



UNIVERSITY OF ARKANSAS SYSTEM

Consolidated Financial Statements

FY2015-16



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December 2, 2016

Board of Trustees
President Donald R. Bobbitt

It is my pleasure to transmit to you the Consolidated Financial Report of the University of Arkansas System for the fiscal year ended June 30, 2016. The data presented, including the Management Discussion and Analysis, Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, are exhibited on a consolidated basis and include all components of the UA System: UAF (University of Arkansas Fayetteville, including Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey, Criminal Justice Institute, and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System eVersity).

These statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements used to prepare the consolidated report, except for the Medical Sciences campus and the discretely presented component units, were audited by the Arkansas Division of Legislative Audit. The financial statements from the Medical Sciences campus were audited by PricewaterhouseCoopers LLP. All received unqualified audit opinions.

Barbara A. Goswick, CPA

Vice President for Finance & CFO



LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a unit of the System, whose statements reflect total assets and revenues constituting 33% and 52%, respectively, of the related combined totals. Additionally, we did not audit the financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas for Medical Sciences, the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 6 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement no. 72, *Fair Value Measurement and Application*, during the year ended June 30, 2016. No restatement of the University's beginning net position was required due to the adoption of this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 16, 2015. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method - by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 14, 2016
EDHE14116

Introduction

The University of Arkansas System (“the University”) is pleased to present its financial statements for the fiscal year ended June 30, 2016, with comparative statements for the fiscal year ended June 30, 2015.

The University of Arkansas System (“the University”), which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College) and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts joined the University on January 1, 2004. In addition to these campuses, the University includes the System Administration, whose financial statements include eVersity, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Archeological Survey, and Criminal Justice Institute. See Note 24 for information pertaining to two mergers planned in FY17.

All programs and activities of the University of Arkansas are governed by its Board of Trustees, which has delegated to the President the administrative authority for all aspects of the University’s operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of Archeological Survey, and the Director of Arkansas School for Mathematics, Sciences and the Arts, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

Overview of the Financial Statements and Financial Analysis

The University’s financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, along with subsequent statements that amended Statement 35, provide a comprehensive, entity-wide perspective of the University’s assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

For the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards of accounting and financial reporting for defined benefit pension plans and defined contribution pension plans. As a result, the beginning Net Position for FY15 was reduced by \$40.3 million.

The University has identified two legally separate foundations, the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., that meet the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. These foundations provide financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose or amount received by these Foundations, the resources (and income thereon) they hold and invest are dedicated to benefit the University. Because these resources held by the foundations can only be used by, or for the benefit of, the University, and are deemed material, they are considered component units and are discretely presented in the financial report. Additional information about component units is provided in Note 1.

Statement of Net Position

The Statement of Net Position provides a fiscal snapshot of the University as of the end of the fiscal year. All assets (property that we own and what we are owed by others), deferred outflows of resources (consumption of net position by the University that is applicable to a future reporting period), liabilities (what we owe to others and have collected from others before we have provided the service), deferred inflows of resources (acquisition of net position by the University that is applicable to a future reporting period), and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) are reported in this statement. Assets and liabilities are presented in the order of their relative liquidity, and are identified as current or noncurrent. Current assets are those assets that can be realized in the coming year, and current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the subsequent year. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally measured

using current values. One exception is capital assets, which are stated at historical cost less accumulated depreciation.

Net position is divided into four major categories:

Net investment in capital assets: capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – non-expendable: net position subject to externally-imposed stipulations that it be maintained permanently by the University.

Restricted – expendable: net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted: net position that is not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose if not limited by contractual agreements with outside parties.



Condensed Statement of Net Position

	June 30, 2016	June 30, 2015
ASSETS		
Current assets	\$ 939,734,038	\$ 838,908,655
Capital assets, net	2,597,819,427	2,635,668,882
Other assets	364,904,664	365,522,423
Total Assets	3,902,458,129	3,840,099,960
DEFERRED OUTFLOWS OF RESOURCES	47,107,697	29,707,312
LIABILITIES		
Current liabilities	314,934,530	285,882,339
Noncurrent liabilities	1,426,606,316	1,435,852,495
Total Liabilities	1,741,540,846	1,721,734,834
DEFERRED INFLOWS OF RESOURCES	8,700,386	13,720,266
NET POSITION		
Net Investment in Capital Assets	1,370,245,568	1,364,040,122
Restricted		
Non-Expendable	68,562,622	68,427,641
Expendable	248,978,971	258,870,691
Unrestricted	511,537,433	443,013,718
Total Net Position	\$ 2,199,324,594	\$ 2,134,352,172

The University's total assets increased \$62.4 million, resulting from several offsetting variances, including an increase of \$48.0 million in cash and investments. Accounts receivable at UAMS related to patient care increased \$33.5 million. During FY16, UAMS determined that the historical trends, on which its accounts receivable allowances are based, were not indicative of more recent actual collections and, therefore, decreased these allowances by \$36.5 million. Other accounts receivable increased \$5.3 million. Inventories, notes receivable, and miscellaneous assets increased \$3.6 million. Deposits with bond trustees, representing unspent debt proceeds and bond reserve funds, increased \$9.8 million. Capital assets decreased \$37.8 million, which is primarily a reflection of depreciation expense for the fiscal year exceeding the acquisition of capital assets (Note 11).

Deferred outflows of resources consist of deferred amounts on refinancing of debt and deferred amounts related to pensions. Overall, deferred outflows increased \$17.4 million. Deferred amounts on refinancing of debt increased \$9.5 million and are related to four new refunding bond issues, offset by scheduled amortization. Deferred outflows related to

pensions increased \$7.9 million as a result of actuarially determined amounts (Note 14).

Total liabilities increased \$19.8 million and also resulted from several offsetting variances. Estimated third party payor settlements related to the Medicare and Medicaid programs at UAMS increased \$10.6 million (Note 3). Compensated absences (Note 4) and other post-employment benefits (Note 15) increased a total of \$8.8 million. Accounts payable and other accrued liabilities increased \$5.5 million. The liability for bonds, notes, capital leases and installment contracts decreased \$22.4 million, primarily due to scheduled debt payments. The pension liability increased \$11.2 million as a result of actuarially determined amounts (Note 14). The liability for future insurance claims decreased by \$2.4 million and is due to the UA Health Plan experiencing an overall plan loss ratio of 93% compared to a loss ratio of 112% in the previous fiscal year (Note 13). The primary cause of the poor experience in FY15 was a very high level of catastrophic claims. Unearned revenue increased \$8.5 million and is primarily due to two increases offset by a small amount: UAF increased \$2.9 million mainly due to advance sales of athletic tickets, and

UAMS increased \$6.4 million primarily due to a timing difference between when payments were received and work done on grants.

Deferred inflows of resources related to pension plans decreased \$5.0 million as a result of actuarially determined amounts (Note 14).

The net increases in assets and deferred outflows of resources of \$79.8 million netted against net increases in liabilities and deferred inflows of resources \$14.8 million resulted in an increase of \$65.0 million in total net position for the University. Net investments in capital assets, restricted, and unrestricted are the three components of net position which experienced an increase of \$6.2 million, a decrease of \$9.8 million and an increase of \$68.6 million, respectively. UAF, UAMS and System Administration experienced increases of \$33.9 million, \$18.5 million and \$11.7 million, respectively. These increases were combined with a \$0.9 million increase for the rest of the campuses. Contributing factors to the increase in unrestricted net position are discussed in the following section.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the revenues earned by the University, both operating

and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. In accordance with GASB standards, significant recurring sources of University revenue such as state appropriations, gifts, investment income and certain grants and contracts are reported as non-operating revenues. As a result, the operating loss of \$560.6 million is of little significance, but does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets. The utilization of capital assets is reflected in the statement as depreciation, which amortizes the cost of an asset over its expected useful life. Although unrestricted net position is not subject to externally-imposed restrictions, the majority of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for capital projects, scholarships, and other academic or research priorities; working capital for self-supporting auxiliary enterprises; and reserves for the continued recognition of OPEB and pension obligations.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended	
	June 30, 2016	June 30, 2015
Operating revenues	\$ 2,172,263,667	\$ 1,970,520,771
Operating expenses	(2,732,878,255)	(2,616,432,179)
Operating Loss	(560,614,588)	(645,911,408)
Non-operating revenues and expenses	611,133,843	622,205,701
Income before other revenues and expenses	50,519,255	(23,705,707)
Other revenues and expenses	14,453,167	54,361,141
Increase in Net Position	64,972,422	30,655,434
Net Position, beginning of year	2,134,352,172	2,103,696,738
Net Position, end of year	<u>\$ 2,199,324,594</u>	<u>\$ 2,134,352,172</u>

Operating revenue increased \$201.7 million, of which almost 77%, or \$154.5 million is from an increase in net patient service revenues due to an increase in both inpatient and outpatient volumes, the merging of patient care operations to create the Integrated Clinical Enterprise for the purpose of achieving greater efficiency in providing patient care, and a correction in previously reported financial statements related to certain Medicaid programs (Note 3). Net student tuition and fees increased \$21.3 million, reflecting increases for UAF of \$16.8 million and UAMS of \$4.5 million related to enrollment growth and rate revisions. Athletic income increased \$11.9 million which is attributable to increases at UAF in SEC conference distributions, sponsorship and licensing agreements, and transfers from the Razorback Foundation. Other operating revenue increased \$6.3 million, including \$4.6 million in other auxiliary enterprises, demonstrating the impact of an increase in students living on campus for both UAF and UAPB. Insurance plan revenues increased \$7.7 million due to increased premiums and an increase for some campuses in the percentage of premiums paid by employees.

Total operating expenses increased \$116.4 million. Compensation and benefit costs increased \$55.3 million, or 3.7% increase, over the previous year. Compensation and benefit expense increased: \$18.8 million at UAF due in part to a necessary increase in faculty to support enrollment growth along with modest increases in salaries for faculty and staff; and \$50.0 million at UAMS primarily due to the staffing required to support higher inpatient and outpatient volumes, an across-the-board increase for non-classified staff effective January 1, 2015, and for classified staff effective July 1, 2015, and higher group health insurance costs. Compensation and benefit costs decreased a total of \$1.5 million for the other campuses and \$12.0 million due to a change in the elimination entry (Note 19). Expense related to the UA Health Plan decreased \$14.7 million due to a much lower overall plan loss ratio of 93% compared to a plan loss ratio 112% in FY15. The cost of supplies and services increased \$72.3 million, of which \$67.0 million, or 93%, is attributable to UAF (\$22.8 million) and to UAMS (\$44.2 million). Approximately half of the increase at UAF was related to renewals and replacements in plant that were not capitalized. The increase at UAMS was largely due to increases in medical supplies, primarily for a higher surgery volume, and drugs and medicines for patient care. Scholarship expense decreased \$1.8 million, and depreciation increased \$5.3 million.

Net non-operating revenues decreased by \$11.1 million. State appropriations decreased \$8.8 million due to an increase UAF of \$4.7 million and a reduction for UAMS of \$13.5 million, which reflects an increase in Medicaid match payments that are reported as a decrease to state appropriations. Investment income decreased \$13.0 million due to market performance. Non-operating grants decreased \$4.8 million, non-capital gifts increased \$12.2 million, and miscellaneous revenue increased \$0.5 million. This combined \$13.9 decrease was mitigated due to a reduction of \$2.8 million in interest paid on debt.

Other changes in net position decreased almost \$40 million, reflecting changes in capital grants and gifts received in FY15 to support five separate capital building projects on the Fayetteville campus and for the construction of a new art and design building on the Fort Smith campus.

Gifts reported reflect only a portion of the gifts available to the University. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, whose financial information is presented in Note 1.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash activity of the University during the year. The statement is divided into five parts. The first part shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. The third section deals with cash flows from capital and related activities, such as the acquisition and construction of capital assets and proceeds from, and payment of, debt. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from these activities. The fifth section, not shown in the condensed statement below, reconciles the net cash used by operating activities to the net operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The statement aids in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow.

Similar to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position, net cash provided by operating activities is of little

significance to the University because the GASB requires significant sources of cash to be reported as non-operating financing. The net cash provided by the combination of operating activities and non-capital financing activities is a much more meaningful number for the University. The positive amounts of

\$264.5 million and \$216.0 million for fiscal years 2016 and 2015, respectively, indicate that these activities contributed cash and liquidity for the year. Cash used by capital and related financing activities reflects the University's continued use of debt to finance the acquisition of capital assets.

Condensed Statement of Cash Flows

	Year Ended	
	June 30, 2016	June 30, 2015
Cash provided (used) by:		
Operating activities	\$(420,035,775)	\$(442,946,388)
Noncapital financing activities	684,549,963	658,896,460
Sub-Total	264,514,188	215,950,072
Capital and related financing activities	(217,420,081)	(171,988,433)
Investing activities	48,395,650	(25,032,258)
Net change in cash	95,489,757	18,929,381
Cash, beginning of year	460,613,498	441,684,117
Cash, end of year	<u>\$ 556,103,255</u>	<u>\$ 460,613,498</u>

Capital Assets and Long-Term Debt Activity

At June 30, 2016, the University had \$2.6 billion of capitalized assets, net of accumulated depreciation of \$2.3 billion. Net capital additions in FY16 totaled \$121.7 million which was offset by a net adjustment to accumulated depreciation of \$159.5 million, resulting in a decrease over the previous year of \$37.8 million.

New debt issued for bonds, notes, and capital leases offset by payments of principal caused a net decrease of \$22.4 million in debt for FY16. The University issued a total of \$210.0 million in bonds, with slightly over 47% of that amount representing refunding issues for the Fayetteville and Little Rock campuses. More detailed information about debt activity is presented in Note 8.

Economic Outlook

The University's net position increased \$65.0 million in FY16. Moody's Investors Service last reaffirmed the University's rating of Aa2 with a stable outlook on October 3, 2016. One of the University's greatest strengths is the diverse stream of revenue which funds its operations, including tuition, patient services revenue, state appropriations, investment income, grants and

contracts, and support from individuals, foundations, and corporations. Because the Fayetteville campus and the Medical Sciences campus account for 75.6% of total net position and 88.9% of operating revenues, discussion below is centered on these two campuses.

UAMS

UAMS' financial performance in FY16 exceeded budget expectations. The positive change in net position of \$18.5 million represents a \$36.6 million improvement over initial budget projections for the year. While much of the positive result can be attributed to adjustments in collections allowances, management finds that operational changes implemented in FY 16, most notably the transition to an integrated clinical strategy and different budget approach, also contributed significantly to this outcome.

State appropriations are up for FY17, reflecting a decision by the governor and legislature to add \$4.5 million in one-time money for UAMS. On-going state funding is expected to remain flat or decline in the next few years.

Management anticipates federally funded research in FY17 will increase due to a few known awards to be

announced during the year. The influx of new research faculty in the areas of bioinformatics, pharmacy and radiation oncology, along with the implementation of expanded research administrative support, should help reverse recent downward financial trends in this area.

Continued growth in patient services revenues is expected in the near term, although likely at a rate less than that experienced in FY16. UAMS has plans to improve care management, revenue cycle operations, and the capabilities of its electronic medical records system in order to sustain growth into the future. While generally optimistic about the benefit these efforts will yield, uncertainty regarding future Medicare and Medicaid payments cannot be underestimated. The impact of a revision in the state's private option Medicaid expansion has been a reduction of UAMS' percentage of self-pay patients, now close to 2.2%, or essentially the same level in FY15, the first full year of Medicaid expansion. It is unknown whether the state legislature will continue to support the program in its current form in the future. Additionally, the passage of the federal Medicare Access and CHIP Reauthorization Act (MACRA) is expected to bring further changes in Medicare payments by putting greater emphasis on healthcare quality.

Regardless of how the payment structure changes, enhancing the quality and efficiency of service delivery while reducing cost is critical. Management also recognizes that the current dependency on clinical revenues, which account for more than 75% of total revenues, must be sustained into the future. With a full year of experience gained using the service line model and strategic clinical initiatives in care management and revenue cycle operations, UAMS is well-positioned to deal with pending changes in reimbursement methods. Two new primary care clinics and the expansion of a recently created orthopedics clinic should aid in growing patient referrals.

In summary, the economic outlook for UAMS is generally positive. Management remains committed to continuing cost savings initiatives and improving performance, especially with respect to its clinical operations.

UAF

Financial and political support from state government remains a critical element to the continued financial health of the campus. In 2016, the total general

revenue distribution from the State, which is a portion of the state appropriation revenue on the Statement of Revenues, Expenses and Changes in Net Position, remained virtually flat at \$201.9 million. Estimates for 2017 indicate general revenue distributions from the State will remain flat, with no significant increase or decrease. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

Tuition and mandatory fee increases totaling 3.8% for resident and 7.5% for nonresident students, respectively, were necessary in 2016 in order to maintain the facilities, faculty and other support needed to fulfill their mission. It is expected that the campus will continue to look at increases in tuition rates for revenue support as well as find other revenue streams as record growth in enrollment continues and state funding levels remaining flat.

