

ARKANSAS STATE UNIVERSITY



Annual Financial Report

For the Year Ended June 30, 2011

This report is prepared by:

**Office of Finance and Administration
Controller's Office
P. O. Box 2100
State University, AR 72467**

(870)972-2024

www.astate.edu



ARKANSAS STATE UNIVERSITY SYSTEM
TABLE OF CONTENTS
JUNE 30, 2011

Transmittal Letter
 Independent Auditor’s Report
 Board of Trustees, Executive Officers and Financial Officers

Page

Management’s Discussion and Analysis1

Basic Financial Statements

Comparative Statement of Net Assets7
 Comparative Statement of Revenues, Expenses, and Changes in Net Assets9
 Comparative Statement of Cash Flows10
 ASU Foundation, Inc. - Statement of Financial Position13
 ASU Foundation, Inc. - Statement of Activities14
 Notes to Financial Statements15

Required Supplementary Information

Postemployment Benefits Other Than Pensions48

Supplementary Information

Schedule of Selected Information for the Last Five Years (Unaudited)52
 Statement of Net Assets by Campus54
 Statement of Revenues, Expenses, and Changes in Net Assets by Campus56
 Statement of Cash Flows by Campus58

A
R
K
A
N
S
A
S

S
T
A
T
E

U
N
I
V
E
R
S
I
T
Y

This page is intentionally blank.

March 2, 2012

2222 Cottondale Lane, Suite 230
Little Rock, AR 72202

Phone:
501-660-1000

Fax:
501-660-1010

www.asusystem.edu

Mr. Ron Rhodes
Chair, Board of Trustees
Arkansas State University

RE: Letter of Transmittal

I am pleased to present the annual financial report of the Arkansas State University System for the fiscal year ended June 30, 2011. This report is presented on a consolidated basis and reflects the consolidation of the assets, liabilities, net assets, and financial activities of the Jonesboro, Beebe, Mountain Home, and Newport campuses of the University. Combining exhibits are presented as supplementary information.

The financial statements are presented in accordance with generally accepted accounting principles. The University's accounts are maintained using the principles of accounting applicable to public colleges and universities as established by the Governmental Accounting Standards Board. The Arkansas Division of Legislative Audit has audited the financial statements, management's discussion and analysis, and accompanying footnotes and its unqualified opinion is included herein.

Inquiries and comments regarding this report and the information presented may be directed to the Controller's Office in the Office of the Vice Chancellor for Finance and Administration on the Jonesboro campus.

Respectfully submitted,



Dr. Charles L. Welch
President, ASU System

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

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas State University System
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Arkansas State University System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's 2010 financial statements and, in our report dated November 29, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit. We did not audit the financial statements of the Arkansas State University Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arkansas State University Foundation, Inc., is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Arkansas State University System as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2010, from which such partial information was derived.

As discussed in Note 17 to the financial statements, the University restated certain prior year (2010) amounts on the Statement of Cash Flows for presentation purposes. These restatements involved various reclassifications pertaining to the trustee debt accounts and the disaggregation of cash inflows and outflows of the Direct Lending, Plus, and FFEL transactions for the Jonesboro campus.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Assets by Campus (Schedule 2), the Statement of Revenues, Expenses and Changes in Net Assets 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. The Schedule of Selected Information for the Last Five Years (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The Statement of Net Assets by Campus (Schedule 2), the Statement of Revenues, Expenses and Changes in Net Assets by Campus (Schedule 3), and the Statement of Cash Flows by Campus (Schedule 4) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 18, 2011
EDHE12511



**ARKANSAS STATE UNIVERSITY SYSTEM
BOARD OF TRUSTEES, EXECUTIVE & FINANCIAL OFFICERS
AS OF JUNE 30, 2011**

Board of Trustees

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

Executive Officers

System

- Dr. Charles L. Welch President
- Ms. Julie Bates Vice President for Finance

Jonesboro

- Dr. G. Daniel Howard Interim Chancellor
- Dr. Glen Jones Interim Executive Vice Chancellor and Provost
- Mr. Ed Kremers Vice Chancellor for Finance and Administration
- Dr. Rick Stripling Vice Chancellor for Student Affairs
- Mr. Cristian Murdock Vice Chancellor for University Advancement

Beebe

- Dr. Eugene McKay Chancellor
- Dr. Theodore Kalthoff Vice Chancellor for Academic Affairs
- Mr. Jerry Carlisle Vice Chancellor for Finance and Administration
- Dr. Deborah Garrett Vice Chancellor for Student Services

Mountain Home

- Dr. William E. Coulter Chancellor
- Dr. Patricia Bailey Vice Chancellor for Academic Affairs
- Mr. John Davidson Vice Chancellor for Administrative Affairs

Newport

- Dr. Larry Williams Chancellor
- Mr. Bob Stiger Vice Chancellor for Fiscal Affairs
- Dr. Sandra Massey Vice Chancellor for Academic Affairs
- Dr. Mary Robertson Vice Chancellor for Student Affairs

Financial Officers

- Mr. Russ Hannah, SCCT, CPA, CGFM Associate Vice Chancellor for Finance
- Ms. Myra Goodwin, MBA, CPA Controller

This page is intentionally blank.



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. This discussion and analysis is prepared by the University's financial administrators and is intended to provide information on the financial activities of the University that is both relevant and easily understandable. Information is also provided on the University's financial position as of June 30, 2011 as further explanation of the results of the year's financial activities.

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. The University has chosen to present comparative information for the fiscal year ended June 30, 2010.

The University's financial statements for the year ended June 30, 2011 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, 2011 and 2010 where appropriate.

Fiscal Year 2011 Highlights

The following events or activities of financial significance occurred during the fiscal year ended June 30, 2011.

- The University's total assets increased from \$475,420,409 at June 30, 2010 to \$497,959,394 at June 30, 2011, an increase of \$22,538,985 or 4.74%. The University's total liabilities increased from \$210,829,951 at June 30, 2010 to \$212,621,822 at June 30, 2011, an increase of \$1,791,871 or 0.85%.
- The University's construction projects in process but not yet completed totaled \$37,023,268 at June 30, 2011.
- The net assets of the University grew from \$264,590,458 at June 30, 2010 to \$285,337,572 at June 30, 2011, an increase of \$20,747,114 or 7.84%. University revenues and other additions from all sources during the year ended June 30, 2011 amounted to \$288,181,890 while expenses and other deductions amounted to \$267,434,776. Comparatively, total revenues and other additions and total expenses and other deductions for the year ended June 30, 2010 were \$271,767,009 and \$249,269,211, respectively.

Statement Discussion

Statement of Net Assets

The Statement of Net Assets is intended to display the financial position of the University. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the University. It is a "snapshot" of the University's assets, liabilities, and net assets (assets



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

minus liabilities) as of June 30, 2011, the last day of the fiscal year. Assets and liabilities are presented in two categories: current and noncurrent. Net assets are presented in three categories: capital assets net of related debt, restricted assets, and unrestricted assets. A more detailed explanation of these categories is found in the notes that accompany the financial statements.

Readers of the Statement of Net Assets can determine answers to the following key questions as of June 30, 2011:

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

Condensed Statement of Net Assets

Assets:	2011	2010	Percent Change
Current Assets	\$ 70,816,133	\$ 64,911,200	9.10%
Capital Assets, Net	381,460,115	360,508,967	5.81%
Other Noncurrent Assets	45,683,146	50,000,242	(8.63)%
Total Assets	\$ 497,959,394	\$ 475,420,409	4.74%
Liabilities:			
Current Liabilities	\$ 28,833,371	\$ 27,319,893	5.54%
Noncurrent Liabilities	183,788,451	183,510,058	0.15%
Total Liabilities	\$ 212,621,822	\$ 210,829,951	0.85%
Net Assets:			
Invested in Capital, Net of Debt	\$ 206,297,618	\$ 186,931,513	10.36%
Restricted, Nonexpendable	11,957,122	11,025,202	8.45%
Restricted, Expendable	16,396,814	21,749,103	(24.61)%
Unrestricted	50,686,018	44,884,640	12.93%
Total Net Assets	\$ 285,337,572	\$ 264,590,458	7.84%
Total Liabilities and Net Assets	\$ 497,959,394	\$ 475,420,409	4.74%

The University's total assets increased from \$475,420,409 at June 30, 2010 to \$497,959,394 at June 30, 2011, an increase of \$22,538,985 or 4.74%. Current Assets increased from \$64,911,200 at June 30, 2010 to \$70,816,133 at June 30, 2011, an increase of \$5,904,933 or 9.10%. Capital Assets increased from \$360,508,967 at June 30, 2010 to \$381,460,115 at June 30, 2011, an increase of \$20,951,148 or 5.81%. The University's Other Noncurrent Assets declined from \$50,000,242 at June 30, 2010 to \$45,683,146 at June 30, 2011, a decrease of \$4,317,096 or 8.63%.



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The University's total liabilities grew from \$210,829,951 at June 30, 2010 to \$212,621,822 at June 30, 2011, an increase of \$1,791,871 or 0.85%. Current Liabilities increased from \$27,319,893 at June 30, 2010 to \$28,833,371 at June 30, 2011, a increase of \$1,513,478 or 5.54%. Noncurrent Liabilities grew from \$183,510,058 at June 30, 2010 to \$183,788,451 at June 30, 2011, a modest increase of \$278,393 or 0.15%.

The University's total net assets increased from \$264,590,458 at June 30, 2010 to \$285,337,572 at June 30, 2011, an increase of \$20,747,114 or 7.84%. Net Assets Invested in Capital Assets, Net of Related Debt increased by \$19,366,105 or 10.36% while Restricted Net Assets decreased by \$4,420,369 or 13.49%. The University's Unrestricted Net Assets increased from \$44,884,640 at June 30, 2010 to \$50,686,018 at June 30, 2011, an increase of \$5,801,378 or 12.93%.

Statement of Revenues, Expenses and Changes in Net Assets

The total net assets as presented on the Statement of Net Assets are based in part on the financial activities that occurred during the fiscal year as presented in the Statement of Revenues, Expenses and Changes in Net Assets. This statement's purpose is to present the revenues generated and received by the University, both operating and nonoperating, the expenses incurred by the University, both operating and nonoperating, and all other financial gains or losses experienced by the University during the fiscal year ended June 30, 2011.

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.



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2011	2010	Percent Change
Operating Revenues	\$ 112,267,518	\$ 113,326,466	(0.93)%
Operating Expenses	259,832,294	238,909,216	8.76%
Operating Income (Loss)	\$(147,564,776)	\$(125,582,750)	17.50%
Nonoperating Revenues (Expenses)	\$ 149,617,555	\$ 138,413,254	8.09%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	\$ 2,052,779	\$ 12,830,504	(84.00)%
Other Revenues, Expenses, Gains or Losses	\$ 18,694,335	\$ 9,667,294	93.38%
Increase (Decrease) in Net Assets	\$ 20,747,114	\$ 22,497,798	(7.78)%
Net Assets, Beginning of the Year	\$ 264,590,458	\$ 242,092,660	9.29%
Net Assets, End of the Year	\$ 285,337,572	\$ 264,590,458	7.84%

Highlights from the information presented in the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal year ended June 30, 2011 include the following:

- Tuition and Fees, Net of Scholarship Allowance amounted to \$50,458,050 or 44.94% of Total Operating Revenues. Revenues from Operating Grants and Contracts amounted to \$33,399,265 or 29.75% of Total Operating Revenues. Auxiliary Enterprises accounted for \$21,252,473 or 18.93% of Total Operating Revenues.
- Personal Services expenses totaled \$141,193,099 or 54.34% of Total Operating Expenses. Expenses for Supplies and Services totaled \$59,173,498 or 22.77% of Total Operating Expenses.
- Scholarships and Fellowships expenses totaled \$25,837,301 or 9.94% of Total Operating Expenses. Gross Student Tuition and Fees revenue totaled \$94,499,067; Scholarships and Fellowships expenses were 27.34% of this amount.
- The University's Loss from Operations amounted to \$147,564,776. State Appropriations, which are reported as Nonoperating Revenues, totaled \$91,995,057. Revenues and gains from all other sources amounted to \$83,919,315. Nonoperating Expenses, Other Expenses, and Other Losses amounted to \$7,602,482. These activities resulted in an increase in the University's Net Assets of \$20,747,114.

Statement of Cash Flows

The third and final statement presented is the Statement of Cash Flows. This statement presents detailed information about the University's financial activities from the perspective of their effect on cash. The information is presented in five components. The first presents cash inflows and outflows



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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

Condensed Statement of Cash Flows for the Year Ended June 30, 2011

Cash Provided (Used) by:	
Operating Activities	\$(121,804,357)
Noncapital Financing Activities	162,965,437
Capital and Related Financing Activities	(27,991,871)
Investing Activities	7,463,237
Net Increase (Decrease) in Cash	\$ 20,632,446
Cash – Beginning of the Year	\$ 43,282,403
Cash – End of the Year	\$ 63,914,849

Capital Assets and Debt Administration

The University's capital assets, net of accumulated depreciation increased from \$360,508,967 at June 30, 2010 to \$381,460,115 at June 30, 2011, an increase of \$20,951,148, or 5.81%. This was achieved through the application of proceeds from previously issued debt, the allocation of other University resources to this effort, and the receipt of capital appropriations, grants and gifts and bond proceeds.

During the fiscal year ended June 30, 2011, the University received capital appropriations, grants and gifts and American Recovery and Reinvestment Act (ARRA) funds totaling \$15,371,274. The University issued \$15,030,000 in refunding bonds during the fiscal year ended June 30, 2011.

Additional information concerning the University's capital assets and debt administration activities may be found in Notes 4 and 5 in the notes that accompany the financial statements included herein.



ARKANSAS STATE UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

Economic Outlook

The economic outlook of the University remains sound.

