (Expense)</u>				
5. Normal cost	\$ 1,296,097		\$ 1,258,347	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	659,212		611,239	
7. Amortization of beginning of year accrual	(298,639)		(218,246)	
8. Interest on beginning of year accrual	175,604		128,331	
9. Annual OPEB cost (5. + 6. + 7. + 8.)	\$ <u>1,832,274</u>	1.83%	\$ <u>1,779,671</u>	1.76%
<u>End of Year Accrual (Net OPEB Obligation)</u>				
10. Beginning of year accrual	\$ 5,853,460		\$ 4,277,710	
11. Annual OPEB cost	1,832,274		1,779,671	
12. Employer contribution (benefit payments)	198,835		203,921	
13. End of year accrual (10. + 11. - 12.) ³	\$ <u>7,486,899</u>	7.46%	\$ <u>5,853,460</u>	5.78%

¹ Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2012 is \$100,382,429.

² Annual payroll for the 2,231 plan participants for fiscal year beginning July 1, 2011 is \$101,213,997.

³ Actual contributions and administrative fees paid in fiscal year 2013 of \$503,743 less participant contributions of \$304,908; \$503,118 and \$299,197, respectively, in fiscal year 2012. The employer contributed 10.9% of annual OPEB cost during fiscal year 2013, compared to 11.5% during fiscal year 2012.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ⁴	Percentage Contributed
June 30, 2013	\$ 1,832,274	\$ 198,835	10.9%
June 30, 2012	1,779,671	203,921	11.5%
June 30, 2011	1,431,823	159,693	11.2%

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

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	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, 2013	\$ 0	\$ 12,920,854	\$ 12,920,854	0%	\$ 100,382,429	12.87%
June 30, 2012	0	11,980,562	11,980,562	0%	101,213,997	11.84%
June 30, 2011	0	10,139,178	10,139,178	0%	\$ 113,897,937	8.90%

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

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

Three-Year Schedule of Percentage of OPEB Cost Contributed

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

Summary of Key Actuarial Methods and Assumptions

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

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

Actuarial assumptions:

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

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The University provided actual per-participant premiums for 2013. These premiums are used in this roll-forward of plan liabilities per GASB Statement no. 45.

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

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

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

Retiree Premiums

Health (monthly rate)	Employee Cost	Employer Cost	Total
Single	\$ 197.68	\$ 197.68	\$ 395.36
Family (retired after 6/30/2001)	405.71	405.71	811.42

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

ARKANSAS STATE UNIVERSITY SYSTEM
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)

Schedule 1

	Year Ended June 30,				
	2013	2012	2011	2010	2009
Total Assets	\$ 535,147,722	\$ 524,263,612	\$ 497,959,394	\$ 475,420,409	\$ 448,212,607
Total Liabilities	232,223,504	225,138,771	212,621,822	210,829,951	206,119,947
Total Net Position	302,924,218	299,124,841	285,337,572	264,590,458	242,092,660
Total Operating Revenues	114,344,793	114,404,920	112,267,518	113,326,466	103,486,435
Total Operating Expenses	263,915,529	261,327,398	259,832,294	238,909,216	222,359,732
Total Net Non-Operating Revenues	148,901,843	150,286,032	149,617,555	138,413,254	116,739,815
Total Other Revenues, Expenses, Gains or Losses	4,468,270	10,423,715	18,694,335	9,667,294	32,385,914