Campaign Arkansas, a multi-year comprehensive fundraising effort, was officially launched in September, 2016, with a goal of raising \$1 billion. All colleges and schools on campus, as well as many other units, will benefit from the fundraising effort. The campaign is critical to efforts to keep tuition affordable while enhancing academic opportunities for faculty and students. Funds raised will support scholarships and fellowships, endowed chairs, capital projects, interdisciplinary academic programs and other priority areas that will advance the campus goals and objectives. The campaign is scheduled to conclude in June, 2020.

Positive news continues with UAF's fundraising production totals for private gift support in FY16 being the third-best year in university history. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2016, the University recognized \$131.6 million of private gift support, surpassing its goal of \$115 million. This support is critical to ensure success for students and faculty, and is a fundamental component in meeting budgetary needs. Support received from alumni, friends, organizations, faculty, and staff enhances all aspects of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; study abroad opportunities and innovative programs.

Enrollment has increased 45.8%, or more than 8,500 students over the past ten years, including another record enrollment in the fall 2016. While the growth trend continues, it has slowed to only 1.6% growth over the past year. This more sustainable rate of growth is welcome as the university assesses future goals and the optimum number of students.

All Campuses

Financial support from state government for all campuses remains a critical element to the continued financial health of the University. Arkansas appears to have successfully weathered the effects of the

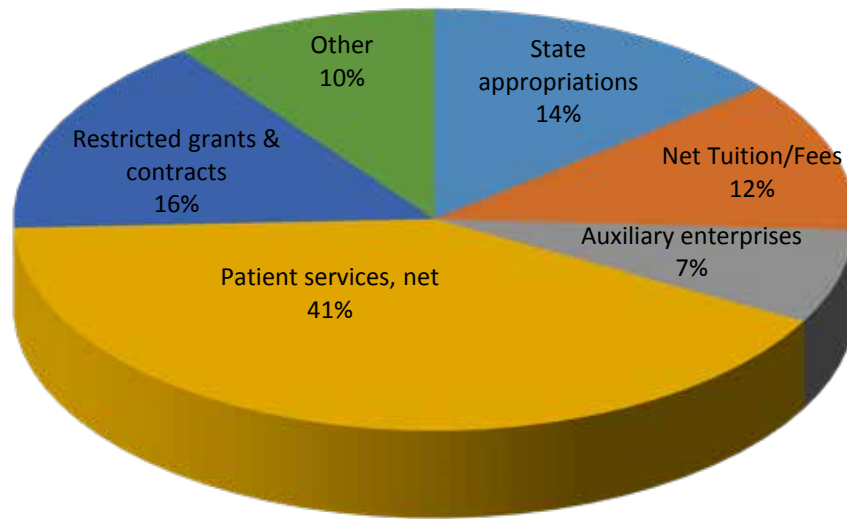
national economic crisis, as general revenue forecasts are positive and the state budget remains balanced. Management will continue to budget conservatively and to emphasize cost containment.

Preliminary data shows that while the headcount number of students has remained essentially flat from the fall semester of 2012 to the fall semester of 2016, the number of full-time equivalent students has increased almost 2% from 49,841 to 50,698.

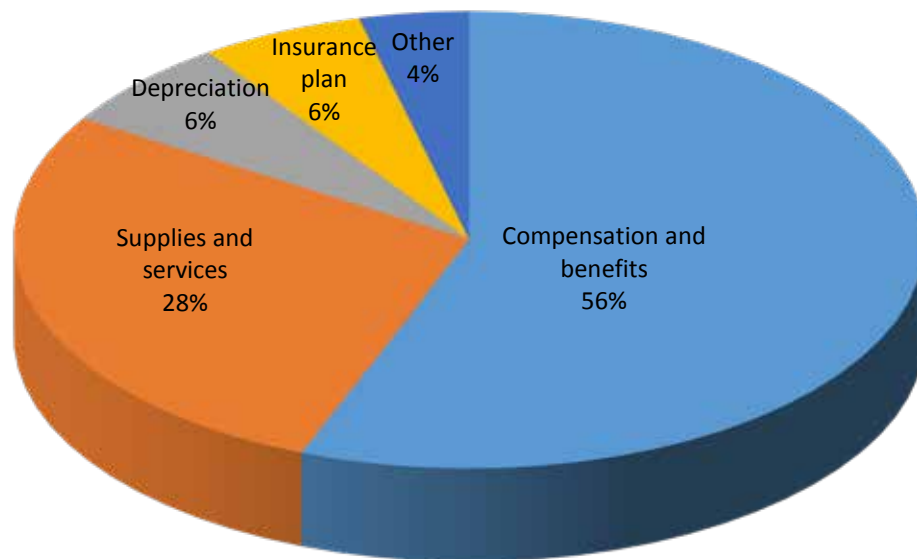
There are two pending mergers of community colleges into the University of Arkansas System that are discussed in more detail in Note 24.



FY16 Revenues \$2.842 Billion



FY16 Expenses \$2.777 Billion



UNIVERSITY OF ARKANSAS SYSTEM: Five Year Summary of Key Data

FIVE YEAR SUMMARY OF KEY FINANCIAL DATA

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Operating Revenues					
Tuition and fees, net	\$331,150,709	\$309,858,306	\$295,422,375	\$275,084,672	\$250,856,349
Patient revenue, net	1,175,658,000	1,021,183,000	919,366,000	886,577,000	876,544,000
Federal and county appropriations	14,588,335	15,171,093	16,493,123	17,028,573	14,998,255
Grants and Contracts	304,837,502	307,119,574	314,008,446	321,126,655	365,262,370
Sales and services of educ depts	58,114,942	56,232,068	58,197,719	56,376,967	57,750,494
Insurance plan	49,636,512	41,906,111	43,296,032	43,802,468	41,906,125
Auxiliary enterprises	203,416,627	186,947,910	166,242,253	167,875,096	164,638,959
Other	34,861,040	32,102,709	28,941,977	51,001,021	30,332,695
Total operating revenues	\$2,172,263,667	\$1,970,520,771	\$1,841,967,925	\$1,818,872,452	\$1,802,289,247
Operating Expenses					
Compensation and benefits	\$1,555,156,358	\$1,499,840,271	\$1,467,393,492	\$1,425,598,007	\$1,382,287,125
Supplies and services	774,514,898	702,207,626	660,578,459	628,874,631	652,774,990
Scholarships and fellowships	63,926,694	65,686,099	86,396,670	93,059,279	95,485,181
Insurance plan	161,167,230	175,921,378	151,517,415	142,467,947	141,182,749
Depreciation	178,113,075	172,776,805	165,197,568	158,233,095	148,160,061
Total operating expenses	\$2,732,878,255	\$2,616,432,179	\$2,531,083,604	\$2,448,232,959	\$2,419,890,106
Operating loss	\$(560,614,588)	\$(645,911,408)	\$(689,115,679)	\$(629,360,507)	\$(617,600,859)
Nonoperating Revenues and Expenses					
State appropriations	\$402,577,620	\$411,402,231	\$444,544,715	\$431,252,786	\$425,672,916
Property and sales tax	12,715,581	12,531,223	12,303,561	11,674,780	12,194,886
Grants and contracts	133,921,012	138,720,480	147,597,024	157,605,951	162,026,457
Gifts	103,423,775	91,207,792	96,438,382	101,145,251	88,575,906
Investment income, net	160,945	13,162,116	40,177,645	24,228,708	14,843,356
Interest on capital-related debt	(43,132,251)	(46,017,268)	(46,516,830)	(38,498,129)	(41,530,288)
Other	1,467,161	1,199,127	(227,984)	(214,828)	1,205,278
Total nonoperating revenues & expenses	\$611,133,843	\$622,205,701	\$694,316,513	\$687,194,519	\$662,988,511
Other Changes in Net Position					
Capital appropriations	\$2,169,838	\$1,850,000	\$23,160,667	\$1,241,482	\$4,315,381
Capital grants and gifts	13,369,683	53,841,730	26,030,024	23,653,645	55,709,101
Other	(1,086,354)	(1,330,589)	346,871	(846,240)	(102,600)
Total Other Change in Net Position	\$14,453,167	\$54,361,141	\$49,537,562	\$24,048,887	\$59,921,882
Total Increase in Net Position	\$64,972,422	\$30,655,434	\$54,738,396	\$81,882,899	\$105,309,534
Net Position					
Net Investment in Capital Assets	\$1,370,245,568	\$1,364,040,122	\$1,361,813,338	\$1,322,883,554	\$1,291,051,352
Restricted - Non-Expendable	68,562,622	68,427,641	67,095,362	62,673,845	60,292,554
Restricted - Expendable	248,978,971	258,870,691	232,118,779	206,205,496	206,898,934
Unrestricted	511,537,433	443,013,718	482,945,007	497,471,195	456,558,745
Total Net Position	\$2,199,324,594	\$2,134,352,172	\$2,143,972,486	\$2,089,234,090	\$2,014,801,585

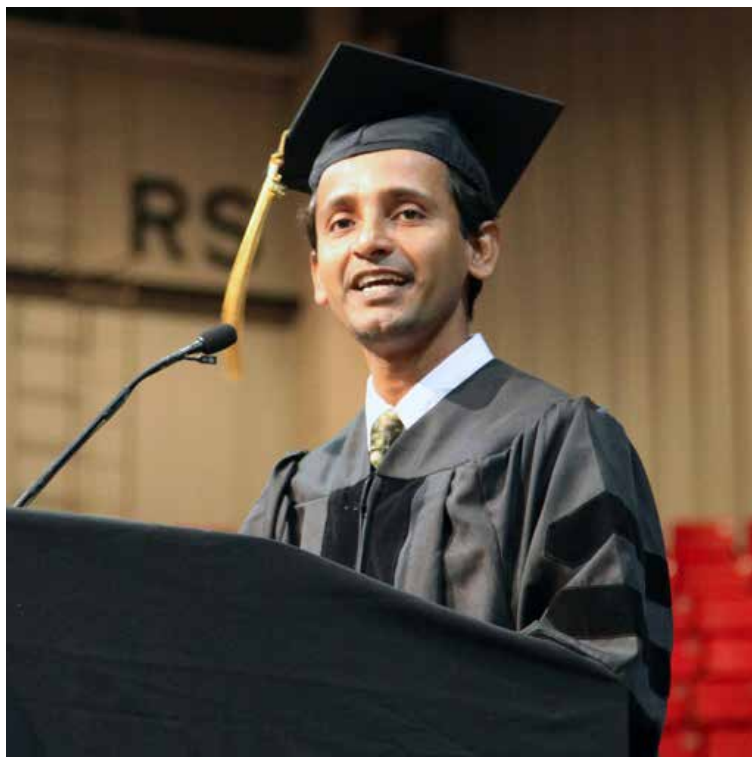
Net Position, End of Fiscal Year 2012, was decreased by \$7,450,394 from amount shown above as a cumulative adjustment due to GASB Statement No. 65.
Net Position, End of Fiscal Year 2014, was decreased by \$40,275,748 from amount shown above as a cumulative adjustment due to GASB Statement No. 68.

FIVE YEAR SUMMARY OF KEY STUDENT DATA

Enrollment					
Fall Semester	2016*	2015	2014	2013	2012
Undergraduate Students (Headcount)	53,797	53,295	52,990	53,792	54,127
Graduate Students (Headcount)	9,503	9,469	9,119	9,071	8,955
Total	63,300	62,764	62,109	62,863	63,082
Undergraduate Students (FTE)	43,358	43,085	42,949	43,760	43,615
Graduate Students (FTE)	7,340	6,554	6,361	6,348	6,226
Total	50,698	49,639	49,310	50,108	49,841

Degrees Awarded					
Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Certificates	2,331	2,369	2,034	1,928	2,027
Associate	2,016	2,226	2,144	1,863	1,907
Baccalaureate	7,774	7,399	7,046	6,281	6,165
Post-Baccalaureate	85	144	128	118	106
Master's	2,074	2,023	1,912	2,032	1,997
Doctoral	273	263	246	264	235
First Professional	535	525	544	549	520
Total	15,088	14,949	14,054	13,035	12,957

*Preliminary Data Reported by Institutions



Ganesh Kumar Karunakaran, doctoral student of aquaculture/fisheries at the University of Arkansas at Pine Bluff, became the university's first Ph.D. graduate.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY16

UNIVERSITY OF ARKANSAS Statement of Net Position June 30, 2016 with comparative figures at June 30, 2015

	June 30, 2016	June 30, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 527,905,731	\$ 430,971,875
Investments	111,002,905	148,917,100
Accounts receivable, net of allowances of \$19,396,229 and \$19,691,572	97,751,072	92,439,802
Patient accounts receivable, net of allowances of \$404,672,000 and \$421,761,000	144,828,000	111,368,000
Inventories	31,721,097	28,358,348
Deposits and funds held in trust by others	2,546,988	4,858,183
Notes receivable, net of allowances of \$725,295 and \$804,373	5,858,294	5,679,825
Other assets	18,119,951	16,315,522
Total current assets	<u>939,734,038</u>	<u>838,908,655</u>
Non-Current		
Cash and cash equivalents	28,197,524	29,641,623
Investments	254,715,826	264,256,722
Notes receivable, net of allowance of \$3,612,455 and \$4,170,174	34,228,279	35,989,863
Deposits and funds held in trust by others	47,203,641	35,096,064
Other non-current assets	559,394	538,151
Capital assets, net of depreciation of \$2,255,534,685 and \$2,095,962,470	2,597,819,427	2,635,668,882
Total non-current assets	<u>2,962,724,091</u>	<u>3,001,191,305</u>
TOTAL ASSETS	<u>\$ 3,902,458,129</u>	<u>\$ 3,840,099,960</u>
DEFERRED OUTFLOWS OF RESOURCES		
Debt refunding	\$ 30,866,887	\$ 21,330,973
Pensions	16,240,810	8,376,339
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 47,107,697</u>	<u>29,707,312</u>
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	\$ 144,682,862	\$139,040,603
Unearned revenue	48,892,014	39,681,306
Funds held in trust for others	5,725,842	5,911,575
Liability for future insurance claims (Note 13)	18,412,300	20,800,000
Estimated third party payor settlements	11,704,000	1,071,000
Compensated absences payable - current portion (Note 4)	6,492,345	5,713,469
Bonds, notes, capital leases and installment contracts payable - current portion (Note 8)	79,025,167	73,664,386
Total current liabilities	<u>314,934,530</u>	<u>285,882,339</u>
Non-Current		
Unearned revenues, deposits and other	630,453	1,373,537
Refundable federal advance - Perkins loans	16,568,836	16,562,464
Compensated absences payable (Note 4)	78,733,949	77,454,948
Liability for other postemployment benefits (Note 15)	62,779,374	56,024,345
Liability for pensions (Note 14)	43,401,224	32,204,554
Bonds, notes, capital leases and installment contracts payable (Note 8)	1,224,492,480	1,252,232,647
Total non-current liabilities	<u>1,426,606,316</u>	<u>1,435,852,495</u>
TOTAL LIABILITIES	<u>\$ 1,741,540,846</u>	<u>\$ 1,721,734,834</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 8,700,386	\$ 13,720,266
NET POSITION		
Net Investment in Capital Assets	\$ 1,370,245,568	\$1,364,040,122
Restricted		
Non-Expendable		
Scholarships and fellowships	12,240,580	12,265,900
Research	6,190,070	6,198,962
Other	50,131,972	49,962,779
Expendable		
Scholarships and fellowships	18,914,989	18,136,468
Research	58,145,321	60,372,649
Public service	17,124,824	13,497,289
Capital projects	121,306,579	129,555,567
Other	33,487,258	37,308,718
Unrestricted	511,537,433	443,013,718
TOTAL NET POSITION	<u>\$ 2,199,324,594</u>	<u>\$ 2,134,352,172</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY16

**UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Position
For The Year Ended June 30, 2016
with comparative figures for 2015**