The net assets of the University grew from \$264,590,458 at June 30, 2010 to \$285,337,572 at June 30, 2011, an increase of \$20,747,114 or 7.84%. Net assets invested in capital assets, net of related debt increased by \$19,366,105 or 10.36% while other net asset categories increased by a combined total of \$1,381,009 or 1.78%.

Economic conditions at the national and state level remained uncertain during the fiscal year ended June 30, 2011. Interest rates continued at historically low levels thereby significantly lowering the University's ability to earn appreciable returns on its operating investments. Conversely, this positively affected the University's ability to strategically manage its long-term debt through restructuring and lowered borrowing costs. The value of the University's and its related Foundation's endowments were stable, however, the ability to generate appreciable returns likewise remained low.

At the state level, revenue collections marginally exceeded the forecast of the Arkansas Department of Finance and Administration. Growth in state revenues is forecasted to continue to be slow through 2011 and 2012.

The University continued its initiatives to expand its offerings in online graduate education and international education and to expand its research and sponsored program activities. These efforts afford the University opportunities to expand its offerings to students, to enhance its reputation in academics and research, and to generate significant new sources of revenue. The individual campuses of the University will continue to work closely with their constituents and surrounding communities to fulfill their mission of teaching, research, and service.

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 ASSETS
JUNE 30, 2011

	June 30,	
	2011	2010
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 42,288,392	\$ 25,192,593
SHORT-TERM INVESTMENTS	9,152,589	10,245,758
ACCOUNTS RECEIVABLE (LESS ALLOWANCES OF \$812,349 AND \$1,271,874)	16,191,495	25,237,793
NOTES AND DEPOSITS RECEIVABLE (LESS ALLOWANCES OF \$196,300 AND \$188,493)	960,386	1,028,263
ACCRUED INTEREST AND LATE CHARGES	398,705	401,015
INVENTORIES	1,666,353	1,494,008
DEPOSITS WITH TRUSTEES	45,473	1,213,297
UNAMORTIZED BOND ISSUANCE COSTS	40,982	18,547
PREPAID EXPENSES	71,758	79,926
TOTAL CURRENT ASSETS	70,816,133	64,911,200
NONCURRENT ASSETS		
RESTRICTED CASH AND CASH EQUIVALENTS	21,626,457	18,089,810
ENDOWMENT INVESTMENTS	10,789,110	9,780,113
OTHER LONG-TERM INVESTMENTS	6,072,032	11,519,363
ACCRUED INTEREST		887
DEPOSITS WITH TRUSTEES	767,061	3,933,722
ACCOUNTS RECEIVABLE	395,801	733,009
NOTES AND DEPOSITS RECEIVABLE (LESS ALLOWANCES OF \$1,052,381 AND \$991,748)	5,155,684	5,417,142
UNAMORTIZED BOND ISSUANCE COSTS	877,001	526,196
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF \$226,142,634 AND \$208,872,060)	381,460,115	360,508,967
TOTAL NONCURRENT ASSETS	427,143,261	410,509,209
TOTAL ASSETS	497,959,394	475,420,409
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	7,673,780	8,559,263
BONDS, NOTES, AND LEASES PAYABLE	7,119,772	5,663,444
COMPENSATED ABSENCES	7,847,250	5,674,175
DEFERRED REVENUE	2,601,971	4,027,365
FUNDS HELD IN TRUST FOR OTHERS	715,980	653,706
DEPOSITS	763,059	532,350
INTEREST PAYABLE	2,091,385	2,187,514
OTHER LIABILITIES	20,174	22,076
TOTAL CURRENT LIABILITIES	28,833,371	27,319,893
NONCURRENT LIABILITIES		
BONDS, NOTES AND LEASES PAYABLE	168,711,101	171,586,164
COMPENSATED ABSENCES	3,226,988	1,414,683
ACCRUED OTHER POSTEMPLOYMENT BENEFITS PAYABLE	4,277,710	3,005,580
DEPOSITS	308,275	304,072
REFUNDABLE FEDERAL ADVANCES	7,264,377	7,199,559
TOTAL NONCURRENT LIABILITIES	183,788,451	183,510,058
TOTAL LIABILITIES	212,621,822	210,829,951



ARKANSAS STATE UNIVERSITY SYSTEM
COMPARATIVE STATEMENT OF NET ASSETS (CONT.)
JUNE 30, 2011

	2011	June 30,	2010
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 206,297,618		\$ 186,931,513
RESTRICTED FOR:			
NONEXPENDABLE			
SCHOLARSHIPS AND FELLOWSHIPS	6,260,178		5,625,162
LOANS	879,687		858,082
OTHER	4,817,257		4,541,958
EXPENDABLE			
SCHOLARSHIPS AND FELLOWSHIPS	550,005		948,735
RESEARCH	867,846		1,675,826
LOANS	20,000		20,000
CAPITAL PROJECTS	11,289,512		13,260,817
DEBT SERVICE	1,070,251		1,350,393
OTHER	2,599,200		4,493,332
UNRESTRICTED	50,686,018		44,884,640
TOTAL NET ASSETS	\$ 285,337,572		\$ 264,590,458



**ARKANSAS STATE UNIVERSITY SYSTEM
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	Year Ended June 30,	
	2011	2010
OPERATING REVENUES		
TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCES OF \$44,041,017 AND \$35,691,366)	\$ 50,458,050	\$ 49,599,394
GRANTS AND CONTRACTS	33,399,265	32,927,442
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	964,531	886,927
AUXILIARY ENTERPRISES (NET OF SCHOLARSHIP ALLOWANCES OF \$8,741,965 AND \$6,685,245)	21,252,473	23,313,170
SELF INSURANCE	3,205,048	3,074,210
OTHER OPERATING REVENUES	2,988,151	3,525,323
TOTAL OPERATING REVENUES	112,267,518	113,326,466
OPERATING EXPENSES		
PERSONAL SERVICES	141,193,099	131,923,161
SCHOLARSHIPS AND FELLOWSHIPS	25,837,301	18,413,213
SUPPLIES AND SERVICES	59,173,498	59,735,964
SELF INSURANCE	14,397,856	11,270,220
DEPRECIATION	19,138,033	17,488,556
OTHER OPERATING EXPENSES	92,507	78,102
TOTAL OPERATING EXPENSES	259,832,294	238,909,216
OPERATING INCOME (LOSS)	(147,564,776)	(125,582,750)
NONOPERATING REVENUES (EXPENSES)		
FEDERAL APPROPRIATIONS		3,544,193
STATE APPROPRIATIONS	91,995,057	91,402,392
STIMULUS FUNDS (ARRA)	2,042,785	1,695,457
GRANTS AND CONTRACTS	55,310,240	40,410,638
SALES AND USE TAXES	2,710,217	2,595,140
PROPERTY TAXES	1,260,788	1,180,217
GIFTS	1,639,038	2,866,816
INVESTMENT INCOME	2,130,476	2,588,860
INTEREST ON CAPITAL ASSET RELATED DEBT	(7,470,505)	(7,937,153)
OTHER NONOPERATING REVENUES (EXPENSES)	(541)	66,694
NET NONOPERATING REVENUES (EXPENSES)	149,617,555	138,413,254
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,052,779	12,830,504
CAPITALIZATION OF INTEREST		3,708,717
CAPITAL APPROPRIATIONS	10,722,718	2,923,156
CAPITAL GRANTS AND GIFTS	2,194,597	3,761,598
STIMULUS FUNDS (ARRA) FOR CAPITAL PROJECTS	4,615,639	1,020,357
ADDITIONS TO ENDOWMENTS	2,987	745
ADJUSTMENTS TO PRIOR YEAR CAPITAL ASSETS	333,485	412,965
REFUNDS TO GRANTORS	(94,297)	(275,252)
GAIN OR LOSS ON DISPOSAL OF CAPITAL ASSETS	744,391	(350,187)
CAPITALIZATION OF LIBRARY HOLDINGS AT RATE PER VOLUME	175,735	247,905
LIVESTOCK ADDITIONS	1,775	
ACCRUED INTEREST ON BOND ISSUES	5,981	14,693
PREMIUM/DISCOUNT ON BOND ISSUES	(4,633)	(3,671)
BOND ISSUANCE COSTS	(32,506)	(11,684)
BOND PROCEEDS	28,463	
TRANSFER OF ARKANSAS SERVICES CENTER		(1,782,048)
INCREASE (DECREASE) IN NET ASSETS	20,747,114	22,497,798
NET ASSETS-BEGINNING OF YEAR	264,590,458	242,092,660
NET ASSETS-END OF YEAR	\$ 285,337,572	\$ 264,590,458



**ARKANSAS STATE UNIVERSITY SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	Year Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
TUITION AND FEES	\$ 51,443,136	\$ 53,343,570
GRANTS AND CONTRACTS	32,445,599	32,797,044
AUXILIARY ENTERPRISES REVENUES	23,048,586	20,374,354
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	964,725	885,532
SELF INSURANCE PROGRAM RECEIPTS	3,205,648	3,284,610
COLLECTION OF PRINCIPAL AND INTEREST RELATED TO STUDENT LOANS	966,322	889,024
OTHER RECEIPTS	3,351,615	2,981,179
PAYMENTS TO EMPLOYEES	(114,710,724)	(110,139,733)
PAYMENTS FOR EMPLOYEE BENEFITS	(20,957,285)	(21,019,280)
PAYMENTS TO SUPPLIERS	(60,951,343)	(62,937,079)
SCHOLARSHIPS AND FELLOWSHIPS	(25,837,301)	(18,413,213)
SELF INSURANCE PROGRAM PAYMENTS	(13,885,955)	(11,553,196)
LOANS ISSUED TO STUDENTS	(887,380)	(925,696)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(121,804,357)	(110,432,884)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
FEDERAL APPROPRIATIONS		3,544,193
STATE APPROPRIATIONS	97,546,472	87,610,016
STIMULUS (ARRA) FUNDS	2,077,656	1,585,067
GRANTS AND CONTRACTS	55,481,757	40,215,379
PRIVATE GIFTS AND GRANTS	2,018,527	3,039,605
SALES AND USE TAXES	2,719,548	2,597,378
PROPERTY TAXES	1,221,011	1,160,895
DIRECT LENDING, PLUS AND FFEL LOAN RECEIPTS	85,109,472	71,570,054
DIRECT LENDING, PLUS AND FFEL LOAN PAYMENTS	(83,240,726)	(73,487,053)
TRANSFER OF ARKANSAS SERVICES CENTER		(792,357)
OTHER AGENCY FUNDS - NET	126,017	9,114
REFUNDS TO GRANTORS	(94,297)	(271,445)
OTHER		87,895
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	162,965,437	136,868,741
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT		10,886,273
DISTRIBUTIONS FROM TRUSTEES OF PRIOR YEAR BOND PROCEEDS AND INTEREST EARNINGS	3,869,324	16,577,869
CAPITAL APPROPRIATIONS	8,914,353	2,923,156
CAPITAL GRANTS AND GIFTS	1,464,452	5,491,943
STIMULUS (ARRA) FUNDS FOR CAPITAL PROJECTS	4,992,469	612,035
PROCEEDS FROM SALE OF CAPITAL ASSETS	1,828,034	284,172
PURCHASES OF CAPITAL ASSETS	(34,837,213)	(41,332,300)
PAYMENTS TO TRUSTEES FOR BOND PRINCIPAL	(5,620,000)	(5,310,000)
PAYMENTS TO TRUSTEES FOR BOND INTEREST AND FEES	(7,616,029)	(7,043,025)
PAYMENTS TO DEBT HOLDERS FOR PRINCIPAL (OTHER THAN BONDS)	(820,442)	(1,993,562)
PAYMENTS TO DEBT HOLDERS FOR INTEREST AND FEES (OTHER THAN BONDS)	(166,819)	(194,583)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(27,991,871)	(19,098,022)
CASH FLOWS FROM INVESTING ACTIVITIES		
PROCEEDS FROM THE SALES AND MATURITIES OF INVESTMENTS	20,430,672	10,520,806
INTEREST ON INVESTMENTS (NET OF FEES)	901,458	1,141,412
PURCHASES OF INVESTMENTS	(13,868,893)	(15,341,019)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	7,463,237	(3,678,801)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,632,446	3,659,034
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	43,282,403	39,623,369
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 63,914,849	\$ 43,282,403



**ARKANSAS STATE UNIVERSITY SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

	Year Ended June 30,	
	2011	2010
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (147,564,776)	\$ (125,582,750)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION EXPENSE	19,138,033	17,488,556
CHANGE IN ASSETS AND LIABILITIES		
RECEIVABLES, NET	3,547,453	(2,526,291)
INVENTORIES	(172,345)	41,130
PREPAID EXPENSES	8,168	96,509
ACCOUNTS AND SALARIES PAYABLE	(890,834)	(4,085,960)
OTHER POSTEMPLOYMENT BENEFITS PAYABLE	1,272,130	1,185,938
DEFERRED REVENUE	(1,425,394)	2,531,015
DEPOSITS	234,912	217,920
REFUNDABLE FEDERAL ADVANCES	64,818	48,086
COMPENSATED ABSENCES	3,985,380	152,963
OTHER LIABILITIES	(1,902)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (121,804,357)	\$ (110,432,884)

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES - 2011

ASU-JONESBORO

The University issued refunding bonds. Payment of \$5,881,153 was remitted to the bond escrow account directly from the bond proceeds and related discount.

The University issued refunding bonds. Payment of \$2,512,381 was remitted to the bond escrow account directly from the bond proceeds and related discount.

The University issued refunding bonds. Payment of \$3,353,493 was remitted to the bond escrow account directly from the bond proceeds and related premium.