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

Schedule 2

	Jonesboro June 30, 2013	Beebe June 30, 2013	Mountain Home June 30, 2013	Newport June 30, 2013	Consolidation Entries	Total June 30, 2013
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 29,820,951	\$ 3,846,578	\$ 6,601,205	\$ 4,250,414		\$ 44,519,148
Short-term investments	450,000			289,958		739,958
Accounts receivable (less allowances of \$942,356)	9,599,120	948,184	1,549,331	1,527,155		13,623,790
Notes and deposits receivable (less allowances of \$230,381)	1,028,937					1,028,937
Accrued interest and late charges	101,130	2,105		692		103,927
Inventories	1,486,668	355,242		3,588		1,845,498
Deposits with trustee	2,876,820			42		2,876,862
Unamortized bond issuance costs	72,708	10,105	20,155	9,026		111,994
Prepaid expenses	47,514	23,059	63,138	3,592		137,303
Total Current Assets	<u>45,483,848</u>	<u>5,185,273</u>	<u>8,233,829</u>	<u>6,084,467</u>		<u>64,987,417</u>
Noncurrent Assets:						
Cash and cash equivalents	22,328,637					22,328,637
Restricted cash and cash equivalents	5,494,100		79,630			5,573,730
Endowment investments	12,441,815	146,914				12,588,729
Other long-term investments	5,546,372	7,977,746		3,880,905		17,405,023
Accrued interest and late charges	385,312					385,312
Deposits with trustee	6,787,382					6,787,382
Accounts receivable	68,452					68,452
Notes and deposits receivable (less allowances of \$1,072,707)	4,797,532					4,797,532
Unamortized bond issuance costs	1,574,987	278,165	208,364	137,663		2,199,179
Capital assets (net of accumulated depreciation of \$265,485,623)	287,663,918	60,830,860	26,385,147	23,146,404		398,026,329
Total Noncurrent Assets	<u>347,088,507</u>	<u>69,233,685</u>	<u>26,673,141</u>	<u>27,164,972</u>		<u>470,160,305</u>
TOTAL ASSETS	<u>392,572,355</u>	<u>74,418,958</u>	<u>34,906,970</u>	<u>33,249,439</u>		<u>535,147,722</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	7,880,425	479,429	113,264	632,313	\$ 1,072,950	10,178,381
Bonds, notes and leases payable	6,018,097	1,014,518	777,840	356,807		8,167,262
Compensated absences	5,918,771	995,568	35,006	379,198		7,328,543
Unearned revenue	3,917,914	128,849	181,390	69,127		4,297,280
Funds held in trust for others	834,966	3,855	72,917	54,969		966,707
Deposits	834,635	39,859		5,175		879,669
Interest payable	1,803,684	294,338	28,807	30,733		2,157,562
Other liabilities	57,906	10,442				68,348
Total Current Liabilities	<u>27,266,398</u>	<u>2,966,858</u>	<u>1,209,224</u>	<u>1,528,322</u>	<u>1,072,950</u>	<u>34,043,752</u>
Noncurrent Liabilities:						
Accounts payable and accrued liabilities	334,667					334,667
Bonds, notes and leases payable	130,249,497	33,715,507	8,746,030	6,408,359		179,119,393
Compensated absences	2,416,086	470,367	402,573	42,133		3,331,159
Accrued other postemployment benefits payable	2,611,436	556,239	158,926	285,344	3,874,954	7,486,899
Deposits	429,128					429,128
Refundable federal advances	7,478,506					7,478,506
Total Noncurrent Liabilities	<u>143,519,320</u>	<u>34,742,113</u>	<u>9,307,529</u>	<u>6,735,836</u>	<u>3,874,954</u>	<u>198,179,752</u>
TOTAL LIABILITIES	<u>170,785,718</u>	<u>37,708,971</u>	<u>10,516,753</u>	<u>8,264,158</u>	<u>4,947,904</u>	<u>232,223,504</u>

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

Schedule 2

	Jonesboro June 30, 2013	Beebe June 30, 2013	Mountain Home June 30, 2013	Newport June 30, 2013	Consolidation Entries	Total June 30, 2013
NET POSITION						
Net investment in capital assets	\$ 158,115,350	\$ 26,389,105	\$ 17,089,795	\$ 16,527,926		\$ 218,122,176
Restricted for:						
Nonexpendable:						
Scholarships and fellowships	4,529,638	143,009				4,672,647
Loans	951,064					951,064
Other	8,158,845					8,158,845
Expendable:						
Scholarships and fellowships	273,797	284,684				558,481
Research	143,792					143,792
Loans		20,000				20,000
Capital projects	2,868,769	5,210,397	79,630			8,158,796
Other	984,436		853,085	374,244		2,211,765
Unrestricted	45,760,946	4,662,792	6,367,707	8,083,111	\$ (4,947,904)	59,926,652
TOTAL NET POSITION	\$ 221,786,637	\$ 36,709,987	\$ 24,390,217	\$ 24,985,281	\$ (4,947,904)	\$ 302,924,218