	Year Ended June 30, 2016	Year Ended June 30, 2015
Operating Revenues		
Student tuition & fees, net of scholarship allowances of \$154,807,966 and \$151,862,009	\$ 331,150,709	\$ 309,858,306
Patient services, net of contractual allowances of \$1,651,452,000 and \$1,487,439,000	1,175,658,000	1,021,183,000
Federal and county appropriations	14,588,335	15,171,093
Federal grants and contracts	135,347,533	133,785,973
State and local grants and contracts	95,132,743	63,230,718
Non-governmental grants and contracts	74,357,226	110,102,883
Sales and services of educational departments	58,114,942	56,232,068
Insurance plan	49,636,512	41,906,111
Auxiliary enterprises		
Athletics, net of scholarship allowances of \$3,033,140 and \$2,883,409	104,306,893	92,403,184
Housing/food service, net of scholarship allowances of \$16,917,095 and \$16,541,235	65,589,746	61,237,435
Bookstore, net of scholarship allowances of \$1,425,810 and \$1,598,596	15,751,082	16,331,772
Other auxiliary enterprises, net of scholarship allowances of \$341,881 and \$321,828	17,768,906	16,975,519
Other operating revenues	34,861,040	32,102,709
Total operating revenues	<u>2,172,263,667</u>	<u>1,970,520,771</u>
Operating Expenses		
Compensation and benefits	1,555,156,358	\$ 1,499,840,271
Supplies and services	774,514,898	702,207,626
Scholarships and fellowships	63,926,694	65,686,099
Insurance plan	161,167,230	175,921,378
Depreciation	178,113,075	172,776,805
Total operating expenses	<u>2,732,878,255</u>	<u>2,616,432,179</u>
Operating loss	<u>(560,614,588)</u>	<u>(645,911,408)</u>
Non-Operating Revenues (Expenses)		
State appropriations, net of Medicaid match payments of \$99,151,000 and \$85,075,000	402,577,620	411,402,231
Property and sales tax	12,715,581	12,531,223
Federal grants	85,527,558	89,340,032
State and local grants	47,308,994	48,345,734
Non-governmental grants	1,084,460	1,034,714
Gifts	103,423,775	91,207,792
Investment income (net)	160,945	13,162,116
Interest and fees on capital asset-related debt	(43,132,251)	(46,017,268)
Loss on disposal of assets	(202,651)	(2,268,024)
Other	1,669,812	3,467,151
Net non-operating revenues	<u>611,133,843</u>	<u>622,205,701</u>
Income before other revenues and expenses	<u>50,519,255</u>	<u>(23,705,707)</u>
Other Changes in Net Position		
Capital appropriations	2,169,838	1,850,000
Capital grants and gifts	13,369,683	53,841,730
Adjustments to prior year revenues and expenses	(87,207)	(92,797)
Other	(999,147)	(1,237,792)
Total other revenues and expenses	<u>14,453,167</u>	<u>54,361,141</u>
Increase in net position	<u>64,972,422</u>	<u>30,655,434</u>
Net Position, beginning of year	2,134,352,172	2,143,972,486
Adjustment due to GASB 68 (Note 23)		(40,275,748)
Net Position, beginning of year, restated	<u>2,134,352,172</u>	<u>2,103,696,738</u>
Net Position, end of year	<u>\$ 2,199,324,594</u>	<u>2,134,352,172</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY16

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method For The Year Ended June 30, 2016 with comparative figures for 2015

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	\$ 331,965,826	\$ 308,760,959
Patient and insurance payments	1,125,598,000	1,029,490,000
Federal and county appropriations	14,219,112	16,369,041
Grants and contracts	305,759,432	311,443,181
Collection of loans and interest	5,663,800	5,144,214
Insurance plan receipts	49,594,966	42,188,954
Auxiliary enterprise revenues:		
Athletics	103,366,096	92,505,562
Housing and food service	66,136,317	60,254,255
Bookstore	15,920,564	15,631,345
Other auxiliary enterprises	16,735,735	17,125,774
Payments to employees	(1,338,421,457)	(1,279,763,268)
Payments of employee benefits	(209,719,686)	(209,650,695)
Payments to suppliers	(753,974,973)	(688,608,187)
Loans issued to students	(5,201,636)	(5,047,198)
Scholarships and fellowships	(64,171,322)	(65,679,174)
Payments of insurance plan expenses	(163,568,837)	(169,895,119)
Other	80,062,288	76,783,968
Net cash used by operating activities	<u>(420,035,775)</u>	<u>(442,946,388)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	434,873,620	414,601,231
Property and sales tax	12,814,916	12,557,248
Gifts and grants for other than capital purposes	236,925,764	229,303,334
Direct Lending, Plus and FFEL loan receipts	268,632,192	264,334,512
Direct Lending, Plus and FFEL loan payments	(269,874,257)	(262,267,261)
Other agency funds - net	1,246,335	412,953
Payment of principal on debt	(49,507)	
Payment of interest on debt	(1,100)	
Refunds to grantors	(18,000)	(45,557)
Net cash provided by noncapital financing activities	<u>684,549,963</u>	<u>658,896,460</u>
Cash Flows from Capital and Related Financing Activities		
Distributions from debt proceeds	33,694,561	196,794,430
Capital appropriations	2,088,340	1,850,000
Capital grants and gifts	8,191,238	49,307,503
Property taxes - capital allocation		15
Proceeds from sale of capital assets	124,353	1,127,191
Purchases of capital assets	(133,784,741)	(200,942,864)
Payment of capital related principal on debt	(72,432,295)	(166,230,709)
Payment of capital related interest and fees	(48,305,455)	(54,121,976)
Insurance proceeds	26,182	20,907
Payments for bond refunding and related costs	(7,022,264)	
Payments to/from trustee for reserve		207,070
Net cash used by capital and related financing activities	<u>(217,420,081)</u>	<u>(171,988,433)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	156,319,253	54,984,690
Investment income (net of fees)	2,271,767	1,416,625
Purchases of investments	(110,195,370)	(81,433,573)
Net cash used by investing activities	<u>48,395,650</u>	<u>(25,032,258)</u>
Net increase in cash	95,489,757	18,929,381
Cash, beginning of year	460,613,498	441,684,117
Cash, end of year	<u>\$ 556,103,255</u>	<u>\$ 460,613,498</u>

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY16

**UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued
For The Year Ended June 30, 2016
with comparative figures for 2015**

	Year Ended June 30, 2016	Year Ended June 30, 2015
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (560,614,588)	\$ (645,911,408)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	178,113,075	172,776,805
Other miscellaneous operating receipts	3,373,632	2,974,115
Adjustment to cash for amounts in transit within the system	(610,885)	1,170,872
Change in assets and liabilities:		
Receivables, net	(66,650,691)	866,041
Inventories	(3,362,751)	585,961
Prepaid expenses and other assets	(860,452)	(2,245,923)
Accounts payable and other accrued liabilities	10,107,152	13,385,031
Unearned revenue	7,253,358	294,732
Liability for future insurance claims	(2,387,700)	6,276,000
Loans to students and employees	197,661	69,890
Refundable federal advance	7,870	(179,993)
Compensated absences	2,057,879	2,509,900
OPEB liability	6,755,028	6,031,871
Pension related	(3,671,682)	(3,311,268)
Other	10,257,319	1,760,986
NET CASH USED BY OPERATING ACTIVITIES	\$ (420,035,775)	\$ (442,946,388)
Non-Cash Transactions		
Capital Gifts	\$ 10,859,770	\$ 620,679
Fixed assets acquired by incurring capital lease obligations	2,649,193	10,731,000
Capital outlay & maintenance paid directly from proceeds of debt		564,083
Payment of bond proceeds/premium/accrued interest/debt service reserve directly into deposits with trustees/escrow	237,929,886	109,564,638
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	1,729,038	901,512
Payment of principal & interest on long-term debt from deposits with trustees	271,529	539,702
Interest earned on deposits with trustees	13,189	7,489
Payment on long-term debt directly from University of Arkansas Foundation, Inc. and Razorback Foundation, Inc.		214,188
Loss on disposal of assets	614,205	1,555,175
Valuation adjustment to capital assets	1,103,802	(221,615)
Value of goods received from sponsorship agreements with vendors	3,430,000	

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Discreetly Presented Component Units

UNIVERSITY OF ARKANSAS FOUNDATION, INC. Consolidated Statements of Financial Position June 30, 2016 and 2015

	2016	2015
ASSETS		
Contributions receivable, net	\$ 33,424,389	\$ 30,132,446
Interest receivable	2,021,882	2,814,863
Investments, at fair value	873,266,684	884,394,655
Cash value of life insurance	1,248,856	1,196,556
Land, buildings and equipment, net of accumulated depreciation of \$255,834 at 2016 and 2015	668,025	800,025
TOTAL ASSETS	\$ 910,629,836	\$ 919,338,545
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 6,319,020	\$ 2,344,867
Annuity obligations	14,065,041	15,067,528
TOTAL LIABILITIES	20,384,061	17,412,395
NET ASSETS		
Unrestricted	106,811,150	102,610,251
Temporarily restricted	143,967,168	141,361,837
Permanently restricted	639,467,457	657,954,062
TOTAL NET ASSETS	890,245,775	901,926,150
TOTAL LIABILITIES AND NET ASSETS	\$ 910,629,836	\$ 919,338,545

UNIVERSITY OF ARKANSAS FOUNDATION, INC. Consolidated Statements of Activities Years Ended June 30, 2016 and 2015

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support:								
Contributions	\$ 16,167,039	\$ 22,292,964	\$ 22,624,270	\$ 61,084,273	\$ 11,845,325	\$ 28,069,572	\$ 33,252,616	\$ 73,167,513
Interest and dividends	3,748,435	5,122,248	289,738	9,160,421	4,560,484	5,069,866	314,364	9,944,714
Net realized and unrealized gains on investments	9,150,382	19,582,279	(40,527,944)	(11,795,283)	5,018,476	19,139,872	(3,101,424)	21,056,924
Other					50,043			50,043
Net assets reclassifications, including released from or satisfaction of restrictions	44,178,823	(44,178,823)			38,264,802	(38,264,802)		
Total revenues, gains and other support	73,244,679	2,818,668	(17,613,936)	58,449,411	59,739,130	14,014,508	30,465,556	104,219,194
Expenses and Losses:								
Program services:								
Construction	8,144,010			8,144,010	2,126,413			2,126,413
Research	14,582,570			14,582,570	12,250,386			12,250,386
Faculty/staff support	13,622,705			13,622,705	12,113,994			12,113,994
Scholarships and awards	10,112,850			10,112,850	10,433,066			10,433,066
Public/staff relations	2,451,992			2,451,992	1,917,201			1,917,201
Equipment	4,971,395			4,971,395	3,005,030			3,005,030
Sponsored programs	908,546			908,546	826,769			826,769
Other	11,593,570			11,593,570	11,903,086			11,903,086
Total program services	66,387,638			66,387,638	54,575,945			54,575,945
Supporting services:								
Management and general	460,056			460,056	449,057			449,057
Fundraising	1,663,979			1,663,979	1,540,821			1,540,821
Change in value of split-interest agreements	1,069	176	557,336	558,581	330	177	369,731	370,238
Provision for loss (recovery) on uncollectible contributions	531,038	213,161	315,333	1,059,532	69,417	5,889,555	1,060,949	7,019,921
Total supporting services	2,656,142	213,337	872,669	3,742,148	2,059,625	5,889,732	1,430,680	9,380,037
Total expenses and losses	69,043,780	213,337	872,669	70,129,786	56,635,570	5,889,732	1,430,680	63,955,982
Change in Net Assets	4,200,899	2,605,331	(18,486,605)	(11,680,375)	3,103,560	8,124,776	29,034,876	40,263,212
Net Assets, beginning of year	102,610,251	141,361,837	657,954,062	901,926,150	99,506,691	133,237,061	628,919,186	861,662,938
Net Assets, end of year	\$ 106,811,150	\$ 143,967,168	\$ 639,467,457	\$ 890,245,775	\$ 102,610,251	\$ 141,361,837	\$ 657,954,062	\$ 901,926,150

UNIVERSITY OF ARKANSAS SYSTEM: Discreetly Presented Component Units

**UNIVERSITY OF ARKANSAS
FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Financial Position
June 30, 2016 and 2015**

	2016	2015
ASSETS		
Investments	\$ 486,777,148	\$ 515,236,233
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 287,102	\$ 476,827
Net Assets:		
Temporarily restricted	33,875,459	30,571,566
Permanently restricted	452,614,587	484,187,840
Total Net Assets	486,490,046	514,759,406
TOTAL LIABILITIES & NET ASSETS	\$ 486,777,148	\$ 515,236,233

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Activities
Years Ended June 30, 2016 and 2015**

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support:								
Interest and dividends		\$ 3,722,126	\$ 4,788	\$ 3,726,914		\$ 3,194,907	\$ 3,864	\$ 3,198,771
Net realized and unrealized gains on investments		16,016,332	(31,578,041)	(15,561,709)		14,978,660	(2,238,028)	12,740,632
Reclassification for change in donor intent						(1,955,757)	1,955,757	
Net assets reclassifications, including released from or satisfaction of restrictions	\$ 16,434,565	(16,434,565)			\$ 14,807,911	(14,807,911)		
Total revenues, gains and other support	16,434,565	3,303,893	(31,573,253)	(11,834,795)	14,807,911	1,409,899	(278,407)	15,939,403
Expenses and Losses:								
Program services:								
Research	1,131,919			1,131,919	1,151,398			1,151,398
Faculty/staff support	2,443,951			2,443,951	2,394,666			2,394,666
Scholarships and awards	10,847,583			10,847,583	9,601,436			9,601,436
Equipment and technology	1,665,250			1,665,250	1,442,809			1,442,809
Other	345,862			345,862	217,602			217,602
Total program services	16,434,565			16,434,565	14,807,911			14,807,911
Change in Net Assets		3,303,893	(31,573,253)	(28,269,360)		1,409,899	(278,407)	1,131,492
Net Assets, beginning of year		30,571,566	484,187,840	514,759,406		29,161,667	484,466,247	513,627,914
Net Assets, end of year	\$ 0	\$ 33,875,459	\$ 452,614,587	\$ 486,490,046	\$ 0	\$ 30,571,566	\$ 484,187,840	\$ 514,759,406