Construction in progress--Capital gift of \$29,116
 Equipment--Capital gift of \$83,816
 Land--Capital gift of \$6,000
 Buildings--Capital gift of \$188,250
 Note Payable--IT Infrastructure \$4,568,514
 Interest earned on reserve accounts held by trustees--\$2,566

ASU-BEEBE

Fixed assets acquisitions paid directly from bond/note proceeds--\$6,130,823
 Other equipment noncash additions--\$57,922
 Interest costs paid directly from bond proceeds/debt service reserve--\$14,694
 Interest earned on reserve accounts held by trustee--\$4

ASU-MOUNTAIN HOME

The University issued refunding bonds. Payment of \$2,866,158 was remitted to the bond escrow account directly from the bond proceeds and related premium.



**ARKANSAS STATE UNIVERSITY SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

ASU-NEWPORT

Interest earned on reserve accounts held by trustee--\$3,279

Gain (loss) on disposal of assets (asset for asset type trades only)--\$13,240

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES - 2010

ASU-JONESBORO

Construction in progress--Capital gift of \$95,010

Equipment--Capital gift of \$257,879

ASU-BEEBE

The University issued bonds for construction. Payment of \$363,123, including accrued interest of \$14,693, was remitted to the bond trustee directly from the bond proceeds and related discount.

Equipment--Capital gift of \$15,000

ASU-NEWPORT

Construction in progress--Capital purchases of \$660,167 made directly by the trustee

Equipment--Capital gift of \$95,884



ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

CASH	\$	144,808
REPURCHASE AGREEMENT		4,892,471
CERTIFICATE OF DEPOSIT		1,251,559
SHORT-TERM INVESTMENT		88,223
PREPAID EXPENSES		16,970
UNCONDITIONAL PROMISES TO GIVE, NET		1,648,155
LONG-TERM INVESTMENTS		31,088,584
CASH SURRENDER OF LIFE INSURANCE		7,093
PROPERTY AND EQUIPMENT, NET		1,150,226
OTHER ASSETS		1,275

TOTAL ASSETS **\$ 40,289,364**

LIABILITIES

ACCOUNTS PAYABLE	\$	39,043
NOTES PAYABLE		24,460
ANNUITIES PAYABLE		229,147
OTHER		605

TOTAL LIABILITIES **293,255**

NET ASSETS

UNRESTRICTED		2,179,282
TEMPORARILY RESTRICTED		5,852,501
PERMANENTLY RESTRICTED		31,964,326

TOTAL NET ASSETS **39,996,109**

TOTAL LIABILITIES AND NET ASSETS **\$ 40,289,364**



ARKANSAS STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT				
SUPPORT AND RECLASSIFICATIONS				
CONTRIBUTIONS	\$ 114,662	\$ 2,985,015	\$ 513,738	\$ 3,613,415
CONTRIBUTED SERVICES	402,622			402,622
INVESTMENT RETURN, NET	77,191	869,242	2,392,228	3,338,661
OTHER INCOME	349,797	299,814	49,830	699,441
NET ASSETS RELEASED FROM RESTRICTIONS	4,288,787	(4,288,787)		0
TOTAL SUPPORT	5,233,059	(134,716)	2,955,796	8,054,139
EXPENSES AND LOSSES				
PROGRAM SERVICES				
ACADEMIC ACTIVITIES	1,410,462			1,410,462
ADMINISTRATIVE	104,585			104,585
STUDENT ACTIVITIES	46,263			46,263
SUPPORTING SERVICES				
MANAGEMENT AND GENERAL	611,579			611,579
FUNDRAISING	177,108			177,108
TRANSFERS TO ARKANSAS STATE UNIVERSITY	2,834,208			2,834,208
TRANSFERS TO ARKANSAS STATE ALUMNI ASSOCIATION	2,486			2,486
TOTAL EXPENSES AND LOSSES	5,186,691	0	0	5,186,691
INCREASE (DECREASE) IN NET ASSETS	46,368	(134,716)	2,995,796	2,867,448
NET ASSETS AT BEGINNING OF YEAR	2,140,269	5,957,670	29,030,722	37,128,661
RECLASSIFICATION AND INTERNAL TRANSFERS	(7,355)	29,547	(22,192)	0
TOTAL AFTER RECLASSIFICATION AND INTERNAL TRANSFERS	2,132,914	5,987,217	29,008,530	37,128,661
NET ASSETS AT END OF YEAR	\$ 2,179,282	\$ 5,852,501	\$ 31,964,326	\$ 39,996,109



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1--Summary of Significant Accounting Policies

Reporting Entity

Arkansas State University (“the University”), 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. 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.

A branch campus at Beebe, Arkansas was added to Arkansas State College by an act of the General Assembly of the State of Arkansas in 1955. The branch campus was designated as Arkansas State College-Beebe Branch. 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. Act 90 of 2001 eliminated the word “branch” from the references to campuses of Arkansas State University. Subsequently, the Newport campus separated itself from Beebe to become a stand-alone campus. 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.

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

Effective July 1, 2001, Delta Technical Institute was merged to the University to become the Arkansas State University Technical Center.

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

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



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

in accordance with the provisions of GASB Statement Number 39.

During the year ended June 30, 2011, the Foundation transferred property, equipment and funds of \$2,834,208 to the University for proper accountability and academic support. Complete financial statements for the Foundation may be obtained from the Foundation at P.O. Box 1990, State University, AR 72467-1990.

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

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board issued Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement Number 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 Number 34 and Number 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting

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

The consolidated University financial statements were prepared from the separate statements of the four 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.

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

Capital Assets and Depreciation

Land, buildings, improvements and infrastructure, equipment, 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. Library holdings that are capitalized do not include periodicals, microfilm, microfiche and government documents. The University's capitalization policy for equipment is to record, as assets, any items with a unit cost of more than \$2,500 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



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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.

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

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

Operating and Nonoperating Revenues

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

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

Nonoperating Revenues - Nonoperating revenues are those revenues that result from nonexchange transactions or from activities specifically defined as nonoperating by the GASB. Examples of nonoperating revenues include state appropriations, 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, 2011. 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 Number 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,



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Expenses and Changes in Net Assets. Nonparticipating contracts are reported at cost.

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

Inventories

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

Noncurrent Cash and Investments

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

Restricted and Unrestricted Resources

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

Deferred Revenues

Deferred revenues consist primarily of amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities that relate to a subsequent accounting period. For example, payments for tuition and fees for the second summer term or season football tickets for the upcoming fall season received prior to June 30, 2011 are treated as deferred revenues. They are considered liabilities of the University until earned.

Compensated Absences Payable

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

Deposits with Trustees

Deposits with trustees are externally restricted and held by various banks for the University. They are maintained in order to make debt 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 11); and (5) the refundable federal portion of the Perkins Loan Program.



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Property Taxes

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

Sales and Use Taxes

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

Funds Held in Trust for Others

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

Net Assets

The University's net assets are classified as follows:

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

Restricted Net Assets - Within this classification there are two categories of net assets:

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

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

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

Scholarship Discounts and Allowances

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the University's stated rates and



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

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)	\$ 3,524,750	\$ 3,940,425
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the University's name	68,027,457	68,577,113
Total Deposits	\$ 71,552,207	\$ 72,517,538

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 \$4,742,933, and \$81,625 at June 30, 2011, respectively. The above total deposits include certificates of deposits of \$12,460,984 reported as investments and deposits with trustees and classified as nonparticipating contracts. Additionally, the deposits include money market checking accounts of \$932 reported as deposits with trustees.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. It is the University's policy to require full collateralization above the Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2011, none of the University's bank balance of \$72,517,538 was exposed to custodial credit risk.

Deposits with Trustees

At June 30, 2011, the University's deposits with trustees, excluding nonnegotiable certificates of deposits of \$167,138 and money market checking accounts of \$932, of \$644,464 were primarily invested in the Federated Treasury Obligations Fund, a money market treasury. The money market fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service and consisted of short-term repurchase agreements and U.S. Treasuries. The effective average maturity was approximately 36 days.

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



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

University Investments (Excluding Endowment Funds)

At June 30, 2011, the University's investments, excluding endowment funds, consisted of corporate bonds of \$1,674,448 and U.S. agencies of \$1,256,327. The corporate bonds will mature as follows:

Less than one year - \$255,161
1-5 years - \$847,074
6-10 years - \$572,213

The U.S. agencies will mature as follows:

1-5 years - \$378,360
6-10 years - \$877,967

Credit risk - The credit quality ratings of the corporate bonds ranged from A- to AA+ by Standard and Poor's and A3 to Aa2 by Moody's Investors Service. The credit quality ratings of the U.S. agencies were AAA by Standard and Poor's and Aaa by Moody's Investors Service.

Interest rate risk - The corporate bonds had an estimated weighted average maturity of 3.28 years at June 30, 2011. The U.S. agencies had an estimated weighted average maturity of 6.22 years at June 30, 2011. The University's investment policy does not specifically limit operating investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states the portfolio shall be designed to attain an above market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and cash flow requirements.

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

Endowment Investments

Except for the investments of the R.E. Lee Wilson, Sr. Trust, all remaining endowment funds are included in an investment pool administered by the Arkansas State University Foundation, Inc. The Jonesboro campus's portion of the investment pool was 18.66% or \$7,366,494 and consisted of the following types of investments:

Domestic Equities Mutual Funds - \$2,512,623
Domestic Equities Securities - \$365,091
Alternative Assets - \$82,561
Alternative Assets Mutual Funds - \$347,514
Cash equivalents - \$63,575
Bonds/Fixed Income - \$2,948,765
International Securities - \$1,046,365

The Beebe campus's portion of the investment pool was 0.35% or \$138,951 and consisted of the following types of investments:

Domestic Equities Mutual Funds - \$47,384



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Domestic Equities Securities - \$6,885
Alternative Assets - \$8,110
Cash equivalents - \$1,214
Bonds/Fixed Income - \$55,625
International Securities - \$19,733

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 \$3,283,665 consisted of the following types of investments held in trust by a third party:

Mutual funds - \$2,410,160
Corporate bonds - \$333,778
Cash equivalents - \$85,852
U.S. agencies - \$453,875

The corporate bonds will mature as follows:

Less than one year - \$22,560
1-5 years - \$123,893
6-10 years - \$164,401
Greater than 10 years - \$22,924

The U.S. agencies will mature as follows:

Less than one year - \$183,639
1-5 years - \$29,895
6-10 years - \$60,022
Greater than 10 years - \$180,319

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

Interest rate risk - The trust portfolio consists of corporate bonds and U.S. agencies that had an estimated weighted average maturity of 6.89 and 9.17 years, respectively, at June 30, 2011.

NOTE 3--Income Taxes

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



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 4--Capital Assets

Following are the changes in capital assets for the year ended June 30, 2011:

ARKANSAS STATE UNIVERSITY - JONESBORO

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Nondepreciable capital assets:					
Land and improvements	\$ 6,407,489	\$ 208,746		\$ (80,000)	\$ 6,536,235
Livestock for educational purposes	38,060	1,775			39,835
Construction in progress	19,333,868	17,871,616	\$ (8,853,618)		28,351,866
Intangibles-Easements	2,627,000				2,627,000
Total nondepreciable capital assets	\$ 28,406,417	\$ 18,082,137	\$ (8,853,618)	\$ (80,000)	\$ 37,554,936
Other capital assets:					
Improvements and infrastructure	\$ 31,664,392	\$ 4,712,427	\$ 3,366,990	\$ (929,810)	\$ 38,813,999
Buildings	301,678,278	884,534	5,486,628	(236,026)	307,813,414
Equipment	37,956,771	4,270,027		(1,147,528)	41,079,270
Library/audiovisual holdings	11,893,854	175,735		(989)	12,068,600
Intangibles-Software	5,828,610				5,828,610
Total other capital assets	389,021,905	10,042,723	8,853,618	(2,314,353)	405,603,893
Less accumulated depreciation:					
Improvements and infrastructure	12,248,799	1,672,657		(174,739)	13,746,717
Buildings	112,695,242	8,598,429		(169,616)	121,124,055
Equipment	26,758,678	2,946,882		(970,110)	28,735,450
Library/audiovisual holdings	10,779,524	184,916			10,964,440
Intangibles-Software	1,252,920	442,679			1,695,599
Total accumulated depreciation	163,735,163	13,845,563	0	(1,314,465)	176,266,261
Other capital assets, net	\$ 225,286,742	\$ (3,802,840)	\$ 8,853,618	\$ (999,888)	\$ 229,337,632
Capital Asset Summary:					
Nondepreciable capital assets	\$ 28,406,417	\$ 18,082,137	\$ (8,853,618)	\$ (80,000)	\$ 37,554,936
Other capital assets, at cost	389,021,905	10,042,723	8,853,618	(2,314,353)	405,603,893
Total cost of capital assets	417,428,322	28,124,860	0	(2,394,353)	\$ 443,158,829
Less accumulated depreciation	163,735,163	13,845,563	0	(1,314,465)	176,266,261
Capital Assets, net	\$ 253,693,159	\$ 14,279,297	\$ 0	\$ (1,079,888)	\$ 266,892,568