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

Schedule 3

	Jonesboro 2013	Beebe 2013	Mountain Home 2013	Newport 2013	Consolidation Entries	Total 2013
OPERATING REVENUES						
Student tuition and fees (net of scholarship allowances of \$46,007,592)	\$ 43,927,865	\$ 5,849,343	\$ 1,436,110	\$ 2,974,865		\$ 54,188,183
Grants and contracts	17,113,328	5,580,633	1,331,443	3,814,453		27,839,857
Sales and services of educational departments	1,759,232	112,502				1,871,734
Auxiliary enterprises (net of scholarship allowances of \$10,086,006)	22,216,893	2,161,165	205,112	122,943		24,706,113
Self-insurance	3,740,368					3,740,368
Other operating revenues	1,444,924	311,632	168,051	73,931		1,998,538
TOTAL OPERATING REVENUES	90,202,610	14,015,275	3,140,716	6,986,192		114,344,793
OPERATING EXPENSES						
Personal services	106,177,349	21,055,267	7,344,492	9,288,278	\$ (198,835)	143,666,551
Scholarships and fellowships	11,611,026	3,842,213	1,870,386	1,851,683		19,175,308
Supplies and services	47,061,349	7,911,779	3,120,237	5,254,078		63,347,443
Self-insurance	15,317,160				(152,950)	15,164,210
Depreciation	15,135,624	2,834,321	2,785,355	1,745,336		22,500,636
Other	61,381					61,381
TOTAL OPERATING EXPENSES	195,363,889	35,643,580	15,120,470	18,139,375	(351,785)	263,915,529
OPERATING INCOME (LOSS)	(105,161,279)	(21,628,305)	(11,979,754)	(11,153,183)	351,785	(149,570,736)
NON-OPERATING REVENUES (EXPENSES)						
Federal appropriations	3,579,588					3,579,588
State appropriations	65,836,286	14,268,131	4,733,624	7,570,646		92,408,687
Stimulus funds (ARRA)	147,656	13,325		1,113		162,094
Grants and contracts	39,032,822	6,420,189	4,888,102	3,445,618		53,786,731
Sales and use taxes		1,832,878		988,628		2,821,506
Property taxes			1,285,901			1,285,901
Gifts	969,194		173,231	16,800		1,159,225
Investment income	1,345,635	96,825	6,050	38,974		1,487,484
Interest on capital asset - related debt	(5,330,851)	(1,562,119)	(336,788)	(221,998)		(7,451,756)
Bond issuance costs	(49,763)	(10,664)	(15,560)	(4,513)		(80,500)
Gain or loss on disposal of capital assets	175,172	67,500		(8,525)		234,147
Refund to grantors	(87,627)	(383)				(88,010)
Other nonoperating revenues (expenses)	(114,955)	(277,773)		(10,526)		(403,254)
NET NON-OPERATING REVENUES (EXPENSES)	105,503,157	20,847,909	10,734,560	11,816,217		148,901,843
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	341,878	(780,396)	(1,245,194)	663,034	351,785	(668,893)
Capital appropriations	2,109,353			300,000		2,409,353
Capital grants and gifts	1,598,754			20,941		1,619,695
Stimulus funds (ARRA) for capital projects	40,305					40,305
Additions to endowments		1,035				1,035
Adjustments to capital assets	205,822					205,822
Capitalization of library holdings at rate per volume	74,520		30,589			105,109
Livestock additions	205					205
Accrued interest on bond issues	65,473	2,337	11,215	7,721		86,746
INCREASE (DECREASE) IN NET POSITION	4,436,310	(777,024)	(1,203,390)	991,696	351,785	3,799,377
NET POSITION - BEGINNING OF YEAR	217,350,327	37,487,011	25,593,607	23,993,585	(5,299,689)	299,124,841
NET POSITION - END OF YEAR	\$ 221,786,637	\$ 36,709,987	\$ 24,390,217	\$ 24,985,281	\$ (4,947,904)	\$ 302,924,218