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY16

UNIVERSITY OF ARKANSAS Statement of Net Position by Campus At June 30, 2016

	UAF	UAFS	UAFR	UAMS	UAM	UAPB	SYSTEM	CCCUA	PCCUA	UACOB	UACCH	UACOM	ASMSA	Elimination (See Note 19)	TOTAL
ASSETS															
Current															
Cash and cash equivalents	\$ 284,637,152	\$ 13,878,875	\$ 35,253,019	\$ 108,977,000	\$ 5,171,204	\$ 24,409,327	\$ 30,158,792	\$ 1,631,399	\$ 11,137,034	\$ 2,923,679	\$ 2,677,287	\$ 1,738,052	\$ 5,109,986	\$ 202,925	\$ 527,905,731
Investments	32,180,754	1,500,000	19,350,955	2,370,000	9,230,000	1,000,000	1,000,000	75,910	285,085	1,113,247	1,113,247	4,474,334	1,475,000		17,422,005
Accounts receivable	4,083,964	2,631,936	7,270,155	34,922,000	3,547,098	6,730,720	14,353,424	897,209	1,376,955	749,139	623,745	923,303	73,300	(14,925,551)	97,751,772
Prepaid accounts receivable				144,838,000				168,355	61,247	285,506	498,158	54,046			144,838,000
Inventories	5,647,819	24,302	213,535	24,287,000	456,696	26,433									31,721,097
Deposits and funds held in trust by others	2,222,482		322,808			100									2,546,988
Notes receivable	3,676,908	2,560		2,175,000	24,332									(20,506)	5,868,984
Other assets	9,830,170	391,179	576,342	6,617,000	281,180									(150,000)	16,119,951
Total current assets	427,370,944	18,628,512	61,986,764	323,346,000	9,480,511	31,177,650	44,681,327	145,846	11,449	107,892	4,910,427	12,812	5,299,186	(14,893,132)	939,734,038
Non-Current															
Cash and cash equivalents	2,692,971	4,869,416	8,103	12,203,387	18,232,884										28,197,524
Investments	70,579,792	10,823,486	4,820,054	154,907,000	9,439,072	2,571,422									254,715,528
Notes receivable	12,415,489	74,729	183,375	12,885,000	499,160	233,111								(3,184,802)	34,228,779
Deposits and funds held in trust by others	27,227,513	3,631,164	922,080	4,053,000											47,203,941
Other non-current assets	559,394													(600,000)	559,394
Capital assets	1,192,317,818	152,656,582	240,116,118	797,640,000	44,285,186	86,303,645	600,000	14,542,333	18,265,556	13,271,536	17,932,039	12,680,564	4,408,023		2,597,819,427
Total non-current assets	1,305,782,877	170,670,953	252,063,162	999,485,000	59,824,787	107,341,072	4,000,227	15,056,522	18,310,324	14,543,895	18,265,182	23,844,796	15,919,986	(3,784,802)	2,862,724,081
TOTAL ASSETS	1,733,153,821	189,299,475	314,049,926	1,292,831,000	69,305,298	138,518,722	48,681,554	18,075,241	31,194,103	19,011,699	23,175,609	31,020,343	21,219,172	(18,677,934)	3,802,458,129
DEFERRED OUTFLOWS OF RESOURCES															
Debt refunding	17,248,606	1,705,401	4,328,898	5,435,000	588,943	270,678									30,866,887
Pensions	4,083,964	996,706	3,099,216	3,083,000	761,820	163,186	70,338	733,047	527,941	867,517	679,267	991,497	249,310		16,240,810
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,332,570	2,692,107	7,428,114	8,518,000	1,350,763	433,864	70,338	828,972	1,497,070	869,345	879,339	1,013,964	249,310		47,107,897
LIABILITIES															
Current															
Accounts payable and other accrued liabilities	51,372,428	4,500,280	4,380,620	92,550,000	1,714,192	1,466,773	930,400	167,341	847,415	199,674	301,550	777,194	367,621	(14,872,626)	144,692,862
Earned revenue	32,469,839	485,309	1,813,917	14,618,000	1,811,977	2,580,500	2,441	177,339	1,713,354	5,753	5,753	56,506	8,650,444		18,868,944
Liability for future insurance claims	1,313,857	128,168	1,098,331	492,000	245,384	2,143,905									5,725,842
Estimated third party payor settlements				11,704,000			18,412,300					66,504			18,412,300
Compensated absences payable - current portion	1,685,575	317,194	547,736	3,511,000	96,447	174,300	11,512	18,627	35,976	26,524	30,085	17,128	20,239		11,704,000
Bonds, notes, capital leases, installment contracts payable	32,816,815	5,625,809	6,438,270	30,048,000	1,033,655	847,740	49,816	273,750	387,302	371,146	676,765	477,805		(20,506)	79,025,167
Total current liabilities	119,658,614	11,081,259	12,605,726	153,165,000	3,270,855	4,845,316	19,406,069	681,852	1,460,887	689,842	1,073,904	1,376,411	512,115	(14,893,132)	314,934,530
Non-Current															
Unearned revenues, deposits and other	28,229		216,766	128,000		108,828									630,463
Refundable federal advance - Perkins loans	14,210,926			1,911,000	446,910									(600,000)	16,568,836
Compensated absences payable	18,519,150	1,336,229	3,826,864	49,202,000	1,029,231	2,145,347	619,739	353,906	445,226	457,206	351,691	346,149	101,411		78,733,949
Liability for other post employment benefits	15,386,270	1,325,314	5,483,674	33,918,000	1,440,770	1,780,071	243,071	160,613	957,186	479,292	178,072	381,519	361,022		62,779,574
Liability for pensions	9,296,127	2,841,957	6,794,593	9,056,000	2,584,391	595,884	122,758	2,336,490	1,397,260	2,317,804	2,160,738	2,988,015	909,207		43,401,224
Bonds, notes, capital leases, installment contracts payable	682,735,244	74,599,228	118,654,218	303,128,000	16,195,457	16,605,108	2,888,626	4,356,946	10,910,519	865,408	4,403,567	12,332,561		(3,184,802)	1,224,492,480
Total non-current liabilities	720,175,946	80,102,728	134,975,915	397,343,000	21,696,759	21,919,738	3,874,194	7,209,955	13,859,221	4,119,710	7,094,068	16,048,244	1,971,640	(3,784,802)	1,224,606,316
TOTAL LIABILITIES	839,834,560	91,183,987	147,581,653	550,508,000	24,967,614	26,765,054	23,280,263	7,891,807	15,319,908	4,809,552	8,167,972	17,424,655	2,483,755	(18,677,934)	1,741,540,846
DEFERRED INFLOWS OF RESOURCES															
Pensions	1,795,044	628,662	871,072	1,096,000	760,723	185,740	14,138	611,194	297,901	549,154	662,427	700,598	566,733		8,700,366
NET POSITION															
Net investment in Capital Assets	537,504,192	75,845,015	120,165,305	467,792,000	27,645,017	69,059,762	3,400,227	10,055,503	7,936,264	12,184,746	12,990,632	11,086,617	14,630,288		1,370,245,968
Restricted															
Non-Expendable															
Scholarships and fellowships	8,368,072	295,405	3,049,938	394,000	56,017										12,240,580
Research	9,739,659		1,828,652	321,589	321,589										6,193,070
Other	11,461,039	7,698	4,861,872	30,070,000	30,466	3,680,877									50,131,972
Expendable															
Scholarships and fellowships	13,043,792	175,309	818,120	2,618,000	244,439	1,148,322									18,914,989
Research	28,077,855		1,824,982	26,279,000	1,436,262	270,406									58,145,321
Public service	8,997,390		7,726,630												17,124,824
Capital projects	10,191,897	800,153	3	107,191,000	1,315,017	4,474									121,306,579
Other	20,292,967	4,501,527	3,378,069	2,381,000	746,320	2,108,912									33,487,258
Unrestricted	289,201,024	18,373,428	13,072,144	113,020,000	4,112,607	35,221,217	22,057,265	477,686	7,673,253	2,337,573	2,063,019	2,200,890	3,727,327		511,537,533
TOTAL NET POSITION	\$ 912,895,887	\$ 100,128,933	\$ 173,025,315	\$ 749,745,000	\$ 35,927,724	\$ 112,001,792	\$ 25,457,492	\$ 11,001,152	\$ 17,067,364	\$ 14,522,338	\$ 15,224,549	\$ 13,509,054	\$ 18,417,984	\$ -	\$ 2,995,324,594

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY16

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Position by Campus
For the Year Ended June 30, 2016

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM	CCUA	PCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 19)	TOTAL
Operating Revenues															
Student tuition & fees, net of scholarship allowances	\$ 206,138,574	\$ 14,827,573	\$ 47,512,029	\$ 41,982,000	\$ 9,573,001	\$ 2,944,099	\$ 58,662	\$ 2,028,727	\$ 645,870	\$ 1,184,841	\$ 1,286,437	\$ 2,968,296		\$	\$ 331,150,709
Net patient services				1,175,658,000											1,175,658,000
Federal and county appropriations	14,588,335			67,251,000	1,749,565	14,602,113		622,815	2,768,186	943,113	1,182,956	607,599	7,300		14,588,335
State and local grants and contracts	33,598,011	1,258,198	10,756,877	45,826,000	1,351,622	2,745,279		679,953	1,235,341	260,966	1,330,222	1,255,265	511,350		33,598,011
Non-governmental grants and contracts	25,347,076	2,433,962	12,155,997	35,240,000	715,998	33,772	100,000	60,979	673,982	114,580	774,357	93,067	103,631		25,347,076
Sales and services of educational departments	23,093,648	357,479	2,091,069	30,686,000	228,103	282,984	175,676,626	147,740	30,062	46,103	115,455		32,910	\$ (3,238,827)	23,093,648
Insurance plan														(126,040,114)	58,114,942
Auxiliary enterprises															49,636,512
Athletics	98,143,466	282,778	4,521,259	8,889,000	418,588	920,659		20,143							104,306,893
Housing and food service	34,765,840	3,102,745	6,857,824	8,889,000	2,230,597	9,773,571		72,354							65,589,746
Bookstore	12,629,223	397,846	282,062	487,000	418,621	151,443		176,068	60,353	252,286	422,960				15,751,062
Other auxiliary enterprises	1,568,077	124,247	1,650,789	3,365,000	509,826	318,786		96,831	124,519						17,768,906
Other operating revenues	10,610,886	801,453	1,923,081	16,241,000	631,681	2,747,275		57,899	172,163	58,707	100,420			(910,346)	34,861,040
Total operating revenues	303,524,412	26,503,526	89,050,452	1,427,635,000	17,827,602	34,589,951	179,974,437	3,866,678	5,684,808	2,870,825	4,438,450	5,675,110	811,673	(130,182,287)	2,172,263,567
Operating Expenses															
Compensation and benefits	469,599,991	42,163,222	115,309,914	928,619,000	26,540,472	42,834,722	7,769,209	7,529,127	12,479,426	7,603,917	7,842,669	9,372,939	4,532,864	(126,040,114)	1,555,156,358
Nonpatient services	226,229,884	17,689,905	42,156,699	436,193,000	10,861,127	23,594,378	2,865,887	3,253,839	4,155,794	2,687,987	2,684,646	3,858,850	3,553,275	(4,149,173)	774,514,998
Scholarships and fellowships	20,603,854	4,719,417	14,773,861	2,024,000	6,650,793	5,250,932		1,353,680	1,606,548	1,448,400	3,077,190	2,418,019			63,926,894
Insurance plan							161,167,230								161,167,230
Depreciation	73,379,367	7,278,091	15,651,059	65,768,000	3,710,790	6,403,379	345,698	947,809	1,369,065	917,796	991,024	943,147	407,850		178,113,075
Total operating expenses	787,813,196	71,830,635	187,851,433	1,432,604,000	47,763,182	78,083,411	172,147,024	13,083,455	19,610,833	12,558,100	14,595,529	16,592,755	8,493,989	(130,182,287)	2,732,878,255
Operating gain (loss)	(284,288,784)	(45,327,109)	(98,840,481)	(4,969,000)	(29,935,580)	(43,493,430)	7,827,413	(9,216,777)	(13,926,025)	(9,687,275)	(10,157,079)	(10,917,645)	(7,682,316)	0	(560,614,588)
Non-Operating Revenues (Expenses)															
State appropriations	210,455,158	23,895,393	68,359,480	7,888,000	18,710,465	28,184,805	3,889,796	4,746,139	10,349,799	4,997,821	6,493,444	6,313,341	8,483,979		402,577,620
Property and sales tax		5,926,910						1,250,152	2,071,753	1,385,837	1,321,972	758,957			12,715,581
Federal grants	22,309,930	14,063,087	16,597,677	22,309,930	7,401,968	9,013,607		2,311,821	2,591,724	3,125,931	3,305,919	4,806,894			85,527,558
State and local grants	28,055,324	7,082,221	1,084,460		2,423,996	1,476,963		450,511		461,466					47,308,994
Non-governmental grants															1,084,460
Gifts	70,317,049		7,163,137	24,655,000	110,303	951,671		106,754	30,554	29,056	3,744	11,049	108,812	(10,883)	103,423,775
Investment income, net	3,076,937	176,105	609,009	(4,171,000)	96,958	48,739	19,071	10,988	(169,462)	(30,672)	(154,139)	(137,499)	48,137		160,945
Interest & fees on capital asset-related debt	(24,013,039)	(2,696,182)	(3,021,784)	(11,323,000)	(559,016)	(627,356)		(168,405)	(400,122)	(30,672)	(164,139)	(13,169)			(43,132,251)
Gain (Loss) on disposal of assets	(188,529)	(34,630)	(3,753)	177,000	(1,814)	(16,088)	(2,681)	(145,302)	(20)						(202,651)
Other	2,178,760	(1,744)	(477,324)	(19,465)	(366)	(19,465)		119,756	(5,358)						1,669,812
Net non-operating revenues	312,193,610	48,411,160	97,669,435	17,236,000	28,163,395	39,031,975	3,825,942	8,561,598	14,638,330	9,969,439	10,970,940	11,821,091	8,640,928	10,883	611,133,843
Income (loss) before other revenues and expense	27,904,826	3,084,051	(1,171,546)	12,267,000	(1,772,185)	(4,461,455)	11,653,355	(655,179)	712,305	282,164	813,861	903,446	958,612	0	50,519,255
Other Changes in Net Position															
Capital appropriations	1,000,000	602,338		6,299,000	167,529	34,567		42,500	404,333			20,429	525,000		2,169,838
Capital grants and gifts	6,036,286	172,639	180,072		(87,207)								54,828		13,369,683
Adjustments to prior year revenues and expenses															(87,207)
Other	(1,016,001)	32,609	180,072	(27,000)	97,765	34,567		42,500	404,333	(6,198)		20,429	579,828		14,453,167
Total other revenues and expenses	6,020,285	807,586	180,072	6,272,000	97,765	34,567		42,500	404,333	(6,198)		20,429	579,828		14,453,167
Increase (decrease) in net position	33,925,111	3,891,637	(991,474)	18,539,000	(1,674,420)	(4,426,888)	11,653,355	(612,679)	1,116,638	275,966	813,861	923,875	1,538,440		64,972,422
Net Position, beginning of year	878,970,776	96,237,296	174,016,789	731,206,000	37,602,144	116,428,680	13,804,137	11,613,831	15,950,726	14,246,372	14,410,688	12,985,179	16,879,554		2,134,352,172
Net Position, end of year	\$ 912,895,887	\$ 100,128,933	\$ 173,025,315	\$ 749,745,000	\$ 35,927,724	\$ 112,001,792	\$ 25,457,492	\$ 11,001,152	\$ 17,067,364	\$ 14,522,338	\$ 15,224,549	\$ 13,909,054	\$ 18,417,994	\$ 0	\$ 2,199,324,594

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY16

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2016

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 19)	TOTAL
Cash Flows from Operating Activities															
Student tuition and fees (net of scholarships)	\$ 205,543,041	\$14,477,424	\$48,981,152	\$ 41,817,000	\$ 8,887,199	\$ 2,891,722	\$ 58,662	\$ 1,981,778	\$ 615,407	\$ 1,185,096	\$ 1,226,234	\$ 3,301,111			\$ 331,955,826
Patent and insurance payments	14,219,112			1,125,588,000											1,125,588,000
Fellowship and research appropriations	86,966,530														86,966,530
Grants and contracts		6,504,173	25,673,100	155,394,000	3,603,112	15,289,028	72,013	1,319,662	4,576,473	1,314,071	2,404,866	1,988,123	\$ 622,281		305,759,432
Collection of loans and interest	3,447,750			2,186,000	20,050										5,633,800
Insurance plan receipts															
Auxiliary enterprise revenues:							175,459,444							\$ (125,864,478)	49,594,966
Athletics	97,241,435	282,778	4,393,728			415,924		20,143							103,366,096
Housing and food service	34,807,449	3,104,370	6,657,824	8,889,000		2,769,975		72,354				77,815			66,136,317
Bookstore	12,815,569	399,124	262,062	487,000		431,164		176,068			450,700	420,573			15,920,564
Other auxiliary enterprises	11,616,586	163,469	1,640,836	2,380,000		318,786					124,705	8,521			16,735,735
Payments to employees	(384,205,785)	(32,990,300)	(91,070,763)	(751,341,000)		(20,680,885)		(5,857,802)	(9,519,400)		(5,993,806)	(6,938,879)			(1,338,421,897)
Payment of employee benefits	(101,341,579)	(8,901,631)	(24,482,705)	(172,512,000)		(5,917,786)		(1,719,042)	(3,093,132)		(1,949,251)	(2,452,944)			(2,097,916,886)
Payments to suppliers	(220,351,034)	(17,218,609)	(43,831,745)	(419,695,000)		(10,789,955)		(3,391,023)	(4,112,919)		(2,556,700)	(3,737,102)			(753,974,973)
Loans issued to students	(2,833,076)	(2,560)		(2,366,000)											(5,201,636)
Scholarships and fellowships	(20,606,660)	(4,719,418)	(14,773,861)	(2,024,000)		(6,658,830)		(1,353,680)	(1,591,070)		(3,072,649)	(2,871,822)			(64,171,322)
Payments of insurance plan expenses															(163,566,837)
Other receipts and payments	37,489,306	4,148,857	3,918,121	32,935,000		2,899,924		206,618	210,930		183,286	171,050	467,487		80,092,285
Net cash provided (used) by operating activities	(204,262,556)	(37,152,325)	(63,532,252)	2,156,600	(26,757,780)	(38,401,405)	6,532,237	(6,544,924)	(12,736,527)	(8,093,709)	(9,812,073)	(9,533,954)	(7,423,227)		(420,535,775)
Cash Flows from Noncapital Financing Activities															
State appropriations	210,455,158	23,895,393	68,359,480	40,194,000	18,710,465	28,184,805	3,680,796	4,746,139	10,349,799	4,997,821	6,493,444	6,313,341	8,483,979		434,873,620
Property and sales tax		5,905,745						1,251,073	2,066,511	1,351,647	1,435,715	804,225			12,814,916
Gifts and grants for other than capital purposes	120,224,471	21,162,496	32,203,787	24,655,000	9,935,688	11,442,241		2,919,091	2,582,445	3,568,871	3,305,919	4,816,943	108,812		236,925,764
Direct Lending, Plus and FFEL loan receipts	114,825,895	12,522,731	58,442,614	53,203,000	11,428,131	13,375,508				1,560,126		3,274,187			288,532,192
Direct Lending, Plus and FFEL loan payments	(114,807,219)	(12,489,260)	(59,545,414)	(53,179,000)	(11,630,950)	(13,386,061)				(1,562,166)		(3,274,187)			(269,874,257)
Other agency funds - net	151,016	114,043	207,468	460,074	(249,979)	518,493		8,430	5,655	(1,949)	11,649	6,758	14,677		1,246,335
Payment of principal on debt							(48,507)								(48,507)
Payment of interest on debt							(1,100)								(1,100)
Inter-fund loan receipts							2,487,749								0
Inter-fund loan payments															0
Refunds to grantors	(1,167,131)	(74,729)	(193,375)	(653,074)	(27,392)	(232,096)		(18,439)	(44,968)	(24,423)	(16,394)	(21,000)	(14,698)		(2,487,749)
Net cash provided (used) by noncapital financing activities	329,682,190	51,036,419	99,474,560	64,689,000	28,147,963	38,902,880	6,126,938	8,906,294	14,959,442	9,889,927	11,230,333	11,920,237	8,562,770	0	684,549,953
Cash Flows from Capital and Related Financing Activities															
Direct loans from debt proceeds	20,427,123	8,595,105	4,867,333	15,000									525,000		33,694,561
Capital grants and gifts	1,000,000	520,840													2,088,340
Capital grants and gifts	1,230,625	182,885		6,269,000		19,567		42,500	404,333				54,828		8,191,238
Proceeds from sale of capital assets				109,000	2,185							13,168			124,353
Purchases of capital assets	(77,320,029)	(12,540,433)	(5,046,585)	(32,696,000)	(830,963)	(2,617,351)	(188,772)	(204,771)	(719,328)	(39,098)	(1,025,331)	(410,756)	(145,294)		(133,784,741)
Payment of capital related principal on debt	(28,114,345)	(5,268,130)	(6,743,768)	(27,751,000)	(995,785)	(1,421,239)	150,000	(264,020)	(383,881)	(430,463)	(654,669)	(424,995)	(150,000)		(72,432,295)
Payments of capital related interest and fees	(27,196,348)	(3,137,744)	(4,606,438)	(11,367,000)	(550,042)	(663,028)		(171,576)	(383,941)	(31,225)	(153,840)	(64,273)			(48,305,455)
Insurance proceeds		26,182													26,182
Payments for bond refunding and related costs															
Net cash provided (used) by capital & related financing activities	(7,022,264)	(11,631,295)	(11,729,458)	(65,391,000)	(2,374,635)	(4,682,051)	(36,772)	(597,867)	(1,042,817)	(500,786)	(1,833,840)	(886,856)	284,534	0	(217,420,081)
Cash Flows from Investing Activities															
Proceeds from sales and maturities of investments	1,615,837	11,054,276	48,614	138,621,000	154,354	625,164	8			1,000,000		2,200,000			156,319,253
Investment income (net of fees)	832,866	43,825	808,779	417,000	10,499	29,688	19,071	2,288	19,210	28,591	891	10,922	48,137		2,271,767
Purchases of investments	(15,575)	(11,068,690)	(765,126)	(93,069,000)		(746,978)				(1,500,000)		(3,000,000)			(110,195,370)
Net cash provided (used) by investing activities	2,433,128	29,411	91,267	46,940,000	164,853	(92,127)	19,079	2,288	19,210	(471,409)	891	(788,078)	48,137	0	(48,395,650)
Net increase in cash	10,877,724	1,682,212	4,504,117	68,097,000	(819,599)	(3,272,891)	12,860,482	(234,209)	1,833,308	224,024	(414,689)	410,749	1,502,214		95,489,757
Cash, beginning of year	276,442,399	17,066,079	30,257,005	40,880,000	7,211,190	45,914,912	17,758,310	2,368,358	9,953,726	2,698,655	3,962,874	1,394,408	4,132,772		480,613,498
Cash, end of year	\$ 287,320,123	\$18,748,291	\$35,261,122	\$ 108,977,000	\$ 6,391,591	\$42,642,021	\$ 30,158,792	\$ 2,032,149	\$11,137,034	\$ 2,923,679	\$ 2,848,185	\$ 1,805,157	\$ 5,634,986		\$ 556,103,255