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

ARKANSAS STATE UNIVERSITY - BEEBE

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Nondepreciable capital assets:					
Land and improvements	\$ 3,060,963				\$ 3,060,963
Livestock for educational purposes	58,700	\$ 5,378			64,078
Construction in progress	1,970,651	7,241,202	\$ (1,648,452)		7,563,401
Total nondepreciable capital assets	\$ 5,090,314	\$ 7,246,580	\$ (1,648,452)	\$ 0	\$ 10,688,442
Other capital assets:					
Improvements and infrastructure	\$ 10,732,146		\$ 1,648,452		\$ 12,380,598
Buildings	58,262,653				58,262,653
Equipment	5,177,706	\$ 438,762		\$ (284,416)	5,332,052
Library/audiovisual holdings	1,996,930	156,294		(17,856)	2,135,368
Total other capital assets	76,169,435	595,056	1,648,452	(302,272)	78,110,671
Less accumulated depreciation:					
Improvements and infrastructure	1,620,010	658,778			2,278,788
Buildings	17,679,410	1,478,323			19,157,733
Equipment	3,574,890	389,757		(284,416)	3,680,231
Library/audiovisual holdings	1,326,455	118,819		(17,856)	1,427,418
Total accumulated depreciation	24,200,765	2,645,677	0	(302,272)	26,544,170
Other capital assets, net	\$ 51,968,670	\$ (2,050,621)	\$ 1,648,452	\$ 0	\$ 51,566,501
Capital Asset Summary:					
Nondepreciable capital assets	\$ 5,090,314	\$ 7,246,580	\$ (1,648,452)	\$ 0	\$ 10,688,442
Other capital assets, at cost	76,169,435	595,056	1,648,452	(302,272)	78,110,671
Total cost of capital assets	81,259,749	7,841,636		(302,272)	88,799,113
Less accumulated depreciation	24,200,765	2,645,677	0	(302,272)	26,544,170
Capital Assets, net	\$ 57,058,984	\$ 5,195,959	\$ 0	\$ 0	\$ 62,254,943

ARKANSAS STATE UNIVERSITY - MOUNTAIN HOME

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Nondepreciable capital assets:					
Land and improvements	\$ 2,934,808				\$ 2,934,808
Construction in progress	14,607,694	\$ 822,558	\$ (14,607,694)		822,558
Total nondepreciable capital assets	\$ 17,542,502	\$ 822,558	\$ (14,607,694)	\$ 0	\$ 3,757,366
Other capital assets:					
Improvements and infrastructure	\$ 2,280,289		\$		\$ 2,280,289
Buildings	19,721,642	\$ 1,617,243	\$ 14,607,694		35,946,579
Equipment	1,153,415	138,624		\$ (29,953)	1,262,086
Library/audiovisual holdings	878,562	17,866		(55,476)	840,952
Total other capital assets	24,033,908	1,773,733	14,607,694	(85,429)	40,329,906
Less accumulated depreciation:					
Improvements and infrastructure	1,154,290	152,019			1,306,309
Buildings	8,774,791	1,314,776			10,089,567
Equipment	713,507	125,531		(29,953)	809,085
Library/audiovisual holdings	705,221	60,727		(55,476)	710,472
Total accumulated depreciation	11,347,809	1,653,053	0	(85,429)	12,915,433
Other capital assets, net	\$ 12,686,099	\$ 120,680	\$ 14,607,694	\$ 0	\$ 27,414,473



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Capital Asset Summary:

Nondepreciable capital assets	\$ 17,542,502	\$ 822,558	\$ (14,607,694)	\$ 0	\$ 3,757,366
Other capital assets, at cost	24,033,908	1,773,733	14,607,694	(85,429)	40,329,906
Total cost of capital assets	41,576,410	2,596,291		(85,429)	44,087,272
Less accumulated depreciation	11,347,809	1,653,053		(85,429)	12,915,433
Capital Assets, net	\$ 30,228,601	\$ 943,238	\$ 0	\$ 0	\$ 31,171,839

ARKANSAS STATE UNIVERSITY - NEWPORT

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Nondepreciable capital assets:					
Land and improvements	\$ 474,423				\$ 474,423
Construction in progress	687,607	\$ 2,099,319	\$ (2,501,483)		285,443
Total nondepreciable capital assets	\$ 1,162,030	\$ 2,099,319	\$ (2,501,483)	\$ 0	\$ 759,866
Other capital assets:					
Improvements and infrastructure	\$ 2,018,889		\$ 313,794		\$ 2,332,683
Buildings	23,146,086		2,187,689		25,333,775
Equipment	2,448,508	\$ 459,476		(135,950)	2,772,034
Library/audiovisual holdings	341,033	19,363		(1,219)	359,177
Total other capital assets	27,954,516	478,839	2,501,483	(137,169)	30,797,669
Less accumulated depreciation:					
Improvements and infrastructure	183,059	18,248			201,307
Buildings	7,914,754	701,347			8,616,101
Equipment	1,172,478	260,200		(124,600)	1,308,078
Library/audiovisual holdings	277,339*	13,945			291,284
Total accumulated depreciation	9,547,630	993,740	0	(124,600)	10,416,770
Other capital assets, net	\$ 18,406,886	\$ (514,901)	\$ 2,501,483	\$ (12,569)	\$ 20,380,899
Capital Asset Summary:					
Nondepreciable capital assets	\$ 1,162,030	\$ 2,099,319	\$ (2,501,483)	\$ 0	\$ 759,866
Other capital assets, at cost	27,954,516	478,839	2,501,483	(137,169)	30,797,669
Total cost of capital assets	29,116,546	2,578,158	0	(137,169)	31,557,535
Less accumulated depreciation	9,547,630	993,740	0	(124,600)	10,416,770
Capital Assets, net	\$ 19,568,916	\$ 1,584,418	\$ 0	\$ (12,569)	\$ 21,140,765

*Prior year depreciation was decreased for prior year error in the amount of \$40,693.



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011	Maturities to June 30, 2011
3-1-2004	3-1-2034	3 - 5%	\$ 34,000,000	\$ 30,255,000	\$ 3,745,000
3-1-2004	3-1-2034	2 - 4.6%	11,555,000	8,445,000	3,110,000
9-15-2005	4-1-2025	3 - 5%	19,230,000	15,330,000	3,900,000
6-1-2007	3-1-2037	3.65 - 5%	17,065,000	15,655,000	1,410,000
6-1-2007	3-1-2037	3.65 - 5%	30,300,000	28,015,000	2,285,000
3-19-2009	3-1-2039	3 - 5.1%	9,290,000	9,110,000	180,000
10-8-2010	9-8-2015	0.46%	4,568,514	3,883,237	685,277
12-7-2010	3-1-2031	2 - 4.125%	6,075,000	5,845,000	230,000
12-7-2010	3-1-2031	2 - 4.125%	2,600,000	2,500,000	100,000
12-7-2010	12-1-2027	2 - 4%	3,435,000	3,435,000	0
Unamortized discount			(121,455)	(114,854)	(6,601)
Unamortized premium			29,870	28,991	879
Deferral on debt defeasance			(219,848)	(214,418)	(5,430)
Totals			\$ 137,807,081	\$ 122,172,956	\$ 15,634,125

ARKANSAS STATE UNIVERSITY - BEEBE

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
10-1-1992	10-1-2012	6.2 - 6.6%	\$ 400,000	\$ 70,000	\$ 330,000
9-15-2005	12-1-2023	3.83%	3,330,000	2,480,000	850,000
12-6-2005	12-1-2035	4.78%	15,170,000	13,765,000	1,405,000
3-1-2006	9-1-2035	4.72%	11,000,000	9,975,000	1,025,000
1-15-2008	12-1-2032	3 - 4.375%	2,080,000	1,910,000	170,000
4-15-2010	4-1-2040	4.58%	9,125,000	9,125,000	0
Unamortized discount			(114,719)	(110,868)	(3,851)
Totals			\$ 40,990,281	\$ 37,214,132	\$ 3,776,149

ARKANSAS STATE UNIVERSITY - MOUNTAIN HOME

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
8-1-1999	4-10-2019	4.80%	\$ 1,032,704	\$ 532,198	\$ 500,506
1-29-2008	12-1-2032	4.2 - 4.5%	5,180,000	4,750,000	430,000
10-23-2009	10-23-2019	5.50%	2,500,000	2,415,153	84,847
12-7-2010	12-1-2017	2.2 - 2.45%	2,920,000	2,920,000	0
Unamortized premium			28,993	26,922	2,071
Deferral on debt defeasance			(11,295)	(10,488)	(807)
Totals			\$ 11,650,402	\$ 10,633,785	\$ 1,016,617



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

ARKANSAS STATE UNIVERSITY - NEWPORT

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities to June 30, 2011
1-29-2008	12-1-2032	3 - 4.375%	\$ 2,075,000	\$ 1,905,000	\$ 170,000
4-30-2008	5-1-2028	2.75 - 4.5%	4,400,000	3,905,000	495,000
Totals			\$ 6,475,000	\$ 5,810,000	\$ 665,000

The changes in long-term liabilities are as follows:

ARKANSAS STATE UNIVERSITY - JONESBORO

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds Payable	\$ 122,066,811	\$ 11,884,624	\$ 15,661,716*	\$ 118,289,719	\$ 4,336,300
Notes Payable		4,568,514	685,277	3,883,237	913,703
Capital Leases Payable	10,335		10,335		
Compensated Absences	4,770,769	10,373,432	6,564,214	8,579,987	6,419,590
Totals	\$ 126,847,915	\$ 26,826,570	\$ 22,921,542	\$ 130,752,943	\$ 11,669,593

*Includes advance refunding of \$5,735,000; \$2,450,000 and \$3,340,000.

ARKANSAS STATE UNIVERSITY - BEEBE

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds Payable	\$ 37,970,281		\$ 756,149	\$ 37,214,132	\$ 971,150
Compensated Absences	1,327,966	\$ 996,268	879,563	1,444,671	839,413
Totals	\$ 39,298,247	\$ 996,268	\$ 1,635,712	\$ 38,658,803	\$ 1,810,563

ARKANSAS STATE UNIVERSITY - MOUNTAIN HOME

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds Payable	\$ 8,095,000	\$ 2,937,698	\$ 3,346,264*	\$ 7,686,434	\$ 537,528
Notes Payable	3,072,181		124,830	2,947,351	131,091
Compensated Absences	384,269	224,869	195,984	413,154	28,192
Totals	\$ 11,551,450	\$ 3,162,567	\$ 3,667,078	\$ 11,046,939	\$ 696,811

*Includes advance refunding of \$2,885,000.

ARKANSAS STATE UNIVERSITY - NEWPORT

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds Payable	\$ 6,035,000		\$ 225,000	\$ 5,810,000	\$ 230,000
Compensated Absences	605,854	\$ 676,766	646,194	636,426	560,055
Totals	\$ 6,640,854	\$ 676,766	\$ 871,194	\$ 6,446,426	\$ 790,055



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

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

ARKANSAS STATE UNIVERSITY - JONESBORO

Year ended June 30,	Principal	Interest	Total
2012	\$ 5,250,003*	\$ 5,343,307**	\$ 10,593,310
2013	5,415,003	5,189,402	10,604,405
2014	5,240,004	5,033,202	10,273,206
2015	5,140,004	4,873,952	10,013,956
2016	4,614,726	4,707,198	9,321,924
2017-2021	24,041,503	20,662,582	44,704,085
2022-2026	25,296,503	14,776,299	40,072,802
2027-2031	22,813,160	9,343,748	32,156,908
2032-2036	20,320,657	3,652,083	23,972,740
2037-2039	4,041,393	283,215	4,324,608
Totals	\$ 122,172,956***	\$ 73,864,988	\$ 196,037,944

*Includes discount amortization of \$4,595, premium amortization of \$1,757, and deferral on debt defeasance of \$10,861.

**Includes interest payable of \$1,712,494 recorded as a current liability at June 30, 2011.

***Total principal of \$122,172,956 includes discount amortization of \$114,854, premium amortization of \$28,991, and deferral on debt defeasance of \$214,418.

ARKANSAS STATE UNIVERSITY - BEEBE

Year ended June 30,	Principal	Interest	Total
2012	\$ 971,150*	\$ 1,639,679**	\$ 2,610,829
2013	1,001,149	1,604,261	2,605,410
2014	1,001,149	1,568,679	2,569,828
2015	1,036,149	1,532,495	2,568,644
2016	1,076,148	1,493,839	2,569,987
2017-2021	6,035,746	6,796,560	12,832,306
2022-2026	6,875,745	5,437,336	12,313,081
2027-2031	7,775,746	3,805,624	11,581,370
2032-2036	9,440,746	1,704,261	11,145,007
2037-2040	2,000,404	239,708	2,240,112
Totals	\$ 37,214,132***	\$ 25,822,442	\$ 63,036,574

*Includes discount amortization of \$3,851.

**Includes interest payable of \$316,142 recorded as a current liability at June 30, 2011.

***Total principal of \$37,214,132 includes discount amortization of \$110,868.



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

ARKANSAS STATE UNIVERSITY - MOUNTAIN HOME

Year ended June 30,	Principal	Interest	Total
2012	\$ 668,619*	\$ 404,792**	\$ 1,073,411
2013	685,936	384,821	1,070,757
2014	708,283	364,396	1,072,679
2015	726,023	343,143	1,069,166
2016	743,866	321,358	1,065,224
2017-2021	4,006,058	1,140,165	5,146,223
2022-2026	1,105,000	555,171	1,660,171
2027-2031	1,360,000	291,208	1,651,208
2032-2033	630,000	27,781	657,781
Totals	\$ 10,633,785***	\$ 3,832,835	\$ 14,466,620

*Includes premium amortization of \$4,142 and deferral on debt defeasance of \$1,614.

**Includes interest payable of \$29,055 recorded as a current liability at June 30, 2011.

***Total principal of \$10,633,785 includes premium amortization of \$26,922 and deferral on debt defeasance of \$10,488.

ARKANSAS STATE UNIVERSITY - NEWPORT

Year ended June 30,	Principal	Interest	Total
2012	\$ 230,000	\$ 232,646*	\$ 462,646
2013	240,000	225,235	465,235
2014	245,000	217,450	462,450
2015	255,000	209,275	464,275
2016	260,000	200,425	460,425
2017-2021	1,465,000	850,110	2,315,110
2022-2026	1,790,000	525,400	2,315,400
2027-2031	1,070,000	151,044	1,221,044
2032-2033	255,000	11,266	266,266
Totals	\$ 5,810,000	\$ 2,622,851	\$ 8,432,851

*Includes interest payable of \$33,694 recorded as a current liability at June 30, 2011.