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

Schedule 4

	Jonesboro 2013	Beebe 2013	Mountain Home 2013	Newport 2013	Consolidation Entries	Total 2013
CASH FLOW FROM OPERATING ACTIVITIES						
Student tuition and fees	\$ 45,060,286	\$ 5,869,668	\$ 1,400,298	\$ 3,008,071		\$ 55,338,323
Grants and contracts	17,626,784	5,436,068	1,374,471	3,903,005		28,340,328
Auxiliary enterprises revenues	22,325,954	2,173,561	200,639	133,908		24,834,062
Sales and services of educational departments	1,759,608	112,502				1,872,110
Self-insurance program receipts	3,740,368					3,740,368
Collection of principal and interest related to student loans	901,407					901,407
Other receipts	1,552,214	325,904	167,251	73,931		2,119,300
Payments to employees	(91,748,765)	(16,353,453)	(5,629,112)	(7,413,772)		(121,145,102)
Payments for employee benefits	(13,744,659)	(4,363,990)	(1,635,345)	(2,176,629)		(21,920,623)
Payments to suppliers	(47,203,874)	(7,858,602)	(3,158,929)	(5,141,153)		(63,362,558)
Scholarships and fellowships	(11,611,026)	(3,842,213)	(1,870,386)	(1,851,683)		(19,175,308)
Self-insurance program payments	(15,114,966)					(15,114,966)
Loans issued to students	(935,733)					(935,733)
Net cash provided (used) by operating activities	<u>(87,392,402)</u>	<u>(18,500,555)</u>	<u>(9,151,113)</u>	<u>(9,464,322)</u>		<u>(124,508,392)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Federal appropriations	3,910,914					3,910,914
State appropriations	65,836,286	14,268,131	4,733,624	7,570,646		92,408,687
Stimulus (ARRA) funds	116,457	33,913		1,113		151,483
Grants and contracts	46,543,885	6,420,314	310,921	549,037		53,824,157
Private gifts and grants	1,256,615	1,035	173,231	16,800		1,447,681
Payments to other campus for financial aid distribution	(7,474,047)					(7,474,047)
Payment from ASUJ for financial aid distribution			4,577,181	2,896,866		7,474,047
Sales and use taxes		1,844,025		978,342		2,822,367
Property taxes			1,302,462			1,302,462
Direct lending, PLUS and FFEL loan receipts	82,038,708	3,248,621				85,287,329
Direct lending, PLUS and FFEL loan payments	(81,123,861)	(3,253,414)				(84,377,275)
Other agency funds - net	426,401	(1,635)	16,523	5,831		447,120
Refunds to grantors	(87,627)	(2,056)				(89,683)
Net cash provided (used) by noncapital financing activities	<u>111,443,731</u>	<u>22,558,934</u>	<u>11,113,942</u>	<u>12,018,635</u>		<u>157,135,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt				1,500,000		1,500,000
Distributions from trustee of current year bond proceeds and interest earnings	1,034,355					1,034,355
Distributions from trustee of prior year bond proceeds and interest earnings	12,380,654					12,380,654
Capital appropriations	2,109,353			300,000		2,409,353
Capital gifts and grants	1,389,560					1,389,560
Stimulus (ARRA) funds for capital projects	46,594					46,594
Proceeds from sale of capital assets	274,049	67,500		6,059		347,608
Purchases of capital assets	(34,718,008)	(1,884,916)	(195,535)	(3,514,157)		(40,312,616)
Payments to trustees for bond principal	(4,659,998)	(1,545,000)	(545,000)	(250,000)		(6,999,998)
Payments to trustees for bond interest and fees	(5,262,967)	(1,575,494)	(236,987)	(177,397)		(7,252,845)
Payments to debt holders for principal (other than bonds)	(971,588)		(90,655)	(56,719)		(1,118,962)
Payments to debt holders for interest and fees (other than bonds)	(16,935)		(76,241)	(51,934)		(145,110)
Net cash provided (used) by capital and related financing activities	<u>(28,394,931)</u>	<u>(4,937,910)</u>	<u>(1,144,418)</u>	<u>(2,244,148)</u>		<u>(36,721,407)</u>