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY16

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2016

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 19)	TOTAL
Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:															
Operating revenue (loss)	\$ (244,288,794)	\$ (45,327,109)	\$ (98,940,981)	\$ (4,960,000)	\$ (29,935,590)	\$ (43,493,430)	\$ 7,827,413	\$ (9,216,777)	\$ (13,926,025)	\$ (9,687,275)	\$ (10,157,079)	\$ (10,917,645)	\$ (7,662,316)	\$	\$ (560,614,588)
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:															
Depreciation expense	73,379,367	7,278,091	15,851,059	65,768,000	3,710,790	6,403,379	345,698	947,809	1,399,065	917,796	991,024	943,147	407,850	\$ (610,885)	178,113,075
Other miscellaneous operating receipts	3,226,814						131,740		15,076						3,275,632
Change in assets and liabilities:															(610,885)
Receivables, net	(4,143,433)	130,530	2,250,000	(62,325,000)	(339,514)	(2,301,480)	346,503	(89,202)	(125,756)	102,855	(173,362)	44,563	(27,385)		(66,650,691)
Inventories	(142,436)	(515)	(481)	(3,027,000)	(14,243)	(2,840)	(78,521)	(43,785)	4,093	63,980	(344,922)	180,134			(3,362,751)
Prepaid expenses and other assets	(610,762)	(5,215)	(308,105)	142,000	15,955	(6,167)	48,187	(43,785)	(6,930)	(63,903)	3,852	21,701	(47,280)		(860,432)
Accounts payable and other accrued liabilities	3,826,107	98,335	(2,309,525)	8,398,000	15,684	679,027	(140,349)	(37,258)	(219,514)	(3,142)	(50,647)	(103,195)	(6,371)		10,107,152
Unearned revenue	2,846,113	(257,201)	72,407	4,526,000	(93,083)	122,178	(2,367,700)	6,174	4,942	30,808		(7,456)	5,160		7,253,388
Liability to students and employees		(2,560)													(2,560)
Liability to students and employees	200,221				(17,443)										192,778
Refundable federal advance	25,313			1,929,000	(79,779)		46,566	20,443	37,401	(40,166)	45,054	8,017	6,876		7,870
Compensated absences	188,795	1,873	(202,409)		(79,779)		86,208	20,443	37,401	(40,166)	45,054	8,017	6,876		2,057,879
OPEB liability	1,582,289	372,446	483,176	3,504,000	138,441	254,932	30,724	45,153	83,974	58,545	73,662	98,974	73,712		6,755,028
Personnel related	(341,960)	(40,998)	(127,393)	(2,407,000)	(159,008)	(31,519)	7,159	(98,960)	11,145	(73,206)	(199,659)	(101,794)	(108,493)		(3,671,682)
Other				(10,269,000)		(111,681)									10,257,319
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (204,242,356)	\$ (37,752,323)	\$ (83,332,252)	\$ 21,868,000	\$ (26,757,780)	\$ (38,401,403)	\$ 6,253,237	\$ (8,544,924)	\$ (12,752,527)	\$ (8,693,709)	\$ (9,812,073)	\$ (9,833,554)	\$ (7,423,227)	\$ (610,885)	\$ (420,035,775)
Non-Cash Transactions															
Capital gifts	\$ 4,177,740			6,299,000	167,529	15,000						20,429		\$	10,859,770
Fixed assets acquired by incurring capital lease obligations				2,551,000											2,551,000
Capital outlay & maintenance paid directly from proceeds of debt															
Payment of bond proceeds/premium/acquired interest/debt svc															
Reserve directly into deposits with trustees/treasury	171,192,279														171,192,279
Payment of bond proceeds/premium/acquired interest/debt svc															
Payment of bond proceeds/premium/acquired interest/debt svc	1,116,364														1,116,364
Payment of principal & interest on long-term debt from deposits	188,610	8,336	2,224						5,147	1,358	874				179,038
with trustees															
Loss on disposal of assets	412,595	34,630	3,753	1,110,000	1,814	16,088		145,305	20	(6,198)					1,729,038
Valuation adjustment to capital assets															271,529
Value of goods received from sponsorship agreements with vendors	3,430,000														13,189
															614,205
															1,103,802
															3,430,000

Note 1: Summary of Significant Accounting Policies

The financial statements for the University of Arkansas ("the University") have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying notes to the financial statements are an integral part of the financial statements.

The following acronyms are used for the various campuses and divisions of the University as reported in the financial statements: UAF (University of Arkansas Fayetteville, including Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey, Criminal Justice Institute, and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System eVersity).

Basis of Presentation and Measurement Focus

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period in which they are incurred, if measurable, including depreciation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues and expenses at the date of the financial statements. Significant estimates include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

Cash and Cash Equivalents

The classification of "cash and cash equivalents" on the Statement of Net Position includes all readily available sources of cash such as petty cash, demand deposits, cash on deposit with the State Treasurer, and highly liquid short-term investments.

Investments

Investments are stated at fair value. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the statement of revenues, expenses and changes in net position.

Inventories

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

Accounts Receivable

Receivables that represent charges due the University from various student fees, room and board, student fines, patient care services, and other charges are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts and contractual allowances (related to patient care revenue). Receivables can also include unreimbursed expenses relating to research contracts with federal, state, and private agencies.

Patient Care Revenue

Patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted as final settlements are determined.

Charity Care

UAMS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UAMS does not pursue collection of amounts

determined to qualify as charity care, these amounts are accounted for as a reduction of patient services revenue at the time the services are rendered.

Encumbrances

Encumbrances representing commitments and outstanding purchase orders for goods and services not received as of the last day of the fiscal year are not reported as expenses or included in liabilities in the accompanying financial statements.

Capital Assets

Capital assets consisting of land, buildings, improvements, furniture, equipment, intangible assets, and construction in progress, are stated at cost or acquisition value at date of gift. Library holdings are generally valued using average prices for library acquisitions.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets -- generally 15-30 years for buildings, 15-20 years for infrastructure and land improvements, 3-10 years for equipment, 10 years for library holdings, and the applicable term for capital leases. Equipment includes all furniture, fixtures and equipment with a unit cost of \$5,000 or more and an estimated useful life of one year or more.

Estimated useful lives for purposes of amortization and capitalization thresholds for intangible assets are as follows: purchased software (5-10 years; \$500,000); internally developed software (10 years; \$1,000,000); easements, land use rights, trademarks, and copyrights (15 years; \$250,000); and patents (20 years; \$250,000).

Livestock is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the University. The inventory value placed on the animals is determined by utilizing current market prices and breeding and research intangibles.

UAMS bases its estimated useful lives on guidelines established by the American Hospital Association (AHA) which may differ slightly from those shown above for the other campuses.

Capitalization of Interest

The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest

earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount thereof that has been capitalized was \$49,155,698 and \$2,860,539, respectively, for the fiscal year ended June 30, 2016. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount thereof that has been capitalized was \$52,015,194 and \$6,274,494, respectively, for the fiscal year ended June 30, 2015.

Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Therefore, these items will not be recognized as an expense or expenditure until a future period.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System and the Arkansas Teacher Retirement System (the respective Systems) and additions to/deductions from the respective System's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is classified as follows:

- *Net investment in capital assets* -- Capital assets, net of accumulated depreciation and outstanding principal balances of debt obligations related to those capital assets. However, unexpended debt proceeds at year-end are reported as net position restricted for capital projects.

- *Restricted/non-expendable* -- endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which either may be expended or added to principal.
- *Restricted/expendable* -- resources whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. There is no formal policy requiring restricted resources to be used either before or after unrestricted resources are used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted resources that may be available.
- *Unrestricted* -- resources not subject to externally imposed stipulations. These resources may be designated for specific purposes by management or the Board of Trustees or may be otherwise limited by contractual agreements with outside parties.

Classification of Revenues

The University has classified its revenues as either operating or non-operating according to the following criteria:

- *Operating Revenue* -- includes activities that have the characteristics of exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), patient services (net of contractual agreements), most federal, state, and local grants and contracts, revenues associated with auxiliary enterprises (net of scholarship discounts and allowances), interest on institutional student loans, and the University's self-funded insurance plans.
- *Non-Operating Revenue* -- includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by the GASB Statement No. 34, such as state appropriations and investment income.

State Appropriations

State appropriations are reported in the Statement of Revenues, Expenses, and Changes in Net Position

as non-operating revenue, net of the Medicaid match payments required under various contracts between UAMS and the Arkansas Department of Human Services. The match payments were \$99,151,000 and \$85,075,000 for the fiscal years 2016 and 2015, respectively.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Component Units

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with the fiscal year ending June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. In fiscal year 2016, there were two qualifying foundations for the University of Arkansas: The University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. Although the University does not control the timing or amount of receipts from either of these foundations, the majority of resources or income thereon, which the foundations hold and invest, is restricted to the activities of the University by the donors. Because these restricted resources held by the foundations can be used only by, or for the benefit of, the University, and their individual net assets are considered as having met the financial accountability criteria of Statement No. 39 by management, these

two foundations are considered component units of the University and are discretely presented in the University's financial statements.

The University of Arkansas Foundation, Inc. is a separate nonprofit organization, which operates for charitable educational purposes, including the administration and investment of gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors has twenty-two members, four of which are current or previous members of the University of Arkansas Board of Trustees. During the years ended June 30, 2016, and June 30, 2015, the Foundation distributed \$66,373,172 and \$54,533,713, respectively, to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

The University of Arkansas Fayetteville Campus Foundation, Inc. is a nonprofit charitable organization which was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The Foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School, and the University's library. The Board of Trustees of the Foundation is made up of seven members, including three members who are also employees of the University. During the years ended June 30, 2016, and June 30, 2015, the Foundation distributed \$16,434,565 and \$14,807,911, respectively, to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

New Accounting Pronouncements

The GASB issued four statements which became effective for the fiscal year ended June 30, 2016. Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements and provides guidance for disclosures related to all fair value measurements. Management has added additional disclosures, discussed at Note 6, as a result of implementing Statement 72. Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, addresses accounting

and financial reporting for defined benefit pension plans that are not within the scope of Statement No. 68. No defined benefit pension plans were identified that were impacted by this statement. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies a hierarchy of generally accepted accounting principles (GAAP) within the context of governmental financial reporting. Management has determined this statement has no effect on current reporting and disclosures. Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. Management elected to report investments in the external investment pool at fair value, thus this statement has no effect on financial reporting and disclosures.

The GASB issued the following statements which become effective for the fiscal year ending June 30, 2017: Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 77, *Tax Abatement Disclosures*, Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The GASB also issued the following statements which become effective for the fiscal year ending June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 81, *Irrevocable Split-Interest Agreements*. Management has not yet determined the effects of these statements on the University's financial statements.

Note 2: Reporting Entity

The University of Arkansas System ("the University"), which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College), and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway

Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts joined the University on January 1, 2004. In addition to these campuses, the University includes the System Administration, whose financial statements include eVersity, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Archeological Survey, and Criminal Justice Institute. (See Note 24, Subsequent Events, for information pertaining to two mergers planned in FY2017.)

All programs and activities of the University of Arkansas System are governed by its Board of Trustees, which has been accorded constitutional status for the exercise of its powers and authority by Amendment 33 to the Arkansas Constitution. The Board of Trustees has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of Archeological Survey, and the Director of Arkansas School for Mathematics, Sciences and the Arts, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

According to the GASB Statement No. 14, the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University is an institution of higher education of the State of Arkansas (primary government).

Note 3: Hospital Revenue

The Hospital is a division of UAMS, and the Faculty Group Practice (FGP) is the collective body of the College of Medicine faculty involved in professional practice at UAMS. FGP is an integral component of UAMS, functioning as an unincorporated division of the College of Medicine. As such, it is subject to the policies and regulations of the College of Medicine, UAMS, and the Board of Trustees of the University.

In fiscal year 2016, patient care operations were merged to create the Integrated Clinical Enterprise for the purpose of achieving greater efficiency in providing patient care. Patient care operations are included in the accompanying financial statements under accounting principles generally followed by governmental colleges and universities. Patient accounts receivable at June 30, 2016, and June 30, 2015, are recorded net of an allowance for doubtful accounts of \$404,672,000 and \$421,761,000, respectively.

Net patient services revenue for the years ended June 30, 2016, and June 30, 2015, are as follows:

GROSS PATIENT REVENUE	FY2016	FY2015
Gross patient revenue	\$ 2,863,337,000	\$ 2,606,345,000
Less: patient services contractual allowances	(1,651,452,000)	(1,487,439,000)
Less: provision for bad debt	(36,227,000)	(97,723,000)
TOTAL	\$ 1,175,658,000	\$ 1,021,183,000

UAMS continually monitors the allowances established for its patient accounts receivable. During FY16, UAMS determined that the historical collection trends, on which its accounts receivable allowances were based, were not indicative of more recent actual collections and, therefore, decreased these allowances by \$36,500,000. This change in estimate is reflected in FY16 operating results and is the result of enhancements to UAMS' revenue recognition process in response to improved information from its integrated clinical information system and complexities in the healthcare industry.

UAMS provided approximately \$77,654,000 and \$72,726,000 in charity care, based on established rates, during the years ended June 30, 2016, and June 30, 2015, respectively. Because UAMS does not pursue collection of amounts determined to qualify as charity care, they are not included in gross patient revenue above. Net patient services revenue for the years ended June 30, 2016, and June 30, 2015, includes approximately \$73,891,000 and \$77,666,000, respectively, from the Medicaid program representing payments relating to Upper Payment Limit and Disproportionate Share reimbursements. These payments are available to state-operated teaching hospitals under Medicaid regulations. Net patient services revenue for the years ended June 30, 2016, and June 30, 2015, includes approximately \$35,520,000 and \$39,052,000, respectively, of net revenue from the Supplemental Medicaid program.