Refunding of Debt

Arkansas State University-Jonesboro

On December 7, 2010, the University issued \$6,075,000 in refunding bonds for the Jonesboro campus with interest rates of 2 to 4.125 percent to refund \$5,735,000 of outstanding bonds dated March 1, 2001 with interest rates of 3.6 to 5.25 percent. Net proceeds of \$5,881,153, after payment of \$165,702 bond issuance costs and a discount of \$25,270 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on March 1, 2011. The interest paid was \$146,153. Additionally, bond proceeds of \$2,875 were received. The University refunded the bonds to reduce its total debt service payments by \$780,803 over the next 20 years and to obtain an economic gain of \$548,183. The University received accrued interest of \$3,258 from the bond issue to



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

apply toward the debt payments of the new issue.

On December 7, 2010, the University issued \$2,600,000 in refunding bonds for the Jonesboro campus with interest rates of 2 to 4.125 percent to refund \$2,450,000 of outstanding bonds dated March 1, 2001 with interest rates of 3.6 to 5.25 percent. Net proceeds of \$2,512,381, after payment of \$73,276 bond issuance costs and a discount of \$10,127 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on March 1, 2011. The interest paid was \$62,381. Additionally, bond proceeds of \$4,216 were received. The University refunded the bonds to reduce its total debt service payments by \$330,603 over the next 20 years and to obtain an economic gain of \$232,644. The University received accrued interest of \$1,383 from the bond issue to apply toward the debt payments of the new issue.

On December 7, 2010, the University issued \$3,435,000 in refunding bonds for the Jonesboro campus with interest rates of 2 to 4 percent to refund \$3,340,000 of outstanding bonds dated November 15, 2002 with interest rates of 1.6 to 5 percent. Net proceeds of \$3,353,493, after payment of \$90,005 bond issuance costs and a premium of \$29,870 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on January 6, 2011. The interest paid was \$13,632. Additionally, bond proceeds of \$21,372 were received. The University refunded the bonds to reduce its total debt service payments by \$247,308 over the next 20 years and to obtain an economic gain of \$191,247. The University received accrued interest of \$1,340 from the bond issue to apply toward the debt payments of the new issue.

Arkansas State University-Mountain Home

On December 7, 2010, the University issued \$2,920,000 in refunding bonds for the Mountain Home campus with interest rates of 2 to 2.45 percent to refund \$2,855,000 of outstanding bonds dated December 1, 2002 with interest rates of 1.6 to 4.4 percent. Net proceeds of \$2,866,158, after payment of \$76,764 bond issuance costs and a premium of \$28,993 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on January 6, 2011. Additionally, bond proceeds of \$6,071 were received. The University refunded the bonds to reduce its total debt service payments by \$179,805 over the next 7 years and to obtain an economic gain of \$164,219. The University received accrued interest of \$1,018 from the bond issue to apply toward the debt payments of the new issue.



**ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 6--Commitments

The University was contractually obligated for the following at June 30, 2011:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Jonesboro		
Caraway Road Overpass Phase I	February 2012	\$ 3,215,985
Elevator Upgrades	December 2011	651,887
Concession Cooler	August 2011	74,999
Food Court	October 2011	93,000
Mail/Campus Card Center	October 2011	111,900
Security Gates	November 2011	136,787
Physical Therapy Renovations	October 2011	64,885
Poultry Building Roof	August 2011	99,400
Nursing Building Roof	October 2011	166,126
Beebe		
Residence Hall Construction	August 2011	667,088
ASU-Searcy Phase II	August 2011	667,972
Newport		
Physical Plant Maintenance Building Renovations	December 2011	220,783
ASUTC-Allied Health Building	May 2012	967,143
Medallion Walking Trail	December 2011	83,500

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

Various leases for office space, residences, copiers, computers and other office equipment with terms ranging from 20 to 60 months

a. Future minimum rental payments (aggregate) at June 30, 2011: \$1,685,399

b. Future minimum rental payments for the five succeeding fiscal years:

2012	\$ 745,077
2013	531,441
2014	322,253
2015	77,238
2016	9,390

Rental payments for the above operating leases, for the year ended June 30, 2011, were approximately \$818,456.



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7--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, 2011 were \$7,196,211 and \$6,745,694, 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, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. The 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 State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. 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, 2011, 2010 and 2009 were \$1,669,301, \$1,459,262, and \$1,223,432, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

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



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Funding Policy - Employees are required by law to contribute 5% of their salaries. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for higher education entities is 12.46% 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, 2011, 2010 and 2009 were \$978,538, \$866,636 and \$854,121, respectively, equal to the required contributions for each year.

Variable Annuity Life Insurance Company (VALIC)

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

Funding Policy - Employees select the percentage of their gross salaries to contribute based on current regulations. The minimum percentage is 6%. The University's contributory rate is 10% for all applicable employees. Vesting occurs for all participants immediately. The participants' and the University's contributions for the year ended June 30, 2011 were \$735,139 and \$857,539 respectively.

NOTE 8--Natural Classifications by Function

The University's operating expenses by function for the year ended June 30, 2011 were as follows:

	Personal Services	Scholarships and Fellowships	Supplies and Services	Self Insurance	Depreciation	Other	Total
Instruction	\$ 60,701,006	\$ 1,354,202	\$ 7,941,276				\$ 69,996,484
Research	8,509,248	301,087	4,113,029				12,923,364
Public Service	11,527,482	573,552	6,504,202				18,605,236
Academic Support	12,205,427	18,448	6,427,877				18,651,752
Student Services	11,176,199	269,999	3,767,738				15,213,936
Institutional Support	18,531,694		8,071,204				26,602,898
Scholarships and Fellowships		19,997,972					19,997,972
Operations and Maintenance of Plant	10,281,723		9,201,992				19,483,715
Auxiliary Enterprises	8,260,320	3,322,041	13,146,180				24,728,541
Self Insurance				\$ 14,397,856			14,397,856
Depreciation					\$ 19,138,033		19,138,033
Other						\$ 92,507	92,507
Totals	\$ 141,193,099	\$ 25,837,301	\$ 59,173,498	\$ 14,397,856	\$ 19,138,033	\$ 92,507	\$ 259,832,294

NOTE 9--Disaggregation of Receivable and Payable Balances

Accounts receivable from students was \$5,391,995 at June 30, 2011. This amount was reduced by an allowance for doubtful accounts of \$812,349.

Notes receivable pertains to loans awarded to students through the Federal Perkins Loan Program. Notes receivable was \$7,357,788 at June 30, 2011. This amount was reduced by an allowance for doubtful loans of \$1,248,681. Deposits receivable was \$6,963 at June 30, 2011.

Other receivables of \$12,007,650 at June 30, 2011 primarily consisted of reimbursements of



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

\$6,087,306 from various agencies for grants and contracts, \$2,058,365 for construction projects, \$479,810 for sales and use taxes, \$741,850 for property tax accrual and auxiliary enterprises receivables of \$455,106. Other receivables also consisted of \$1,136,454 due from the U.S. Department of Education for cancellations pertaining to the Federal Perkins Loan Program and miscellaneous items of \$1,048,759.

The accounts payable and accrued liabilities of \$7,673,780 consisted of \$5,064,411 due to vendors, \$5,979 due to students, \$70,553 due for sales and use taxes, \$1,138,949 for salaries and other payroll related items, \$1,241,000 for health claims, and miscellaneous items of \$152,888.

NOTE 10--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 11--Other Post Employment Benefits

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

Employees between the ages of 55 and 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 70. Employees 60 years of age and older are eligible for retirement benefits in the calendar year in which they have at least 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) will be provided at one-half of the total cost (one-half of what the University pays and one-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



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$1,272,130 in retiree healthcare expense during fiscal year 2011. This compares to \$1,185,938 accrued during fiscal year 2010.

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 Supplementary 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.

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

Cost Element	Fiscal Year Ended			
	June 30, 2011		June 30, 2010	
	Amount	Percent of Payroll ¹	Amount	Percent of Payroll ²
1. Beginning of year unfunded actuarial accrued liability	\$ 10,139,178	8.90%	\$ 9,523,361	8.64%
Annual Required Contribution (ARC)				
2. Normal cost	\$ 977,705		\$ 949,228	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	517,293		485,875	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ 1,494,998	1.31%	\$ 1,435,103	1.30%
Annual OPEB Cost (Expense)				
5. Normal cost	\$ 977,705		\$ 949,228	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	517,293		485,875	



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

7. Amortization of beginning of year accrual		(153,342)		(92,837)	
8. Interest on beginning of year accrual		90,167		54,589	
8. Annual OPEB cost (5. + 6. + 7. + 8.)	\$	1,431,823	1.26%	\$ 1,396,855	1.27%
End of Year Accrual (Net OPEB Obligation)					
10. Beginning of year accrual	\$	3,005,580		\$ 1,819,642	
10. Annual OPEB cost		1,431,823		1,396,855	
12. Employer contribution (benefit payments)		159,693		210,917	
13. End of year accrual (10. + 11. - 12.) ³	\$	4,277,710	3.76%	\$ 3,005,580	2.73%

¹ Annual payroll for the 2,073 plan participants as of July 1, 2010 is \$113,897,937.

² Annual payroll for the 2,148 plan participants as of July 1, 2009 is \$110,244,776.

³ Actual contributions and administrative fees paid in fiscal year 2011 of \$666,778 less participant contributions of \$507,085; \$469,078 and \$258,161, respectively, in fiscal year 2010. Employer contributed 11.2% of annual OPEB cost during fiscal year 2011, compared to 15.1% during fiscal year 2010.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions⁴	Percentage Contributed
June 30, 2011	\$ 1,431,823	\$ 159,693	11.2%
June 30, 2010	\$ 1,396,855	\$ 210,917	15.1%
June 30, 2009	\$ 1,275,723	\$ 195,427	15.3%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2011, these amounts are \$606,778 and \$507,085, respectively. For 2010, these amounts are \$469,078 and \$258,161, respectively. For 2009, these amounts are \$367,076 and \$171,649, 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 Payroll⁵ (c)	UAAL as a Percentage Of Covered Payroll⁵ [(b)-(a)/(c)]
June 30, 2011	\$ 0	\$ 10,139,178	\$ 10,139,178	0%	\$ 113,897,937	8.90%
June 30, 2010	\$ 0	\$ 9,523,361	\$ 9,523,361	0%	\$ 110,244,776	8.64%
June 30, 2009	\$ 0	\$ 8,841,741	\$ 8,841,741	0%	\$ 98,802,723	8.95%

⁵ Payroll as of July 1, 2010, July 1, 2009 and July 1, 2008 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,494,998 for fiscal year 2011 and accrual of \$4,277,710 as of June 30, 2011, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,435,103 and \$3,005,580, respectively, as of June 30, 2010; and \$1,291,264 and \$1,819,642, respectively, as of June 30, 2009.



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED 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, 2011	\$ 1,431,823	11.2%	\$ 4,277,710
June 30, 2010	\$ 1,396,855	15.1%	\$ 3,005,580
June 30, 2009	\$ 1,275,723	15.3%	\$ 1,819,642

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2009 - June 30, 2010 (rolled forward)
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization ⁶
Asset valuation method	N/A

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

Actuarial assumptions:

Discount rate	3.0%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 9% initially, decreasing to 8% in year 2, and then by 1/2 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 2010. 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, 2009 - June 30, 2010, rolled forward
-----------------------	--



**ARKANSAS STATE UNIVERSITY SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)
 FOR THE YEAR ENDED JUNE 30, 2011**

Date of Census Data May 1, 2010
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 (retired prior to 2001)	\$ 0.00	\$ 360.36	\$ 360.36
Single (retired 1/1/2001 to 6/30/2001)	\$ 42.00	\$ 318.36	\$ 360.36
Single (retired after 6/30/2001)	\$ 180.18	\$ 180.18	\$ 360.36
Family (retired prior to 2001)	\$ 0.00	\$ 751.42	\$ 751.42
Family (retired 1/1/2001 to 6/30/2001)	\$ 200.00	\$ 551.42	\$ 751.42
Family (retired after 6/30/2001)	\$ 375.71	\$ 375.71	\$ 751.42

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

Discount Rate 3.0% per annum

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

Mortality IRS 2008 Combined Static Mortality Table has been used.

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

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%



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

63-64	100%	17%
65	100%	27%
66-74	100%	30%
75 and older	100%	100%

**Sample Withdrawal and
Disability Rates**

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

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

NOTE 12--Arkansas Services Center

On October 8, 1968, an agreement was signed by Arkansas State University-Jonesboro, Arkansas State Hospital, Arkansas Department of Public Welfare, Arkansas State Board of Vocational Education and Craighead County, Arkansas to raise money for the construction of the Arkansas Services Center. This project was financed from the proceeds of a bond issue by Arkansas State University-Jonesboro, grants and legislative appropriations by the agencies. With the exception of Craighead County, Arkansas, the participants signed lease agreements for 40 years (the bond term) with rentals and revenues thereof, sufficient to maintain the facility and retire the bonds.

During the bond term, Arkansas State University-Jonesboro maintained the financial records of the Arkansas Services Center. Operating revenues were derived solely from agency rentals and vending income. All financial activity was reflected in the University's financial statements as auxiliary enterprises.

On October 1, 2009, the University retired the debt associated with the Arkansas Services Center and transferred operational and administrative authority of the center to Arkansas Building Authority. Equipment costing \$49,242, with accumulated depreciation of \$42,146, was transferred to Arkansas Building Authority. Cash in the amount of the \$792,357 was also transferred to Arkansas Building Authority. This amount was the net assets balance as of the date the debt was retired.

On June 18, 2010, the University signed a deed transferring ownership of the land, buildings, building



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

improvements, and grounds improvements to various state agencies as outlined below. The University maintains a 9.28% ownership in the Arkansas Services Center. The assets transferred had a total cost of \$6,456,555 and accumulated depreciation of \$5,473,960.