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

Schedule 4

	Jonesboro 2013	Beebe 2013	Mountain Home 2013	Newport 2013	Consolidation Entries	Total 2013
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	\$ 2,430,567	\$ 7,990,045				\$ 10,420,612
Interest on investments (net of fees)	545,189	81,895	\$ 6,050	\$ 39,292		672,426
Purchases of investments	(2,725,000)	(7,950,000)		(508,654)		(11,183,654)
Net cash provided (used) by investing activities	<u>250,756</u>	<u>121,940</u>	<u>6,050</u>	<u>(469,362)</u>		<u>(90,616)</u>
Net increase (decrease) in cash and cash equivalents	(4,092,846)	(757,591)	824,461	(159,197)		(4,185,173)
Cash and cash equivalents - beginning of year	<u>61,736,534</u>	<u>4,604,169</u>	<u>5,856,374</u>	<u>4,409,611</u>		<u>76,606,688</u>
Cash and cash equivalents - end of year	<u>\$ 57,643,688</u>	<u>\$ 3,846,578</u>	<u>\$ 6,680,835</u>	<u>\$ 4,250,414</u>	<u>\$ 0</u>	<u>\$ 72,421,515</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (105,161,279)	\$ (21,628,305)	\$ (11,979,754)	\$ (11,153,183)	\$ 351,785	\$ (149,570,736)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	15,135,624	2,834,321	2,785,355	1,745,336		22,500,636
Change in assets and liabilities:						
Receivables, net	(237,490)	(46,865)	(37,954)	153,577		(168,732)
Inventories	(302,630)	(10,965)		84,519		(229,076)
Prepaid expenses	91,569	(11,666)	(38,393)	(1,051)		40,459
Accounts and salaries payable	90,171	100,230	(2,055)	(193,580)	(152,950)	(158,184)
Other postemployment benefits payable	1,324,734	282,170	80,620	144,750	(198,835)	1,633,439
Unearned revenue	2,065,220	(38,526)	38,911	(18,587)		2,047,018
Deposits	(48,016)	5,671		(2,267)		(44,612)
Refundable federal advances	79,896					79,896
Compensated absences	(458,107)	31,232	2,157	(223,836)		(648,554)
Other liabilities	27,906	(17,852)				10,054
Net cash provided (used) by operating activities	<u>\$ (87,392,402)</u>	<u>\$ (18,500,555)</u>	<u>\$ (9,151,113)</u>	<u>\$ (9,464,322)</u>	<u>\$ 0</u>	<u>\$ (124,508,392)</u>
Reconciliation of Cash and Cash Equivalents						
Current Assets:						
Cash and Cash Equivalents	\$ 29,820,951	\$ 3,846,578	\$ 6,601,205	\$ 4,250,414		\$ 44,519,148
Noncurrent Assets:						
Cash and Cash Equivalents	22,328,637					22,328,637
Restricted Cash and Cash Equivalents	5,494,100		79,630			5,573,730
	<u>\$ 57,643,688</u>	<u>\$ 3,846,578</u>	<u>\$ 6,680,835</u>	<u>\$ 4,250,414</u>	<u>\$ 0</u>	<u>\$ 72,421,515</u>

NONCASH TRANSACTIONS

ASUJ

Equipment-capital gift of \$159,611

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

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

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

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

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

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

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

Amount of interest earned on CDs reinvested with CDs-\$3,509

ASUB

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

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

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

Amount of interest earned on CDs reinvested with CDs-\$27,746

ASUMH

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

ASUN

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

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

Vehicle from state purchasing program-\$20,941

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

Amount of interest earned on CDs reinvested with CDs-\$646

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