The Hospital, FGP, and Area Health Education Centers (AHECs) have agreements with governmental and other third-party payors that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with significant third-party payors follows:

Hospital:

Medicare – Inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Some transplantation services are paid based upon a cost reimbursement methodology. Outpatient services are

paid based on a prospective payment system where services are classified into groups called Ambulatory Payment Classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. The Hospital is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audit by the Medicare fiscal intermediary. As of June 30, 2016, the Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2014.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is paid at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audits by the Medicaid audit contractor. The Hospital is required to pay the federal match for the difference in reimbursement between the Tax Equity and Fiscal Responsibility Act inpatient rate and full cost. For outpatient services, the Hospital is required to pay the federal match for the difference reimbursed between the outpatient prospective rates and full cost. As of June 30, 2016, the Hospital's Medicaid cost reports have been audited by the Medicaid audit contractor through June 30, 2011.

FGP and AHECs:

Services rendered to both Medicare and Medicaid program beneficiaries are reimbursed on prospectively determined rates per unit of service.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net adjustments to estimated settlements resulted in no change to net patient services revenue for the years ended June 30, 2016, and June 30, 2015. Management believes that UAMS is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Hospital, FGP, and AHECs have agreements with certain commercial insurance carriers and preferred provider organizations, which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Additionally, UAMS has agreements to provide healthcare professionals to independent healthcare providers at contractually determined rates. These providers are responsible for billing and collecting from patients and third party payors, as applicable, for the services provided by UAMS staff supplied by these contracts.

Out-of-Period Adjustments to Medicaid Programs

During FY16, UAMS corrected the following errors that existed in previously reported financial statements.

In prior periods, cost reimbursement revenue related to certain Medicaid programs was recorded when the reimbursement was received, which was in the following fiscal year. Accordingly, no account receivable amount was properly recorded for the accrued revenue earned in the respective year. A correction was made in FY16 to recognize the revenue earned in FY16 and to establish the related Medicaid receivable for which payment had not been made. The impact to revenue in FY16 was a \$28,200,000 increase. Additionally, the required Medicaid match on these revenues was historically recorded when the match was paid, which was in the year following when the amount should have been accrued. A correction was made in FY16 to recognize the Medicaid match owed in FY16 and to establish the related match payable for which payment had not been made. The impact to state appropriations was an \$8,715,000 decrease in FY16. As such, there is out-of-period revenue and Medicaid match (which is recorded as a reduction to state appropriations), related to the FY15 amounts, included within the FY16 financial information. The total impact to net position in FY16 is a \$19,485,000 increase. These amounts are not considered material to the current or any previously reported financial statements.

In prior years, the required Medicaid match on certain other Medicaid program revenue was recorded as of the date the match was paid, a portion of which was in the year following the year the expense was incurred. A correction was made in FY16 to recognize the Medicaid match owed in FY16 and to establish the related

match payable for which payment had not been made. The impact to state appropriations is a \$21,487,000 decrease in FY16. As such, there is an out-of-period Medicaid match related to the FY15 amounts included within the FY16 financial information. The total impact to net position in FY16 is a \$21,487,000 decrease. These amounts are not considered material to the current or any previously reported financial statements.

An overstatement of \$5,528,000 of Medicaid match was identified related to FY15, and an out-of-period correction was recorded in FY16 which resulted in an understatement of Medicaid match (which is recorded as a reduction to state appropriations) of the same amount. These amounts are not considered material to the current or any previous reported financial statements.

The net effect of the above corrections in FY16 is \$3,526,000, which is not considered material to the financial statements, and the net effects applicable to prior periods are also not considered material.

Note 4: Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. The University accrues the dollar value of leave benefits in accordance with generally accepted accounting principles which require accrual of salary-related payments directly and incrementally associated with compensated absences, such as employer's share of social security taxes, as well as applicable salary expenses. These leave benefits are payable upon retirement, termination, or death of employees, up to the maximum allowed.

Full-time, non-classified employees accrue annual leave at the rate of fifteen hours per month and full-time classified employees accrue at a variable rate (from eight to fifteen hours per month) depending upon the number of years of employment in state government. Employees who are less than full-time, but are at least 50% time, accrue annual leave at prorated amounts. Under the University's policy, an employee may carry accrued annual leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days).

Classified employees who meet the conditions to be considered retirees at the time of termination

of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated (A.C.A.) § 21-4-501. In accordance with A.C.A. § 21-4-505, which became effective in FY09, two-year institutions may, at their discretion, provide to non-classified employees the same compensation for accumulated unused sick leave provided to classified employees. The Code was amended in 2011 to allow the four-year institutions the same option. Three campuses have chosen to follow the policy for non-classified employees: CCCUA, UACCB and UACCM.

Sick leave for those identified in the previous paragraph can be paid as follows: An employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. An employee who has accumulated at least sixty (60)

days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times 60 percent (60%) of the employee's daily salary. An employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. An employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds \$7,500.

Changes in compensated absences are shown below:

COMPENSATED ABSENCES					
Campus	Balance 6/30/15	Additions	Reductions	Balance 6/30/16	Current Portion
UAF	\$ 20,005,930	\$ 492,641	\$ 293,846	\$ 20,204,725	\$ 1,685,575
UAFS	1,651,550	296,754	294,881	1,653,423	317,194
UALR	4,576,811	468,978	671,387	4,374,402	547,738
UAMS	50,784,000	4,146,000	2,217,000	52,713,000	3,511,000
UAM	1,205,457	811,492	891,271	1,125,678	96,447
UAPB	2,233,439	2,140,162	2,053,954	2,319,647	174,300
CCCUA	352,090	259,022	238,579	372,533	18,627
PCCUA	443,801	439,083	401,682	481,202	35,976
UACCB	523,896	371,912	412,078	483,730	26,524
UACCH	336,722	368,914	323,860	381,776	30,085
UACCM	355,260	393,856	385,839	363,277	17,128
ASMSA	114,774	24,906	18,030	121,650	20,239
SYSTEM	584,687	568,769	522,205	631,251	11,512
TOTAL	\$ 83,168,417	\$ 10,782,489	\$ 8,724,612	\$ 85,226,294	\$ 6,492,345



Note 5: Cash, Cash Equivalents and Investments

A.C.A. §19-4-805 authorizes institutions of higher learning to determine the depositories and nature of investments of any of their cash funds which are not currently needed for operating purposes.

Cash and Cash Equivalents

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the statement of net position at June 30, 2016:

Cash and Cash Equivalents	
+Cash deposits at year end	\$ 545,325,592
+cash held on deposit in state treasury	9,451,201
+cash equivalents	2,372,644
+cash on hand	145,415
+ adjustment for deposits in transit within the system	202,925
-cash/cash equiv shown as deposits held in trust on SNP	(1,394,522)
TOTAL	\$ 556,103,255

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized. At June 30, 2016, none of the University's bank balance were exposed to custodial credit risk.

Investments

Investments are reported at fair value, which, for reporting purposes, is market value. The following is a summary of the University's investments held at June 30, 2016:

Investment Type	Fair Value
Mutual & Money Market Funds	\$ 34,094,531
Corporate & Municipal Bonds	1,106,141
External Investment Pool	345,361,104
Certificate of Deposits	7,478,855
U.S. Treasury & Government Sponsored Agencies	19,487,020
Other	7,704,273
Sub-Total	415,231,924
-shown as cash/cash equiv on Stmt of Net Position	(1,157,086)
-shown as deposits held in trust on Stmt of Net Position	(48,356,107)
Investments as reported on Stmt of Net Position	\$ 365,718,731

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that

an issuer or other counterparty to an investment will not fulfill its obligations. The following tables show these risks for the University's funds outside the external investment pool.

Investment Type	Fair Value	Interest Rate Risk			
		Investment Maturities (in years)			
		Less than 1	1 to 5	over 5	More than 10
Bonds	\$ 534,833	\$ 50,040	\$ 76,320	\$ 257,098	\$ 151,375
U.S. Treasury & Gov't Agencies	23,689,491	891,603	4,099,949	7,935,474	10,762,465
Totals	\$ 24,224,324	\$ 941,643	\$ 4,176,269	\$ 8,192,572	\$ 10,913,840

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$ 30,258,836	\$ 29,449,995				\$ 808,841
Bonds	534,834		\$ 100,576	\$ 434,258		-
Totals	\$ 30,793,670	\$ 29,449,995	\$ 100,576	\$ 434,258		\$ 808,841

External Investment Pool

In 1997, the University of Arkansas and The University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. Subsequent to its establishment, other entities have joined including the Walton Arts Foundation in 1998, the Fayetteville Campus Foundation in 2003, the University of Arkansas Community College at Hope Foundation in 2007, the Razorback Foundation in 2012, and the University of Arkansas Technology Development Foundation in 2016.

The external investment pool is exempt from registration with the Securities and Exchange Commission. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees were the sponsors of this investment pool and were responsible for operation and oversight for the pool. All participation in this investment pool is voluntary.

In January 2010, the University of Arkansas Investment Committee approved an agreement which delegated authority to the UA Foundation to manage University funds held in the Pool. The agreement included delegation of all responsibility for all investment guidelines and performance objectives for accounts within the Pool. The agreement also delegated to the UA Foundation authority for further delegation of portfolio implementation decisions to one or more investment managers. In January 2010, the UA Foundation entered into such an agreement with Cambridge Associates, LLC.

The implementation of GASB 72 during the fiscal year ended June 30, 2016, caused management to reassess the University of Arkansas Board of Trustees' sponsorship role. Based on the UA Foundation's fiduciary responsibilities outlined in the January 2010 agreement, management concluded that the UA Foundation acts as sole sponsor of this investment pool.

At June 30, 2016, six campuses (UAF, UALR, UAMS, UAM, UAPB, and UACCM) and six foundations participated in the Pool, whose net assets totaled \$1,691,381,422. The Pool was combined with 20.41% of the net assets owned by the University of Arkansas and external portions as follows: 49.46% by the University of Arkansas Foundation, 28.42% by the Fayetteville Campus Foundation, 0.74% by the Walton Arts Foundation, 0.11% by The University of Arkansas Community College at Hope Foundation, 0.03% by the University of Arkansas Technical Development Foundation, and 0.83% by the Razorback Foundation. The following tables contain information on the risk disclosure of the Pool.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL Statement of Invested Assets June 30, 2016

Investment Type	Fair Value*
Equities	\$ 475,819,049
Common Stock	200,276,780
Funds - Common Stock	237,495,225
Stapled Securities	1,168,734
Rights/Warrants	4,478
Funds - Equities ETF	36,873,832
Fixed Income	378,383,254
Government Bonds	88,091,606
Funds - Government Bonds	29,457,668
Corporate Bonds	41,665,211
Funds - Corporate Bond	15,291,094
Government Mortgage Backed Securities	6,219,773
Commercial Mortgage-Backed	522,965
Asset Backed Securities	6,274,704
Non-Government Backed C.M.O.s	1
Funds - Other Fixed Income	47,034,191
Funds - Fixed Income ETF	143,826,041
Venture Capital and Partnerships	577,606,549
Partnerships	577,606,549
Hedge Fund	203,461,577
Hedge Equity	174,593,501
Hedge Event Driven	28,868,076
All Other	426,686
Recoverable Taxes	426,686
Cash/Cash Equivalents	55,684,307
Funds - Short Term Investment	37,744,671
Cash	14,128,439
Invested Cash	3,811,197
TOTAL	\$ 1,691,381,422

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Credit Risk - S&P Quality Ratings

June 30, 2016

Investment Type & Fair Value*	AAA	AA	A	BBB	BB	NR	US GOVN. GUAR
Asset Backed Securities	\$5,048,666					\$1,221,035	
Commercial Mortgage-Backed	521,696						
Corporate Bonds	332,123	\$5,425,074	\$19,567,096	\$15,651,915		349,590	
Funds - Corporate Bond						15,222,377	
Funds - Fixed Income ETF						143,826,041	
Funds - Government Bond						29,325,718	
Funds - Other Fixed Income						47,034,191	
Funds - Short Term Investment						37,738,170	
Government Bonds					\$6,213		\$88,076,662
Govn Mortgage Backed Securities							6,212,345
Hedge Event Driven						28,868,076	
Non-Govn Backed C.M.O.s						1	
Total	\$5,902,485	\$5,425,074	\$19,567,096	\$15,651,915	\$6,213	\$303,585,199	\$94,289,007

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Years to Maturity

June 30, 2016

Investment Type	Fair Value*	1+ to 6	6+ to 10	10+	Maturity not Determined
Asset Backed Securities	\$6,269,701	\$5,045,821	\$1,223,880		
Commercial Mortgage-Backed	521,696			\$521,696	
Corporate Bonds	41,325,798	16,571,062	16,701,548	8,053,188	
Funds - Corporate Bond	15,222,377				\$15,222,377
Funds - Fixed Income ETF	143,826,041				143,826,041
Funds - Government Bond	29,325,718				29,325,718
Funds - Other Fixed Income	47,034,191				47,034,191
Funds - Short Term Investment	37,738,170				37,738,170
Government Bonds	88,082,875	84,320,259	3,756,403	6,213	
Govn Mortgage Backed Securities	6,212,345			6,212,345	
Hedge Event Driven	28,868,076				28,868,076
Non-Government Backed C.M.O.'s	1				1
Total	\$444,426,989	\$105,937,142	\$21,681,831	\$14,793,442	\$302,014,574

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Interest Rate Sensitivity - Effective Duration
June 30, 2016

Investment Type	Fair Value*	Effective Duration
Asset Backed Securities	\$6,269,701	2.74
Commercial Mortgage-Backed	521,696	2.69
Corporate Bonds	41,226,606	7.14
Corporate Bonds	99,192	N/A
Funds - Corporate Bond	15,222,377	N/A
Funds - Fixed Income ETF	143,826,041	N/A
Funds - Government Bond	29,325,718	N/A
Funds - Other Fixed Income	47,034,191	N/A
Funds - Short Term Investment	37,738,170	N/A
Government Bonds	88,082,875	2.45
Govn Mortgage Backed Securities	6,212,345	3.55
Hedge Event Driven	28,868,076	N/A
Non-Govn Backed C.M.O.s	1	N/A
Total	\$444,426,989	

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Foreign Currency Risk By Investment Type
June 30, 2016

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	\$3,407,279	\$7,522,352	
CANADIAN DOLLAR	(775,532)	1,313,386	\$ 22,212
SWISS FRANC	61,790	8,408,149	94,926
HK OFFSHORE CHINESE YUAN RENMINBI	(3,545,422)		
DANISH KRONE		1,044,453	4,768
EURO	(962,542)	37,999,019	229,670
BRITISH POUND STERLING	1,379,453	12,402,553	
HONG KONG DOLLAR	32,257	7,364,913	
NEW ISRAELI SHEKEL	285,312	170,440	
JAPANESE YEN	4,365,076	24,151,266	50,752
NORWEGIAN KRONE	153,712	260,978	
NEW ZEALAND DOLLAR	5	1,175,245	
POLISH ZLOTY			5,542
SWEDISH KRONA	1,113,922	4,552,296	
SINGAPORE DOLLAR	484,813	213,502	
Total	\$6,000,123	\$106,578,552	\$407,870

*Includes accrued income

Endowment Funds

A.C.A. § 28-69-804 states, "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

The University does not have a uniform policy addressing the authorization and spending of investment income. Such policies have been established at the applicable campuses and include spending rates averaged over a specified period and compliance with donor restrictions. The computation of net appreciation on investments of donor-restricted endowments that were available for expenditure at June 30, 2016, and June 30, 2015, are as follows:

	June 30, 2016	June 30, 2015
Total Endowment	\$ 147,961,791	\$ 148,903,467
Less: Funds treated as endowment	(44,533,367)	(44,539,020)
Less: Non-expendable portion of endowment	(48,099,545)	(46,726,352)
Available for Expenditure	<u>\$ 55,328,879</u>	<u>\$ 57,638,095</u>

Note 6: Fair Value Measurement

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the University's perceived risk of that investment.

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the

ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.

Level 3: Inputs that are unobservable. Unobserved inputs are those that reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager

pricing for private equities, hedge funds and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable

value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the valuation hierarchy, University invested funds, including amounts reported as deposits with bond trustees on the Statement of Net Position, at June 30, 2016:

Summary of Investments by Fair Value Level				
Investment by fair value level	Level 1	Level 2	Level 3	Total
Equity Securities:				
US	\$ 686,322		\$ 3,000	\$ 689,322
International	249,216		47	249,263
Fixed Income Securities:				
US Government Debt	3,641,884	\$ 8,659,084		12,300,968
Other Debt Securities	496,617	791,896		1,288,513
Commingled Funds:				
US Equity	35,352	32,605		67,957
International Equity	55,423	30,274		85,697
US Government Bonds	29,507,097	653,075		30,160,172
Non-US Government Bonds				
Corporate Bonds	2,607,961	481,361		3,089,322
Exchange Traded Funds:				
Equity	509,000			509,000
Fixed Income	2,177,039			2,177,039
Certificates of Deposit	5,220,195	1,259,995		6,480,190
Non-marketable alternatives	145,851		3,016	148,867
Marketable alternatives	20,442		90	20,532
Money markets and short-term investments	10,677,892		769,000	11,446,892
Total investments by fair value level	\$ 56,030,291	\$ 11,908,290	\$ 775,153	\$ 68,713,734
Investments measured at NAV (net asset value)				
External Investment Pool - Total Return Pool - UA Foundation				\$ 236,712,927
External Investment Pool - Intermediate Pool - UA Foundation				108,442,636
External Investment Pool - UAFS Foundation				205,541
Total investments by NAV				\$ 345,361,104
TOTAL INVESTMENTS				\$ 414,074,838

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a funds accounting technique or

are provided by time deposit custodians. Securities classified in Level 3 are valued using par value on the face of the investments.