Arkansas Department of Human Services, Division of Behavioral Services	50.20%
Arkansas Department of Human Services	8.70%
Arkansas Department of Career Education, Arkansas Rehabilitation Services	31.82%

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, 2011, approximately 4,210 active employees, their dependents, former employees and retirees were participating in the program. The University pays 88% of the total premium for full-time employees and early retirees, and 73% of the total premium for dependents, while former employees, through COBRA, may participate on a fully contributory basis.

The University estimates its unpaid health claims liability at June 30, 2011 to be \$1,241,000 with BlueAdvantage. This liability is established for incurred but not reported claims and is based on the calculation prepared by BlueAdvantage. Details of this liability are shown below.

Fiscal Year 2011	
Unpaid Claims, 7-1-2010	\$ 1,088,624
Incurred claims during current year	9,563,111
Current year claims paid	8,326,755
Prior year claims paid	1,083,980
Total Payments	9,410,735
Unpaid Claims, 6-30-2011	\$ 1,241,000

The University purchases specific reinsurance to reduce its exposure to large claims. HCC Life was chosen as the reinsurance carrier. Under the specific arrangement, the reinsurance carrier pays for claims for covered employees that exceed \$175,000.

NOTE 14--Endowment Funds

Arkansas State University-Jonesboro

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value include: bonds/fixed income, mutual funds, and other managed



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

investments. The endowment net assets at June 30, 2011 were \$9,492,351. Of this amount, \$9,065,195 was nonexpendable and the remaining \$427,156 was expendable.

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

It is the University's policy for annual expenses from the endowment funds not to exceed 4.5% of the five year average market value as determined on December 31. In periods with no market value appreciation, the University limits the spending to actual income generated by the endowment fund assets.

Arkansas State University-Beebe

The University has donor-restricted endowment funds. Investment income on the amount endowed is restricted for scholarships and other purposes. All endowment funds are maintained as investments. Investments reported at fair value include: bonds/fixed income, mutual funds, and other managed investments. The endowment net assets at June 30, 2011 were \$138,951. Of this amount, \$110,572 was nonexpendable and the remaining \$28,379 was expendable.

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

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

NOTE 15--Pledged Revenues

The University's pledged revenues at June 30, 2011 are as follows:

Arkansas State University-Jonesboro

- **Series 2004 Student Fee**--*Issue Date:* 3-1-2004; *Maturity Date:* 3-1-2034; *Purpose:* Property purchase, refinance Library and Physical Plant, Demolition of Delta Hall, Chickasaw Building renovations, Utility infrastructure improvements; *Type of Revenue Pledged:* Tuition and Fees; *2011 Gross Revenue:* Tuition and Fees (see below); *Amount Issued:* \$11,555,000; *2011 Principal Paid:* \$485,000; *2011 Interest Paid:* \$374,220; *Principal Outstanding:* \$8,445,000; *Interest Outstanding:* \$4,913,798; *Percent of revenue pledged in 2011:* 1.1%
- **Series 2004 Housing**--*Issue Date:* 3-1-2004; *Maturity Date:* 3-1-2034; *Purpose:* Construction of Northpark Quads residence hall; *Type of Revenue Pledged:* Housing Fees; *2011 Gross Revenue:* \$3,320,404; *Amount Issued:* \$26,500,000; *2011 Principal Paid:* \$596,250; *2011 Interest Paid:* \$1,121,320; *Principal Outstanding:* \$23,581,103; *Interest Outstanding:* \$15,915,023; *Percent of revenue pledged in 2011:* 51.7%



ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011

- **Series 2005 Refunding**--*Issue Date: 9-15-2005; Maturity Date: 4-1-2025; Purpose: Refinance Student Union; Type of Revenue Pledged: Student Union Fee; 2011 Gross Revenue: \$2,408,501; Amount Issued: \$14,342,625; 2011 Principal Paid: \$604,136; 2011 Interest Paid: \$592,388; Principal Outstanding: \$11,433,824; Interest Outstanding: \$4,472,542; Percent of revenue pledged in 2011: 49.7%*
- **Series 2005 Refunding**--*Issue Date: 9-15-2005; Maturity Date: 4-1-2025; Purpose: Refinance Parking Garage; Type of Revenue Pledged: Parking Fees; 2011 Gross Revenue: \$1,311,040; Amount Issued: \$4,887,375; 2011 Principal Paid: \$205,864; 2011 Interest Paid: \$201,862; Principal Outstanding: \$3,896,176; Interest Outstanding: \$1,524,058; Percent of revenue pledged in 2011: 31.1%*
- **Series 2007 Student Fee**--*Issue Date: 6-1-2007; Maturity Date: 3-1-2037; Purpose: Construction of Recreation Center; Type of Revenue Pledged: Recreation Center Fee; 2011 Gross Revenue: \$1,686,249; Amount Issued: \$17,065,000; 2011 Principal Paid: \$325,000; 2011 Interest Paid: \$734,139; Principal Outstanding: \$15,655,000; Interest Outstanding: \$11,852,516; Percent of revenue pledged in 2011: 62.8%*
- **Series 2007 Housing**--*Issue Date: 6-1-2007; Maturity Date: 3-1-2037; Purpose: Construction of Honors Hall, Red Wolf Den apartments, refinance Collegiate Park; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$2,751,376; Amount Issued: \$30,300,000; 2011 Principal Paid: \$790,000; 2011 Interest Paid: \$1,356,130; Principal Outstanding: \$28,015,000; Interest Outstanding: \$19,224,980; Percent of revenue pledged in 2011: 78%*
- **Series 2009 Housing**--*Issue Date: 3-19-2009; Maturity Date: 3-1-2039; Purpose: Construction of Living Learning Community residence halls; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$338,337; Amount Issued: \$9,290,000; 2011 Principal Paid: \$180,000; 2011 Interest Paid: \$321,347; Principal Outstanding: \$9,110,000; Interest Outstanding: \$7,583,574; Percent of revenue pledged in 2011: 100%*
- **Series 2004 Housing**--*Issue Date: 3-1-2004; Maturity Date: 3-1-2034; Purpose: Construction of Family Housing Phase II; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$1,243,457; Amount Issued: \$7,500,000; 2011 Principal Paid: \$168,750; 2011 Interest Paid: \$317,355; Principal Outstanding: \$6,673,897; Interest Outstanding: \$4,504,252; Percent of revenue pledged in 2011: 39.1%*
- **Series 2001 Housing**--*Issue Date: 3-1-2001; Maturity Date: 3-1-2031 (Refunded below); Purpose: Construction of Family Housing Phase I; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$1,243,457; Amount Issued: \$7,000,000; 2011 Principal Paid: \$0; 2011 Interest Paid: \$146,152; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2011: 11.8%*
- **Series 2010 Refunding**--*Issue Date: 12-7-2010; Maturity Date: 3-1-2031; Purpose: Refinance Series 2001 Family Housing Phase I (see above); Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$1,243,457; Amount Issued: \$6,075,000; 2011 Principal Paid: \$230,000; 2011 Interest Paid: \$41,108; Principal Outstanding: \$5,845,000; Interest Outstanding: \$2,394,016;*



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Percent of revenue pledged in 2011: 21.8%

- **Series 2001 Student Fee**--*Issue Date: 3-1-2001; Maturity Date: 3-1-2031 (Refunded below); Purpose: Construction of Track Facility; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$3,000,000; 2011 Principal Paid: \$0; 2011 Interest Paid: \$62,381; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2011: 0.08%*
- **Series 2010A Refunding**--*Issue Date: 12-7-2010; Maturity Date: 3-1-2031; Purpose: Refinance Series 2001 Track Facility (see above); Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,600,000; 2011 Principal Paid: \$100,000; 2011 Interest Paid: \$19,356; Principal Outstanding: \$2,500,000; Interest Outstanding: \$997,421; Percent of revenue pledged in 2011: 0.2%*
- **Series 2002 Refunding**--*Issue Date: 11-15-2002; Maturity Date: 12-1-2017 (Refunded below); Purpose: Refinance Kays Hall and Twin Towers; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$1,358,244; Amount Issued: \$2,880,000; 2011 Principal Paid: \$185,000; 2011 Interest Paid: \$34,310; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2011: 16.1%*
- **Series 2010B Refunding**--*Issue Date: 12-7-2010; Maturity Date: 12-1-2017; Purpose: Refinance Series 2002-Refunding for renovation of Kays Hall and Twin Towers (see above); Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$1,358,244; Amount Issued: \$1,568,376; 2011 Principal Paid: \$0; 2011 Interest Paid: \$8,104; Principal Outstanding: \$1,568,376; Interest Outstanding: \$142,260; Percent of revenue pledged in 2011: 0.6%*
- **Series 2002 Refunding**--*Issue Date: 11-15-2002; Maturity Date: 12-1-2027 (Refunded below); Purpose: Property purchase, Fowler Center refinancing; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$3,225,000; 2011 Principal Paid: \$275,000; 2011 Interest Paid: \$43,960; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged in 2011: 0.4%*
- **Series 2010B Refunding**--*Issue Date: 12-7-2010; Maturity Date: 12-1-2027; Purpose: Refinance Series 2002-Refunding for property purchase and Fowler Center refinancing (see above); Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$1,866,624; 2011 Principal Paid: \$0; 2011 Interest Paid: \$9,645; Principal Outstanding: \$1,866,624; Interest Outstanding: \$322,777; Percent of revenue pledged in 2011: 0.01%*

*Note: Issues with Tuition and Fees pledged, 2011 Gross Revenue - \$75,497,651

Arkansas State University-Beebe

- **1992 Student Fee AA**--*Issue Date: 10-1-1992; Maturity Date: 10-1-2012; Purpose: Construction of Business and Agriculture Building; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$400,000; 2011 Principal Paid: \$30,000; 2011 Interest Paid: \$5,115; Principal Outstanding: \$70,000; Interest Outstanding: \$4,620;*



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Percent of revenue pledged in 2011: 0.3%

- **2005 Student Center Refunding**--*Issue Date: 9-15-2005; Maturity Date: 12-1-2023; Purpose: Refinance Student Center; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$3,330,000; 2011 Principal Paid: \$150,000; 2011 Interest Paid: \$96,655; Principal Outstanding: \$2,480,000; Interest Outstanding: \$682,844; Percent of revenue pledged in 2011: 2.3%*
- **2005 ASUHS Phase I**--*Issue Date: 12-6-2005; Maturity Date: 12-1-2035; Purpose: Construction of academic buildings at the Heber Springs campus; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$15,170,000; 2011 Principal Paid: \$305,000; 2011 Interest Paid: \$646,541; Principal Outstanding: \$13,765,000; Interest Outstanding: \$9,845,404; Percent of revenue pledged in 2011: 9%*
- **2006 Science Building**--*Issue Date: 3-1-2006; Maturity Date: 9-1-2035; Purpose: Construction of Math and Science building; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$11,000,000; 2011 Principal Paid: \$220,000; 2011 Interest Paid: \$459,157; Principal Outstanding: \$9,975,000; Interest Outstanding: \$7,060,778; Percent of revenue pledged in 2011: 6.5%*
- **2008 ASUS Construction**--*Issue Date: 1-15-2008; Maturity Date: 12-1-2032; Purpose: Renovate the Main Building at the Searcy campus; Type of Revenue Pledged: Tuition and Fees; 2011 Gross Revenue: Tuition and Fees (see below); Amount Issued: \$2,080,000; 2011 Principal Paid: \$55,000; 2011 Interest Paid: \$78,644; Principal Outstanding: \$1,910,000; Interest Outstanding: \$1,022,566; Percent of revenue pledged in 2011: 1.3%*
- **2010 Residence Hall**--*Issue Date: 4-15-2010; Maturity Date: 4-1-2040; Purpose: Construction of new residence halls; Type of Revenue Pledged: Housing Fees; 2011 Gross Revenue: \$279,632; Amount Issued: \$9,125,000; 2011 Principal Paid: \$0; 2011 Interest Paid: \$374,964; Principal Outstanding: \$9,125,000; Interest Outstanding: \$7,206,230; Percent of revenue pledged in 2011: 100%*

*Note: Issues with Tuition and Fees pledged, 2011 Gross Revenue - \$10,522,692

Arkansas State University-Mountain Home

- **2008 Construction**--*Issue Date: 1-15-2008; Maturity Date: 12-1-2032; Purpose: Construction of Community Development Center; Type of Revenue Pledged: Student Fee Revenue; 2011 Gross Revenue: \$4,128,544; Amount Issued: \$5,180,000; 2011 Principal Paid: \$140,000; 2011 Interest Paid: \$195,965; Principal Outstanding: \$4,750,000; Interest Outstanding: \$2,538,976; Percent of revenue pledged in 2011: 8.1%*
- **2002 Refunding**--*Issue Date: 12-1-2002; Maturity Date: 12-1-2017; Purpose: Refinance previous issue; Type of Revenue Pledged: Student Fee Revenue and Ad Valorem Tax; 2011 Gross Revenue: \$5,389,332; Amount Issued: \$5,405,000; 2011 Principal Paid: \$350,000; 2011 Interest Paid: \$64,300; Principal Outstanding: \$0; Interest Outstanding: \$0; Percent of revenue pledged*



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

in 2011: 7.7%

- **2010 Refunding (2002 Refunding)**--*Issue Date:* 12-7-2010; *Maturity Date:* 12-1-2017; *Purpose:* Refinance previous issue; *Type of Revenue Pledged:* Student Fee Revenue and Ad Valorem Tax; *2011 Gross Revenue:* \$5,389,332; *Amount Issued:* \$2,920,000; *2011 Principal Paid:* \$350,000; *2011 Interest Paid:* \$106,122; *Principal Outstanding:* \$2,920,000; *Interest Outstanding:* \$225,605; *Percent of revenue pledged in 2011:* 8.5%

Arkansas State University-Newport

- **2008 Building**--*Issue Date:* 1-29-2008; *Maturity Date:* 6-30-2033; *Purpose:* Construction of Transportation Center; *Type of Revenue Pledged:* Tuition and Fees; *2011 Gross Revenue:* Tuition and Fees (see below); *Amount Issued:* \$2,075,000; *2011 Principal Paid:* \$55,000; *2011 Interest Paid:* \$78,470; *Principal Outstanding:* \$1,905,000; *Interest Outstanding:* \$1,021,953; *Percent of revenue pledged in 2011:* 3.1%
- **2008 Refunding**--*Issue Date:* 4-30-2008; *Maturity Date:* 5-1-2028; *Purpose:* Refinancing Issue; *Type of Revenue Pledged:* Tuition and Fees; *2011 Gross Revenue:* Tuition and Fees (see below); *Amount Issued:* \$4,400,000; *2011 Principal Paid:* \$170,000; *2011 Interest Paid:* \$160,184; *Principal Outstanding:* \$3,905,000; *Interest Outstanding:* \$1,600,898; *Percent of revenue pledged in 2011:* 7.6%

*Note: Issues with Tuition and Fees pledged, 2011 Gross Revenue - \$4,350,180

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 \$1,000 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,



ARKANSAS STATE UNIVERSITY SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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--Prior Period Restatement

Arkansas State University-Jonesboro

The fiscal year 2010 cash flow statement has been restated as below. These changes did not affect the total net assets or cash on hand at June 30, 2010.