Investments Measured at the NAV at June 30, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - UA Foundation				
Total Return Pool (1)	\$ 236,712,927		Daily	0 - 30 days
Intermediate Pool (2)	\$ 108,442,636		Daily	0 - 30 days
External Investment Pool - UFS Foundation	\$ 205,541		Daily	0 days
Total Investments measured at the NAV	\$ 345,361,104	\$ 0		

- (1) This type includes investments in a broadly diversified external investment pool. Pooled investments include allocations to global equities, hedge funds, bonds, natural resources and real estate. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over \$1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed \$25 million in any 30-day period.
- (2) This type includes investments in an external investment pool comprised of fixed income investments. The pooled investments are allocated primarily to intermediate term government bonds and investment-grade intermediate term corporate bonds. The pool also includes allocations to mortgage-backed

securities, high yield bonds, emerging market debt and money market funds. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over \$1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed \$25 million in any 30-day period.

Note 7: Income Taxes

The University is tax exempt under the Internal Revenue Code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2016. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.



Note 8: Bonds, Notes, Capital Leases and Installment Contracts Payable

The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Separate accounting is not required for these facilities under the provisions of the debt instruments; accordingly, segment reporting is not required for financial reporting purposes. A summary of long-term debt by campus is shown below. Total debt

of \$1,306,722,955 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,303,517,647 shown on the Statement of Net Position. This is due to an elimination entry of \$3,205,308 to account for two loans between UA campuses (see Note 19).

Schedule of Debt by Campus

UNIVERSITY OF ARKANSAS FAYETTEVILLE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/15/2009	11/1/2039	3.00% - 5.00%	\$ 52,430,000	\$ 5,290,000	\$ 47,140,000
6/30/2010	9/15/2020	1.00% - 4.82%	23,965,000	11,755,000	12,210,000
6/29/2011	11/1/2040	2.00% - 5.00%	101,225,000	8,600,000	92,625,000
6/29/2011	11/1/2022	3.00% - 5.00%	8,895,000	1,105,000	7,790,000
6/29/2011	9/15/2021	2.00% - 4.895%	23,575,000	20,770,000	2,805,000
4/17/2012	11/1/2032	1.00% - 5.00%	56,965,000	7,530,000	49,435,000
9/13/2012	11/1/2042	2.00% - 5.00%	60,540,000	2,495,000	58,045,000
5/16/2013	11/1/2042	1.00% - 5.00%	54,450,000	3,385,000	51,065,000
5/16/2013	9/15/2027	1.00% - 5.00%	30,355,000	4,230,000	26,125,000
6/30/2014	11/1/2043	2.00% - 5.00%	24,730,000	605,000	24,125,000
6/30/2014	11/1/2043	0.85% - 4.50%	5,020,000	145,000	4,875,000
2/12/2015	11/1/2036	2.00% - 5.00%	70,360,000	2,770,000	67,590,000
2/12/2015	9/15/2022	2.00% - 5.00%	14,180,000	475,000	13,705,000
8/27/2015	11/1/2045	1.02% - 4.40%	7,510,000		7,510,000
8/27/2015	11/1/2021	2.00% - 5.00%	36,675,000	5,275,000	31,400,000
4/5/2016	11/1/2046	3.00% - 5.00%	93,590,000		93,590,000
4/5/2016	11/1/2028	0.87% - 3.25%	15,280,000		15,280,000
11/30/1991	5/1/2022	5.50%	3,000,000	1,962,701	1,037,299
11/29/1995	11/1/2034	2.00% - 5.00%	2,071,140	1,353,581	717,559
7/31/2015	7/1/2023	1.97%	4,935,766		4,935,766
7/31/2015	11/19/2023	1.99%	16,969,012	1,910,016	15,058,996
7/31/2015	1/8/2023	1.95%	6,844,590	647,761	6,196,829
Various	Various	Various	564,083	278,278	285,805
Net unamortized premium/discount			71,576,021	9,571,216	62,004,805
TOTALS			\$ 785,705,612	\$ 90,153,553	\$ 695,552,059

UNIVERSITY OF ARKANSAS AT FORT SMITH					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/1/2009	12/1/2034	2.0% - 5.0%	\$ 25,000,000	\$ 3,565,000	\$ 21,435,000
6/1/2010	12/1/2021	2.0% - 4.0%	29,895,000	12,795,000	17,100,000
12/1/2010	12/1/2035	2.0% - 4.75%	9,300,000	1,235,000	8,065,000
1/1/2012	12/1/2030	2.0% - 4.25%	17,540,000	3,215,000	14,325,000
6/1/2014	12/1/2031	2.0% - 3.5%	5,295,000	445,000	4,850,000
6/1/2014	6/1/2039	2.0% - 5.0%	10,930,000	545,000	10,385,000
2/29/2012	1/1/2022	0%	2,166,500	866,600	1,299,900
5/22/2012	5/4/2027	4.00%	650,000	140,334	509,666
Net unamortized premium/discount			3,189,932	934,461	2,255,471
TOTALS			\$ 103,966,432	\$ 23,741,395	\$ 80,225,037

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2009	10/1/2029	2.0% - 5.0%	\$ 32,245,000	\$ 32,245,000	
11/1/2009	10/1/2034	3% - 5%	29,510,000	29,510,000	
4/26/2012	5/1/2037	2.0% - 5.0%	14,880,000	1,490,000	\$ 13,390,000
9/19/2012	12/1/2029	1.0% - 5.0%	13,850,000	2,435,000	11,415,000
4/24/2013	12/1/2024	1.0% - 5.0%	10,770,000	2,280,000	8,490,000
4/24/2013	12/1/2024	0.53% - 2.884%	6,530,000	1,515,000	5,015,000
8/1/2013	10/1/2030	2.0% - 5.0%	28,740,000	2,370,000	26,370,000
2/24/2016	10/1/2029	2.0% - 5.0%	22,475,000		22,475,000
4/6/2016	10/1/2034	2.0% - 5.0%	24,490,000		24,490,000
5/7/2008	10/1/2015	4.22%	2,541,873	2,541,873	
8/23/2011	12/1/2020	0.00%	1,732,620	888,889	843,731
Various	Various	1.26% - 3.15%	5,019,462	3,741,673	1,277,789
Net unamortized premium/discount			16,004,706	4,678,738	11,325,968
TOTALS			\$ 208,788,661	\$ 83,696,173	\$ 125,092,488

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	7/1/2019	2.0% - 4.5%	\$ 7,605,000	\$ 3,885,000	\$ 3,720,000
12/21/2010	12/1/2030	2.00% - 5.00%	42,680,000	4,600,000	38,080,000
11/15/2011	7/1/2034	2.0% - 4.25%	8,985,000	1,345,000	7,640,000
5/14/2013	11/1/2034	1.0% - 5.0%	112,665,000	8,035,000	104,630,000
12/17/2014	3/1/2036	2.00% - 5.00%	86,035,000	2,795,000	83,240,000
Various	Various	Various	50,835,000	10,686,000	40,149,000
Various	Various	Various	36,189,000	8,720,000	27,469,000
Net unamortized premium/discount			32,761,000	4,513,000	28,248,000
TOTALS			\$ 377,755,000	\$ 44,579,000	\$ 333,176,000

UNIVERSITY OF ARKANSAS AT MONTICELLO

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2010	10/1/2018	2.0% - 2.35%	\$ 2,870,000	\$ 1,735,000	\$ 1,135,000
2/1/2012	12/1/2035	2.0% - 4.0%	8,745,000	1,135,000	7,610,000
12/1/2012	10/1/2037	1% - 4.0%	8,650,000	755,000	7,895,000
1/27/2009	2/1/2019	0.53%	1,000,000	705,364	294,636
Net unamortized premium/discount			367,677	73,201	294,476
TOTALS			\$ 21,632,677	\$ 4,403,565	\$ 17,229,112

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/12/2005	12/1/2017	2.8% - 3.8%	\$ 3,330,000	\$ 2,860,000	\$ 470,000
6/1/2014	6/30/2036	2% - 5.0%	15,160,000	290,000	14,870,000
6/1/2014	12/1/2018	1.875%	1,810,000	700,000	1,110,000
10/15/2012	9/15/2016	2.01%	2,169,106	2,169,106	
Net unamortized premium/discount			2,308,855	1,306,007	1,002,848
TOTALS			\$ 24,777,961	\$ 7,325,113	\$ 17,452,848

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/13/2013	5/1/2035	1.0% - 3.625%	\$ 3,930,000	\$ 350,000	\$ 3,580,000
1/25/2008	3/30/2023	2.91%	2,000,000	1,074,133	925,867
Various	Various	Various	21,731	16,579	5,152
	Net unamortized premium/discount		141,059	19,382	121,677
	TOTALS		\$ 6,092,790	\$ 1,460,094	\$ 4,632,696

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
4/22/2015	12/1/2038	2.0% - 4.0%	\$ 11,270,000	\$ 320,000	\$ 10,950,000
6/1/2013	6/1/2018	4.30%	219,026	129,467	89,559
	Net unamortized premium/discount		272,074	13,412	258,662
	TOTALS		\$ 11,761,100	\$ 462,879	\$ 11,298,221

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/15/2010	12/1/2018	1.0% - 3.25%	\$ 2,295,000	\$ 1,465,000	\$ 830,000
5/7/2008	11/1/2015	4.22%	816,432	816,432	
5/7/2008	11/1/2015	4.22%	451,616	451,616	
2/2/2010	2/1/2020	0.45%	1,000,000	594,604	405,396
	Net unamortized premium/discount		4,032	2,874	1,158
	TOTALS		\$ 4,567,080	\$ 3,330,526	\$ 1,236,554

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	9/1/2020	1.00% - 4.00%	\$ 4,625,000	\$ 2,635,000	\$ 1,990,000
6/1/2013	10/1/2038	1.00% - 3.625%	2,590,000	210,000	2,380,000
3/27/2012	4/1/2022	0.20%	1,100,000	437,365	662,635
	Net unamortized premium/discount		111,731	65,034	46,697
	TOTALS		\$ 8,426,731	\$ 3,347,399	\$ 5,079,332

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/18/2005	11/1/2017	3.0% - 4.0%	\$ 2,095,000	\$ 1,705,000	\$ 390,000
6/16/2010	5/1/2022	2.0% - 3.5%	2,030,000	935,000	1,095,000
2/23/2016	5/1/2046	3.5% - 5.0%	10,000,000		10,000,000
7/30/2010	8/1/2020	0.38%	800,000	436,239	363,761
	Net unamortized premium/discount		975,148	13,543	961,605
	TOTALS		\$ 15,900,148	\$ 3,089,782	\$ 12,810,366

UNIVERSITY OF ARKANSAS SYSTEM ADMINISTRATION

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
11/17/2014	11/17/2024	0.22%	\$ 500,000	\$ 49,507	\$ 450,493
4/1/2016	4/1/2027	1.75%	2,487,749		2,487,749
			\$ 2,987,749	\$ 49,507	\$ 2,938,242

Schedule of Changes in Debt

BONDS					
Campus	Balance 6-30-15	Additions	Reductions	Balance 6-30-16	Current Portion
UAF	\$ 610,180,000	\$ 153,055,000	\$ 157,920,000	\$ 605,315,000	\$ 25,400,000
Net unamortized prem/disc	46,411,620	18,794,110	3,200,925	62,004,805	3,777,006
UAFS	81,175,000		5,015,000	76,160,000	5,175,000
Net unamortized prem/disc	2,451,607		196,136	2,255,471	196,136
UALR	121,130,000	46,965,000	56,450,000	111,645,000	4,645,000
Net unamortized prem/disc	6,796,528	7,014,445	2,485,005	11,325,968	760,868
UAMS	244,075,000		6,765,000	237,310,000	6,965,000
Net unamortized prem/disc	29,828,000		1,580,000	28,248,000	
UAM	17,535,000		895,000	16,640,000	915,000
Net unamortized prem/disc	311,811		17,335	294,476	17,335
UAPB	17,220,000		770,000	16,450,000	785,000
Net unamortized prem/disc	1,052,054		49,206	1,002,848	62,740
CCCUA	3,705,000		125,000	3,580,000	125,000
Net unamortized prem/disc	128,137		6,460	121,677	6,461
PCCUA	11,270,000		320,000	10,950,000	330,000
Net unamortized prem/disc	270,158		11,496	258,662	11,496
UACCB	1,095,000		265,000	830,000	270,000
Net unamortized prem/disc	1,637		479	1,158	479
UACCH	4,915,000		545,000	4,370,000	555,000
Net unamortized prem/disc	57,574		10,877	46,697	10,877
UACCM	1,830,000	10,000,000	345,000	11,485,000	365,000
Net unamortized prem/disc		975,148	13,543	961,605	32,505
TOTAL	\$ 1,201,439,126	\$ 236,803,703	\$ 236,986,462	\$ 1,201,256,367	\$ 50,405,903

NOTES					
Campus	Balance 6-30-15	Additions	Reductions	Balance 6-30-16	Current Portion
UAF	\$ 1,917,253		\$ 162,395	\$ 1,754,858	\$ 170,813
UAFS	1,516,550		216,650	1,299,900	216,650
UALR	1,199,692		355,961	843,731	222,222
UAMS	50,770,000	\$ 65,000	10,686,000	40,149,000	15,722,000
UAM	395,422		100,786	294,636	101,320
CCCUA	1,061,480		135,613	925,867	139,612
UACCB	570,859		165,463	405,396	100,667
UACCH	772,305		109,670	662,635	109,888
UACCM	443,756		79,995	363,761	80,300
SYSTEM	500,000	2,487,749	49,507	2,938,242	49,616
TOTAL	\$ 59,147,317	\$ 2,552,749	\$ 12,062,040	\$ 49,638,026	\$ 16,913,088

CAPITAL LEASES					
Campus	Balance 6-30-15	Additions	Reductions	Balance 6-30-16	Current Portion
UAF	\$ 421,616		\$ 135,811	\$ 285,805	\$ 137,443
UAFS	546,146		36,480	509,666	38,023
UALR	1,967,404	\$ 98,193	787,808	1,277,789	810,180
UAMS	33,638,000	2,551,000	8,720,000	27,469,000	7,361,000
UAPB	651,239		651,239		
CCCUA	8,560		3,408	5,152	2,677
PCCUA	133,440		43,881	89,559	45,806
TOTAL	\$ 37,366,405	\$ 2,649,193	\$ 10,378,627	\$ 29,636,971	\$ 8,395,129

INSTALLMENT CONTRACTS

Campus	Balance			Balance	
	6-30-15	Additions	Reductions	6-30-16	Current Portion
UAF	\$ 28,681,770	\$ 28,749,368	\$ 31,239,547	\$ 26,191,591	\$ 3,331,553

The current portion shown above for bonds, notes, capital leases, and installment contracts differs from

the statement of net position by \$20,506, which is the current portion of an elimination entry (see Note 19).

Future Principal and Interest Payments

Total long-term debt principal and interest payments are shown below. As required by GASB Statement No. 38, interest payments for variable rate debt have been calculated using the rate in effect at the financial statement date. Actual rates will vary. Total debt of \$1,306,722,955 shown in these schedules, which is

related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,303,517,647 shown on the Statement of Net Position. This is due to an elimination entry of \$3,205,308 to account for two loans between UA campuses (see Note 19).

FUTURE PRINCIPAL AND INTEREST PAYMENTS

Year Ended June 30,	Principal	Interest	Total
2017	\$ 74,169,770	\$ 50,178,129	\$ 124,347,899
2018	67,633,747	47,670,163	115,303,910
2019	70,528,486	45,500,596	116,029,082
2020	64,068,901	43,171,689	107,240,590
2021	61,989,570	40,677,348	102,666,918
2022-2026	257,953,818	167,233,343	425,187,161
2027-2031	248,911,582	110,210,380	359,121,962
2032-2036	220,665,714	55,662,857	276,328,571
2037-2041	105,285,000	17,508,030	122,793,030
2042-2046	27,465,000	2,669,668	30,134,668
2047	1,530,000	38,250	1,568,250
TOTALS	1,200,201,588	580,520,453	1,780,722,041
+ Net unamortized premiums/discounts	106,521,367		106,521,367
GRAND TOTALS	\$ 1,306,722,955	\$ 580,520,453	\$ 1,887,243,408

Capitalization of Assets held under Capital Leases

The capitalized value of capital assets held under capital leases totaled \$36,722,723 at June 30, 2016.