1. Cash receipts and disbursements from Direct Lending, PLUS and FFEL in the amounts of \$71,570,054 and \$ 73,487,053, respectively, have been reported as separate lines on 'Cash Flows from Noncapital Financing'. Previously, these amounts were reported as part of 'Other agency funds-net'. Other agency funds-net for fiscal year 2010 previously reported as (\$1,895,523) have been revised to reflect net cash flows in the amount of \$21,476.

2. Cash receipts received from bond trustees in the amount of \$ 15,706,878, are now classified as 'Distributions from trustee of prior year bond proceeds and interest savings'. Previously, this amount was classified as 'Received from bond trustees'.

3. The amount paid in principal and interest to bond trustees of \$9,164,239 for fiscal year 2010 has been updated to reflect the principal and interest amounts separately. Previously, the amount was classified as 'Payments to bond trustees' as part of the cash flows from capital and related financing. This amount has been revised as 'Payments to trustees for bond principal' in the amount of \$3,885,000 and 'Payments to trustees for bond interest and fees' in the amount of \$5,279,239.

Arkansas State University-Mountain Home

The fiscal year 2010 cash flow statement has been restated as below. These changes did not affect the total net assets or cash on hand at June 30, 2010.

1. Cash receipts received from bond trustees in the amount of \$ 870,991, are now classified as 'Distributions from trustee of prior year bond proceeds and interest savings'. Previously, this amount was classified as 'Received from bond trustees'.



**ARKANSAS STATE UNIVERSITY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

2. The amount paid in principal and interest to bond trustees of \$809,993 for fiscal year 2010 has been updated to reflect the principal and interest amounts separately. Previously, the amount was classified as 'Payments to bond trustees' as part of the cash flows from capital and related financing. This amount has been revised as 'Payments to trustees for bond principal' in the amount of \$475,000 and 'Payments to trustees for bond interest and fees' in the amount of \$334,993.

Arkansas State University-Newport

The fiscal year 2010 cash flow statement has been restated as below. These changes did not affect the total net assets or cash on hand at June 30, 2010.

The amount paid in principal and interest to bond trustees of \$462,688 for fiscal year 2010 has been updated to reflect the principal and interest amounts separately. Previously, the amount was classified as 'Payments to bond trustees' as part of the cash flows from capital and related financing. This amount has been revised as 'Payments to trustees for bond principal' in the amount of \$220,000 and 'Payments to trustees for bond interest and fees' in the amount of \$242,688.



**ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

Other Postemployment Benefits

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

Cost Element	Fiscal Year Ended			
	June 30, 2011		June 30, 2010	
	Amount	Percent of Payroll ¹	Amount	Percent of Payroll ²
1. Beginning of year unfunded actuarial accrued liability	\$ 10,139,178	8.90%	\$ 9,523,361	8.64%
Annual Required Contribution (ARC)				
2. Normal cost	\$ 977,705		\$ 949,228	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	517,293		485,875	
4. Annual Required Contribution (ARC) (2. + 3.)	\$ 1,494,998	1.31%	\$ 1,435,103	1.30%
Annual OPEB Cost (Expense)				
5. Normal cost	\$ 977,705		\$ 949,228	
6. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	517,293		485,875	
7. Amortization of beginning of year accrual	(153,342)		(92,837)	
8. Interest on beginning of year accrual	90,167		54,589	
8. Annual OPEB cost (5. + 6. + 7. + 8.)	\$ 1,431,823	1.26%	\$ 1,396,855	1.27%
End of Year Accrual (Net OPEB Obligation)				
10. Beginning of year accrual	\$ 3,005,580		\$ 1,819,642	
10. Annual OPEB cost	1,431,823		1,396,855	
12. Employer contribution (benefit payments)	159,693		210,917	
13. End of year accrual (10. + 11. - 12.) ³	\$ 4,277,710	3.76%	\$ 3,005,580	2.73%

¹ Annual payroll for the 2,073 plan participants as of July 1, 2010 is \$113,897,937.

² Annual payroll for the 2,148 plan participants as of July 1, 2009 is \$110,244,776.

³ Actual contributions and administrative fees paid in fiscal year 2011 of \$666,778 less participant contributions of \$507,085; \$469,078 and \$258,161, respectively, in fiscal year 2010. Employer contributed 11.2% of annual OPEB cost during fiscal year 2011, compared to 15.1% during fiscal year 2010.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions ⁴	Percentage Contributed
June 30, 2011	\$ 1,431,823	\$ 159,693	11.2%
June 30, 2010	\$ 1,396,855	\$ 210,917	15.1%
June 30, 2009	\$ 1,275,723	\$ 195,427	15.3%

⁴ Since there is no funding, these are actual benefit payments less retiree contributions. For 2011, these amounts are \$606,778 and \$507,085, respectively. For 2010, these amounts are \$469,078 and



**ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

\$258,161, respectively. For 2009, these amounts are \$367,076 and \$171,649, 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 Payroll⁵ (c)	UAAL as a Percentage Of Covered Payroll⁵ [(b)-(a)/(c)]
June 30, 2011	\$ 0	\$ 10,139,178	\$ 10,139,178	0%	\$ 113,897,937	8.90%
June 30, 2010	\$ 0	\$ 9,523,361	\$ 9,523,361	0%	\$ 110,244,776	8.64%
June 30, 2009	\$ 0	\$ 8,841,741	\$ 8,841,741	0%	\$ 98,802,723	8.95%

⁵ Payroll as of July 1, 2010, July 1, 2009 and July 1, 2008 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,494,998 for fiscal year 2011 and accrual of \$4,277,710 as of June 30, 2011, are based on a current decision not to fund in a segregated GASB qualified trust; \$1,435,103 and \$3,005,580, respectively, as of June 30, 2010; and \$1,291,264 and \$1,819,642, respectively, as of June 30, 2009.

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, 2011	\$ 1,431,823	11.2%	\$ 4,277,710
June 30, 2010	\$ 1,396,855	15.1%	\$ 3,005,580
June 30, 2009	\$ 1,275,723	15.3%	\$ 1,819,642

Summary of Key Actuarial Methods and Assumptions

Valuation year	July 1, 2009 - June 30, 2010 (rolled forward)
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30 years, level dollar open amortization ⁶
Asset valuation method	N/A

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

Actuarial assumptions:

Discount rate	3.0%
Projected payroll growth rate	N/A
Health care cost trend rate for medical and prescription drugs	Trend rates are 9% initially, decreasing to 8% in year 2, and then



**ARKANSAS STATE UNIVERSITY SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION (CONT.)
 FOR THE YEAR ENDED JUNE 30, 2011**

by 1/2 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 2010. 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, 2009 - June 30, 2010, rolled forward
Date of Census Data	May 1, 2010
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 (retired prior to 2001)	\$ 0.00	\$ 360.36	\$ 360.36
Single (retired 1/1/2001 to 6/30/2001)	\$ 42.00	\$ 318.36	\$ 360.36
Single (retired after 6/30/2001)	\$ 180.18	\$ 180.18	\$ 360.36
Family (retired prior to 2001)	\$ 0.00	\$ 751.42	\$ 751.42
Family (retired 1/1/2001 to 6/30/2001)	\$ 200.00	\$ 551.42	\$ 751.42
Family (retired after 6/30/2001)	\$ 375.71	\$ 375.71	\$ 751.42

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

Discount Rate 3.0% per annum

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

Mortality IRS 2008 Combined Static Mortality Table has been used.



**ARKANSAS STATE UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

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
SCHEDULE OF SELECTED INFORMATION FOR THE
PAST FIVE YEARS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011**

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Total Assets	\$ 497,959,394	\$ 475,420,409	\$ 448,212,607	\$ 408,070,252	\$ 382,315,235
Total Liabilities	212,621,822	210,829,951	206,119,947	196,912,775	189,320,407
Total Net Assets	285,337,572	264,590,458	242,092,660	211,157,477	192,994,828
Total Operating Revenues	112,267,518	113,326,466	103,486,435	102,607,336	108,075,323
Total Operating Expenses	259,832,294	238,909,216	222,359,732	210,552,053	193,511,912
Total Net Nonoperating Revenues	149,617,555	138,413,254	116,739,815	108,678,182	86,872,945
Total Other Revenues, Expenses, Gains or Losses	18,694,335	9,667,294	32,385,914	17,429,184	4,135,605

This page is intentionally blank.



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET ASSETS BY CAMPUS
JUNE 30, 2011**

ASSETS	Jonesboro	Beebe
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 28,847,884	\$ 4,353,865
SHORT-TERM INVESTMENTS	1,158,548	6,128,744
ACCOUNTS RECEIVABLE (LESS ALLOWANCES OF \$812,349)	11,826,980	1,305,792
NOTES AND DEPOSITS RECEIVABLE (LESS ALLOWANCES OF \$196,300)	960,386	
ACCRUED INTEREST AND LATE CHARGES	392,543	4,655
INVENTORIES	1,042,189	451,046
DEPOSITS WITH TRUSTEES	4,911	39,630
UNAMORTIZED BOND ISSUANCE COSTS	26,830	8,669
PREPAID EXPENSES	45,630	5,982
TOTAL CURRENT ASSETS	44,305,901	12,298,383
NONCURRENT ASSETS		
RESTRICTED CASH AND CASH EQUIVALENTS	19,837,182	1,789,275
ENDOWMENT INVESTMENTS	10,650,159	138,951
OTHER LONG-TERM INVESTMENTS	3,230,775	1,054,615
DEPOSITS WITH TRUSTEES	591,261	
ACCOUNTS RECEIVABLE	395,801	
NOTES AND DEPOSITS RECEIVABLE (LESS ALLOWANCES OF \$1,052,381)	5,155,684	
UNAMORTIZED BOND ISSUANCE COSTS	570,265	240,938
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF \$226,142,634)	266,892,568	62,254,943
TOTAL NONCURRENT ASSETS	307,323,695	65,478,722
TOTAL ASSETS	351,629,596	77,777,105
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	4,905,519	714,750
BONDS, NOTES, AND LEASES PAYABLE	5,250,003	971,150
COMPENSATED ABSENCES	6,419,590	839,413
DEFERRED REVENUE	2,259,185	120,326
FUNDS HELD IN TRUST FOR OTHERS	567,937	73,338
DEPOSITS	728,582	24,815
INTEREST PAYABLE	1,712,494	316,142
OTHER LIABILITIES	20,174	
TOTAL CURRENT LIABILITIES	21,863,484	3,059,934
NONCURRENT LIABILITIES		
BONDS, NOTES AND LEASES PAYABLE	116,922,953	36,242,982
COMPENSATED ABSENCES	2,160,397	605,258
ACCRUED OTHER POSTEMPLOYMENT BENEFITS PAYABLE		
DEPOSITS	308,275	
REFUNDABLE FEDERAL ADVANCES	7,264,377	
TOTAL NONCURRENT LIABILITIES	126,656,002	36,848,240
TOTAL LIABILITIES	148,519,486	39,908,174
NET ASSETS		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	145,316,706	25,040,812
RESTRICTED FOR:		
NONEXPENDABLE		
SCHOLARSHIPS AND FELLOWSHIPS	6,149,606	110,572
LOANS	879,687	
OTHER	4,817,257	
EXPENDABLE		
SCHOLARSHIPS AND FELLOWSHIPS	357,575	192,430
RESEARCH	867,846	
LOANS		20,000
CAPITAL PROJECTS	4,086,390	7,184,919
DEBT SERVICE	591,261	289,243
OTHER	2,069,070	
UNRESTRICTED	37,974,712	5,030,955
TOTAL NET ASSETS	\$ 203,110,110	\$ 37,868,931



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF NET ASSETS BY CAMPUS (CONT.)
JUNE 30, 2011**

Mountain Home	Newport	Consolidation Entries	Total
\$ 5,285,578	\$ 3,801,065		\$ 42,288,392
	1,865,297		9,152,589
1,551,879	1,506,844		16,191,495
			960,386
	1,507		398,705
851	172,267		1,666,353
	932		45,473
5,483			40,982
16,282	3,864		71,758
6,860,073	7,351,776		70,816,133
			21,626,457
			10,789,110
	1,786,642		6,072,032
8,662	167,138		767,061
			395,801
			5,155,684
65,798			877,001
31,171,839	21,140,765		381,460,115
31,246,299	23,094,545		427,143,261
38,106,372	30,446,321		497,959,394
149,344	663,167	\$ 1,241,000	7,673,780
668,619	230,000		7,119,772
28,192	560,055		7,847,250
164,937	57,523		2,601,971
20,174	54,531		715,980
	9,662		763,059
29,055	33,694		2,091,385
			20,174
1,060,321	1,608,632	1,241,000	28,833,371
9,965,166	5,580,000		168,711,101
384,962	76,371		3,226,988
		4,277,710	4,277,710
			308,275
10,350,128	5,656,371	4,277,710	183,788,451
11,410,449	7,265,003	5,518,710	212,621,822
20,609,335	15,330,765		206,297,618
			6,260,178
			879,687
			4,817,257
			550,005
			867,846
			20,000
18,203			11,289,512
22,609	167,138		1,070,251
379,767	150,363		2,599,200
5,666,009	7,533,052	(5,518,710)	50,686,018
\$ 26,695,923	\$ 23,181,318	\$ (5,518,710)	\$ 285,337,572



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2011**

	Jonesboro	Beebe
OPERATING REVENUES		
TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCES OF \$44,041,017)	\$ 40,275,699	\$ 6,098,231
GRANTS AND CONTRACTS	23,595,950	5,888,441
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	899,172	65,359
AUXILIARY ENTERPRISES (NET OF SCHOLARSHIP ALLOWANCES OF \$8,741,965)	18,709,944	2,028,036
SELF INSURANCE	3,205,048	
OTHER OPERATING REVENUES	2,068,626	588,676
TOTAL OPERATING REVENUES	88,754,439	14,668,743
OPERATING EXPENSES		
PERSONAL SERVICES	103,178,913	20,399,125
SCHOLARSHIPS AND FELLOWSHIPS	16,392,539	4,821,561
SUPPLIES AND SERVICES	43,919,136	7,957,081
SELF INSURANCE	14,245,480	
DEPRECIATION	13,845,563	2,645,677
OTHER OPERATING EXPENSES	92,507	
TOTAL OPERATING EXPENSES	191,674,138	35,823,444
OPERATING INCOME (LOSS)	(102,919,699)	(21,154,701)
NONOPERATING REVENUES (EXPENSES)		
STATE APPROPRIATIONS	65,099,899	14,140,378
STIMULUS FUNDS (ARRA)	940,549	
GRANTS AND CONTRACTS	39,346,904	6,858,676
SALES AND USE TAXES		1,788,065
PROPERTY TAXES		
GIFTS	1,215,835	
INVESTMENT INCOME	1,826,767	198,801
INTEREST ON CAPITAL ASSET RELATED DEBT	(5,435,295)	(1,347,115)
OTHER NONOPERATING REVENUES (EXPENSES)	(94,112)	(18,666)
NET NONOPERATING REVENUES (EXPENSES)	102,900,547	21,620,139
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(19,152)	465,438
CAPITAL APPROPRIATIONS	10,549,718	75,000
CAPITAL GRANTS AND GIFTS	1,936,675	57,922
STIMULUS FUNDS (ARRA) FOR CAPITAL PROJECTS	4,503,604	112,035
ADDITIONS TO ENDOWMENTS		2,987
ADJUSTMENTS TO PRIOR YEAR CAPITAL ASSETS	292,792	
REFUNDS TO GRANTORS	(92,882)	(1,415)
GAIN OR LOSS ON DISPOSAL OF CAPITAL ASSETS	714,995	
CAPITALIZATION OF LIBRARY HOLDINGS AT RATE PER VOLUME	175,735	
LIVESTOCK ADDITIONS	1,775	
ACCRUED INTEREST ON BOND ISSUE	5,981	
PREMIUM/DISCOUNT ON BOND ISSUE	(2,853)	(3,851)
BOND ISSUANCE COSTS	(18,354)	(8,669)
BOND PROCEEDS	28,463	
INCREASE (DECREASE) IN NET ASSETS	18,076,497	699,447
NET ASSETS-BEGINNING OF YEAR	185,033,613	37,169,484
NET ASSETS-END OF YEAR	\$ 203,110,110	\$ 37,868,931



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS BY CAMPUS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Mountain Home	Newport	Consolidation Entries	Total
\$ 1,525,488	2,558,632		\$ 50,458,050
1,605,986	2,308,888		33,399,265
			964,531
135,269	379,224		21,252,473
			3,205,048
233,527	97,322		2,988,151
3,500,270	5,344,066		112,267,518
7,124,596	9,218,335	\$ 1,272,130	141,193,099
2,633,456	1,989,745		25,837,301
2,954,901	4,342,380		59,173,498
		152,376	14,397,856
1,653,053	993,740		19,138,033
			92,507
14,366,006	16,544,200	1,424,506	259,832,294
(10,865,736)	(11,200,134)	(1,424,506)	(147,564,776)
5,402,265	7,352,515		91,995,057
407,827	694,409		2,042,785
5,333,476	3,771,184		55,310,240
	922,152		2,710,217
1,260,788			1,260,788
401,403	21,800		1,639,038
26,786	78,122		2,130,476
(449,441)	(238,654)		(7,470,505)
117,237	(5,000)		(541)
12,500,341	12,596,528		149,617,555
1,634,605	1,396,394	(1,424,506)	2,052,779
	98,000		10,722,718
	200,000		2,194,597
			4,615,639
			2,987
	40,693		333,485
			(94,297)
	29,396		744,391
			175,735
			1,775
			5,981
2,071			(4,633)
(5,483)			(32,506)
1,631,193	1,764,483	\$ (1,424,506)	20,747,114
25,064,730	21,416,835	(4,094,204)	264,590,458
\$ 26,695,923	\$ 23,181,318	\$ (5,518,710)	\$ 285,337,572



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS
FOR THE YEAR ENDED JUNE 30, 2011**

	Jonesboro	Beebe
CASH FLOWS FROM OPERATING ACTIVITIES		
TUITION AND FEES	\$ 41,573,570	\$ 6,023,455
GRANTS AND CONTRACTS	23,027,335	5,834,803
AUXILIARY ENTERPRISES REVENUES	20,519,714	2,020,496
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	899,366	65,359
SELF INSURANCE PROGRAM RECEIPTS	3,205,648	
COLLECTION OF PRINCIPAL AND INTEREST RELATED TO STUDENT LOANS	966,322	
OTHER RECEIPTS	2,523,762	496,998
PAYMENTS TO EMPLOYEES	(86,431,561)	(15,852,551)
PAYMENTS FOR EMPLOYEE BENEFITS	(12,768,703)	(4,418,019)
PAYMENTS TO SUPPLIERS	(45,857,421)	(7,887,759)
SCHOLARSHIPS AND FELLOWSHIPS	(16,392,539)	(4,821,561)
SELF INSURANCE PROGRAM PAYMENTS	(13,885,955)	
LOANS ISSUED TO STUDENTS	(887,380)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(83,507,842)	(18,538,779)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	70,071,283	14,140,378
STIMULUS (ARRA) FUNDS	951,751	
GRANTS AND CONTRACTS	47,572,346	6,858,676
PRIVATE GIFTS AND GRANTS	1,478,087	
PAYMENTS TO OTHER CAMPUS FOR FINANCIAL AID DISTRIBUTION	(8,053,925)	
PAYMENTS FROM ASUJ FOR FINANCIAL AID DISTRIBUTION		
SALES AND USE TAXES		1,801,065
PROPERTY TAXES		
DIRECT LENDING, PLUS AND FFEL LOAN RECEIPTS	80,399,990	4,709,482
DIRECT LENDING, PLUS AND FFEL LOAN PAYMENTS	(78,516,427)	(4,724,299)
OTHER AGENCY FUNDS - NET	113,715	1,631
REFUNDS TO GRANTORS	(92,882)	(1,415)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	113,923,938	22,785,518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
DISTRIBUTIONS FROM TRUSTEES OF PRIOR YEAR BOND PROCEEDS AND INTEREST EARNINGS	3,869,324	
CAPITAL APPROPRIATIONS	8,741,353	75,000
CAPITAL GRANTS AND GIFTS	1,264,452	
STIMULUS (ARRA) FUNDS FOR CAPITAL PROJECTS	4,911,678	80,791
PROCEEDS FROM SALE OF CAPITAL ASSETS	1,799,309	
PURCHASES OF CAPITAL ASSETS	(22,532,406)	(7,100,001)
PAYMENTS TO BOND TRUSTEES FOR BOND PRINCIPAL	(4,415,000)	(760,000)
PAYMENTS TO TRUSTEES FOR BOND INTEREST AND FEES	(5,403,827)	(1,683,275)
PAYMENTS TO DEBT HOLDERS FOR PRINCIPAL (OTHER THAN BONDS)	(695,612)	
PAYMENTS TO DEBT HOLDERS FOR INTEREST AND FEES (OTHER THAN BONDS)	(4,357)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,195,086)	(9,387,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
PROCEEDS FROM THE SALES AND MATURITIES OF INVESTMENTS	2,536,174	17,394,498
INTEREST ON INVESTMENTS (NET OF FEES)	599,327	205,080
PURCHASES OF INVESTMENTS	(1,410,595)	(12,398,998)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,724,906	5,200,580
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,945,916	59,834
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	28,739,150	6,083,306
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 48,685,066	\$ 6,143,140



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Mountain Home	Newport	Consolidation Entries	Total
\$ 1,472,454	\$ 2,373,657		\$ 51,443,136
1,439,345	2,144,116		32,445,599
138,192	370,184		23,048,586
			964,725
			3,205,648
			966,322
233,533	97,322		3,351,615
(5,518,582)	(6,908,030)		(114,710,724)
(1,586,439)	(2,184,124)		(20,957,285)
(3,024,056)	(4,182,107)		(60,951,343)
(2,633,456)	(1,989,745)		(25,837,301)
			(13,885,955)
			(887,380)
(9,479,009)	(10,278,727)		(121,804,357)
5,402,265	7,932,546		97,546,472
407,827	718,078		2,077,656
538,246	512,489		55,481,757
518,640	21,800		2,018,527
		\$ 8,053,925	0
4,795,230	3,258,695	(8,053,925)	0
	918,483		2,719,548
1,221,011			1,221,011
			85,109,472
			(83,240,726)
4,426	6,245		126,017
			(94,297)
12,887,645	13,368,336	0	162,965,437
			3,869,324
	98,000		8,914,353
	200,000		1,464,452
			4,992,469
	28,725		1,828,034
(2,596,291)	(2,608,515)		(34,837,213)
(490,000)	(225,000)		(5,620,000)
(291,924)	(237,003)		(7,616,029)
(124,830)			(820,442)
(162,462)			(166,819)
(3,665,507)	(2,743,793)		(27,991,871)
500,000			20,430,672
25,997	71,054		901,458
	(59,300)		(13,868,893)
525,997	11,754		7,463,237
269,126	357,570		20,632,446
5,016,452	3,443,495		43,282,403
\$ 5,285,578	\$ 3,801,065	\$ 0	\$ 63,914,849



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

	Jonesboro	Beebe
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (102,919,699)	\$ (21,154,701)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION EXPENSE	13,845,563	2,645,677
CHANGE IN ASSETS AND LIABILITIES		
RECEIVABLES, NET	4,376,689	(246,375)
INVENTORIES	(46,861)	(97,452)
PREPAID EXPENSES	(5,314)	20,730
ACCOUNTS AND SALARIES PAYABLE	(1,431,739)	157,845
OTHER POSTEMPLOYMENT BENEFITS PAYABLE		
DEFERRED REVENUE	(1,409,316)	4,242
DEPOSITS	210,700	14,550
REFUNDABLE FEDERAL ADVANCES	64,818	
COMPENSATED ABSENCES	3,809,219	116,705
OTHER LIABILITIES	(1,902)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (83,507,842)	\$ (18,538,779)



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

Mountain Home	Newport	Consolidation Entries	Total
\$ (10,865,736)	\$ (11,200,134)	\$ (1,424,506)	\$ (147,564,776)
1,653,053	993,740		19,138,033
(200,971)	(381,890)		3,547,453
(851)	(27,181)		(172,345)
(9,176)	1,928		8,168
(65,367)	296,051	152,376	(890,834)
(18,845)	(1,475)	1,272,130	1,272,130
	9,662		(1,425,394)
			234,912
			64,818
28,884	30,572		3,985,380
			(1,902)
\$ (9,479,009)	\$ (10,278,727)	\$ 0	\$ (121,804,357)



**ARKANSAS STATE UNIVERSITY SYSTEM
STATEMENT OF CASH FLOWS BY CAMPUS (CONT.)
FOR THE YEAR ENDED JUNE 30, 2011**

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES - 2011

ASU-JONESBORO

The University issued refunding bonds. Payment of \$5,881,153 was remitted to the bond escrow account directly from the bond proceeds and related discount.

The University issued refunding bonds. Payment of \$2,512,381 was remitted to the bond escrow account directly from the bond proceeds and related discount.

The University issued refunding bonds. Payment of \$3,353,493 was remitted to the bond escrow account directly from the bond proceeds and related premium.

Construction in progress--Capital gift of \$29,116
Equipment--Capital gift of \$83,816
Land--Capital gift of \$6,000
Buildings--Capital gift of \$188,250
Note Payable--IT Infrastructure \$4,568,514
Interest earned on reserve accounts held by trustees--\$2,566

ASU-BEEBE

Fixed assets acquisitions paid directly from bond/note proceeds--\$6,130,823
Other equipment noncash additions--\$57,922
Interest costs paid directly from bond proceeds/debt service reserve--\$14,694
Interest earned on reserve accounts held by trustee--\$4

ASU-MOUNTAIN HOME

The University issued refunding bonds. Payment of \$2,866,158 was remitted to the bond escrow account directly from the bond proceeds and related premium.

ASU-NEWPORT

Interest earned on reserve accounts held by trustee--\$3,279
Gain (loss) on disposal of assets (asset for asset type trades only)--\$13,240