The present value of the net minimum lease payments is as follows:

	Cost	Accumulated Depreciation	Net
Improvements/Infrastructure	\$ 281,686	\$ 99,037	\$ 182,649
Buildings	31,120,680	16,751,338	14,369,342
Equipment	35,577,160	21,269,248	14,307,912
Other	10,025,000	2,162,180	7,862,820
		TOTAL	\$ 36,722,723
Total Minimum Lease Payments			\$ 31,851,102
Less: Amount representing interest			2,214,131
Total Present Value of Net Minimum Lease Payments			\$ 29,636,971

Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security. The following is a summary of the gross

revenues collected during the fiscal year ended June 30, 2016, that are pledged:

BOND SERIES	REVENUE SOURCE	FY16 REVENUE
UNIVERSITY OF ARKANSAS FAYETTEVILLE		
Series 1997 Various Facilities	Student Tuition and Fees	\$ 277,010,264
Series 2005B Various Facilities	Sales and Services	8,610,798
Series 2007 Various Facilities	Residential Life	43,605,668
Series 2008A&B Various Facilities	Bookstore	16,612,951
Series 2009A Various Facilities	Student Health Services	2,310,530
Series 2011A&B Various Facilities	Transit and Parking	8,874,690
Series 2012A Various Facilities	Other Auxiliaries	382,857
Series 2012B Various Facilities		
Series 2013 Various Facilities		
Series 2014A&B Various Facilities		
Series 2015A Various Facilities		
		<u>\$ 357,407,758</u>
Maturity dates range from November, 2021 through November, 2046		
	FY 16 Principal and Interest	\$ 41,624,940
	% of Revenue Pledge	11.65%
	Remaining Principal & Interest	<u>\$ 891,470,822</u>
Series 2010 Athletic Refunding	Men's Athletic Revenue	\$ 93,652,857
Series 2011 Athletic Facilities	(less game guarantees)	(3,474,792)
Series 2013 Athletic Facilities		
Series 2015 Athletic Facilities		
		<u>\$ 90,178,065</u>
Maturity dates range from September, 2016 through September, 2027		
	FY 16 Principal and Interest	\$ 9,649,430
	% of Revenue Pledge	10.70%
	Remaining Principal & Interest	<u>\$ 67,243,417</u>

UNIVERSITY OF ARKANSAS AT FORT SMITH		
Series 2009 Student Fee Revenue	Student Fee Revenue	\$ 36,591,991
Series 2010 Student Fee Revenue		
Series 2010B Student Fee Revenue		
Series 2012 Refunding		
Series 2014A		
Series 2014B		
		<u>\$ 36,591,991</u>
Maturity dates range from December, 2021 through June, 2039		
	FY 16 Principal and Interest	\$ 8,131,504
	% of Revenue Pledge	22.22%
	Remaining Principal & Interest	<u>\$ 104,300,988</u>

UNIVERSITY OF ARKANSAS AT LITTLE ROCK		
Series 2013A Revenue Refunding	Student Fee Revenue	\$ 72,733,226
Series 2013 Student Fee Revenue Capital		
Series 2013B Taxable Revenue Refunding		
Series 2016, Revenue Refunding		
		<u>\$ 72,733,226</u>
Maturity dates range from December, 2024 through October, 2030		
	FY 16 Principal and Interest	\$ 4,170,955
	% of Revenue Pledge	5.73%
	Remaining Principal & Interest	<u>\$ 82,849,448</u>
Series 2009 Auxiliary Enterprises Revenue	Auxiliary Revenue	\$ 18,056,714
Series 2012A Student Housing Revenue		
Series 2012B Student Housing Refunding		
		<u>\$ 18,056,714</u>
Maturity dates range from December, 2029 through May, 2037		
	FY 16 Principal and Interest	\$ 2,101,525
	% of Revenue Pledge	11.64%
	Remaining Principal & Interest	<u>\$ 72,120,676</u>

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES		
Series 2006 Various Facilities	Clinical Programs Revenue	\$ 781,040,000
Series 2010 Various Facilities		
Series 2013 Various Facilities		
		<u>\$ 781,040,000</u>
Maturity dates range from July, 2019 through March, 2036		
	FY 16 Principal and Interest	\$ 16,209,000
	% of Revenue Pledge	2.08%
	Remaining Principal & Interest	<u>\$ 342,853,000</u>
Series 2010 Refunding Parking System	Parking Fees	\$ 4,446,000
Series 2011 Refunding Parking System		
		<u>\$ 4,446,000</u>
Maturity dates range from July, 2019 through July, 2034		
	FY 16 Principal and Interest	\$ 1,606,000
	% of Revenue Pledge	36.12%
	Remaining Principal & Interest	<u>\$ 14,609,000</u>

UNIVERSITY OF ARKANSAS AT MONTICELLO		
Series 2012 Various Facilities Refunding	Student Fee Revenue	\$ 17,775,302
	Sales and Services	228,103
	Auxiliary Enterprises	<u>6,239,782</u>
		<u>\$ 24,243,187</u>
Maturity date is December, 2035		
	FY 16 Principal and Interest	\$ 535,432
	% of Revenue Pledge	2.21%
	Remaining Principal & Interest	<u>\$ 10,640,224</u>
Series 2010 Auxiliary Facilities Refunding	Auxiliary Enterprises	\$ 6,239,782
Series 2012 Auxiliary Facilities		
		<u>\$ 6,239,782</u>
Maturity dates range from October, 2018 through October, 2037		
	FY 16 Principal and Interest	\$ 898,388
	% of Revenue Pledge	14.40%
	Remaining Principal & Interest	<u>\$ 12,441,812</u>

UNIVERSITY OF ARKANSAS AT PINE BLUFF		
Series 2005B Various Facilities Revenue	Unrestricted Funds	\$ 31,162,457
Series 2014A Various Facilities		
Series 2014B Various Facilities Refunding		
		\$ 31,162,457
Maturity dates range from December, 2017 through June, 2036		
	FY 16 Principal and Interest	\$ 1,420,017
	% of Revenue Pledge	4.56%
	Remaining Principal & Interest	\$ 23,758,689

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS		
Series 2013	Student Fee Revenue	\$ 3,640,662
Maturity date is December, 2035		
	FY 16 Principal and Interest	\$ 264,238
	% of Revenue Pledge	7.26%
	Remaining Principal & Interest	\$ 5,030,894

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS		
Series 2015 Refunding	Student Fee Revenue	\$ 2,696,184
Maturity date is December, 2038		
	FY 16 Principal and Interest	\$ 681,956
	% of Revenue Pledge	25.29%
	Remaining Principal & Interest	\$ 15,670,122

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE		
Series 2010 Student Fee Revenue Refunding	Student Fee Revenue	\$ 3,320,452
Maturity date is December, 2018		
	FY 16 Principal and Interest	\$ 292,825
	% of Revenue Pledge	8.82%
	Remaining Principal & Interest	\$ 868,426

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE		
Series 2010 Student Fee Revenue	Student Fee Revenue	\$ 2,543,608
Series 2013 Student Fee Refunding Revenue		
		\$ 2,543,608
Maturity dates are September, 2020 through October, 2038		
	FY 16 Principal and Interest	\$ 696,525
	% of Revenue Pledge	27.38%
	Remaining Principal & Interest	\$ 5,566,031

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON		
Series 2005 Student Fee Revenue Refunding	Student Fee Revenue	\$ 6,247,346
Series 2010 Student Fee Revenue Refunding		
Series 2016 Student Fee Revenue		
		\$ 6,247,346
Maturity dates are November, 2017 through May, 2046		
	FY 16 Principal and Interest	\$ 481,770
	% of Revenue Pledge	7.71%
	Remaining Principal & Interest	\$ 19,524,458

Refundings

Fayetteville Campus:

On August 27, 2015, the University issued \$36,675,000 in Various Facility Revenue Refunding Bonds, Series 2015C. The bonds with interest rates of 2.00% to 5.00% were issued to refund \$45,945,000 of outstanding bonds dated March 2, 2005, with interest rates of 3.875% to 4.50%. Of the net bond proceeds and premiums of \$40,255,610 and cash of \$7,022,265 from the University, \$46,957,841 was deposited into an escrow account to retire the bonds. Furthermore, \$309,547 was used to pay the underwriter's discount and the costs of issuance, with a residual amount of \$10,487 remaining in the Series 2015C Bond Fund account. The refunding of the bonds was a current refunding, with all bonds being redeemed as of November 1, 2015. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,266,866. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next seven years by \$4,154,417 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,221,281. The escrow account was closed out when the refunded bonds were redeemed as of November 1, 2015, and therefore has no outstanding balance as of June 30, 2016.

On April 5, 2016, the University issued \$93,590,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding and Improvement Series 2016A and \$15,280,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding Series 2016B. The Series 2016A bonds, with interest rates of 3.0% to 5.0% were issued to provide funds to finance various construction and renovation projects on the University campus, and to refund \$38,200,000 of outstanding bonds dated October 2, 2007, (Series 2007) with interest rates of 4.0% to 5.0%; and \$35,545,000 of outstanding bonds dated August 1, 2008, (Series 2008A) with interest rates of 4.0% to 5.0%. Net bonds proceeds and premiums of \$28,504,688 was available to finance construction of a civil engineering research and education center, a library storage building, campus entrance signs, intramural sports playing fields, and an addition to the Pat Walker Student Health

Center; to finance renovations of student housing; and to continue renovations of Kimpel Hall, and Discovery Hall. The Series 2016B bonds with interest rates of 0.87% to 3.35% were issued on a taxable basis to refund \$13,500,000 of outstanding bonds dated August 1, 2008, (Series 2008B) with interest rates of 5.1% to 6.375%.

Net bond proceeds and premiums from Series 2016A and Series 2016B of \$94,689,148 along with \$1,873,821 of cash from the University was deposited into an escrow account to retire the bonds. The refunding of the bonds dated October 2, 2007, and all of the bonds dated August 1, 2008, was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,764,322 for the Series 2016A bonds and \$1,679,827 for the Series 2016B bonds. These differences, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by \$13,450,092 and to obtain an economic gain of \$10,092,618. The escrow balance as of June 30, 2016, was \$94,372,787. The bonds will have regularly scheduled principal and interest payments made from the escrow account until the bond call dates of November 1, 2017, for Series 2007 and November 1, 2018, for Series 2008A and Series 2008B, at which times the remaining balances of each defeased bond issue will be refunded. The remaining balance of the defeased bonds as of June 30, 2016, was \$38,200,000 for Series 2007, \$35,545,000 for Series 2008A, and \$13,500,000 for Series 2008B.

On February 12, 2015, the University issued \$70,360,000 in Various Facility Revenue Refunding Bonds, Series 2015A. The bonds, with interest rates of 2.0% to 5.0% were issued to refund \$2,750,000 of outstanding bonds dated October 1, 2004 with interest rates of 2.0% to 4.375%, \$13,510,000 of outstanding bonds dated March 1, 2005 with interest rates of 3.0% to 4.5%, and \$60,475,000 of outstanding bonds dated June 1, 2006 with interest rates of 4.0% to 5.0%. Net bond proceeds and premiums of \$81,714,224 and cash of \$1,009,170 from the University were deposited into an escrow account to retire the bonds. The refunding of the bonds dated March 1, 2005 and June 1, 2006 was an advance refunding. The combined refunding resulted

in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,083,047. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2037 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by \$8,513,389 and to obtain an economic gain of \$7,563,242. The escrow balance as of June 30, 2016 was \$60,457,080. The refunding of the bonds dated October 1, 2004 was a current refunding and the bonds were called on March 15, 2015. The bonds dated March 1, 2005 continued to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2015, at which time the remaining balance was refunded. The bonds dated June 1, 2006 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2016, at which time the remaining balance will be refunded. The remaining balance of the defeased bonds at June 30, 2016 was \$59,140,000.

On February 12, 2015, the University issued \$14,180,000 in Athletic Facilities Revenue Refunding Bonds, Series 2015. The bonds, with interest rates of 2.0% to 5.0%, were issued to refund \$4,770,000 of outstanding bonds dated June 1, 2006, with interest rates of 4.0% to 4.375%, and \$10,475,000 of outstanding bonds dated June 29, 2011, with interest rates of 2.0% to 4.895%. Net bond proceeds and premiums of \$16,222,900 and cash of \$265,723 from the University were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$134,986. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eight years by \$1,413,277 and to obtain an economic gain of \$1,084,087. The escrow balance as of June 30, 2016, was \$15,030,466. The bonds dated June 1, 2006, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of September 15, 2016. The bonds dated June 29, 2011, were not advance refunded in total. As of June 30, 2016, there was a balance of \$2,805,000 outstanding that was

not refunded. These bonds will continue to be paid normally through September 15, 2016. The refunded bonds dated June 29, 2011, will continue to have regularly scheduled interest payments made from the escrow account until the bond call date of September 15, 2016, at which date the principal will be refunded. The remaining balance of the defeased bonds at June 30, 2016, was \$14,730,000.

Little Rock Campus: On February 24, 2016, the University issued \$22,475,000 in Series 2016 Enterprises Refunding Revenue Bonds, with interest rates of 2% to 5% to advance refund \$25,250,000 of the Series 2009 Capital Improvement Revenue Bonds, with interest rates of 4% to 5%. Bond proceeds and premium of \$27,180,955 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$644,478. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2030 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by \$2,314,066 over the next fourteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,170,844. The bonds will be fully paid by October 1, 2017. The balance in the escrow account at June 30, 2016, was \$26,632,704, and the remaining balance of the defeased bonds was \$25,250,000.

On April 6, 2016, the University issued \$24,490,000 in Series 2016 Auxiliary Revenue Refunding Bonds, with interest rates of 2% to 5% to advance refund \$25,600,000 of the Series 2009 Auxiliary Revenue Bonds, with interest rates of 4% to 5%. Bond proceeds and premium of \$28,581,504 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,543,643. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by \$1,736,111 over the next nineteen years and to obtain an economic gain (difference between the present value of the debt service payments on the

old and new debt) of \$1,152,088. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2016, was \$28,581,504, and the remaining balance of the defeased bonds was \$25,600,000.

Medical Sciences Campus: On December 17, 2014, UAMS issued revenue refunding bonds, Series 2014, of \$86,035,000 (par value) with an interest rate of 2.52% to 3.17% to advance refund Various Facility Revenue Bond Series 2006 with remaining interest rates of 4.8% to 5.0% and a par value of \$91,550,000. The 2006 bonds mature March 2036. The revenue refunding bonds were issued at a premium of \$12,713,000 and, after paying issuance costs of \$211,000 and underwriter's discount of \$499,000. The net proceeds were \$98,067,000. The net proceeds from the issuance of the revenue refunding bonds were used to purchase U.S. government securities to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 Series bonds were removed from UAMS financial statements. As a result of the advance refunding, UAMS reduced its total debt service requirements by \$10,012,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$9,313,000. Principal payments are made annually until 2036. Interest payments are made semi-annually. There was a deferred refunding loss of \$1,554,000 on the transaction which will be amortized as a component of interest expense until July 2036. The escrow balance was closed as of June 30, 2016.

Pine Bluff Campus: On June 1, 2014, the University issued \$16,970,000 in Various Facilities Revenue Refunding Bonds, Series 2014, with interest rates of 2% to 5% to advance refund Various Facility Revenue Refunding and Construction Bonds, Series 2005A. The Series 2005A bonds mature on December 1, 2036, and are callable on December 1, 2015. The revenue refunding bonds were issued at a premium of \$1,105,422 and after paying issuance costs of

\$86,000 and underwriter's discount of \$140,002, the net proceeds were \$17,849,420. Accrued interest of \$46,780 will be utilized for an interest payment on the new Series 2014 bonds in December 2014. The net proceeds from the issuance of the bonds were deposited into a special trust fund and will be used to provide debt service payments until the term bonds are called on December 1, 2015. As a result of the advance refunding, the University reduced its total debt service requirements by \$1,900,872, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,397,584. The escrow account was closed as of June 30, 2016.

Phillips Campus: On April 22, 2015, the University issued Student Fee Refunding Revenue Bonds, Series 2015, in the amount of \$11,270,000 with interest rates of 2.0% to 4.0%. The purpose of this issue was to refund \$10,825,000 remaining from the Student Fee Revenue Bonds, Series 2009, which carried interest rates of 3.0% to 5.2%. Bond proceeds and premium of \$11,363,995 (after payment of debt issuance costs of \$88,411 and underwriter's discount of \$84,525), along with remaining debt service reserve funds of \$395,770 were deposited into the escrow fund to retire the Series 2009 bonds on December 1, 2016. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,022,966. This difference is reported in the accompanying financial statements as deferred outflows of resources and will be amortized over the remaining life of the bonds through 2038 using the straight-line method. The University accomplished the refunding to reduce its total debt service payments by \$2,168,622 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,338,117. The balance in the escrow account at June 30, 2016, was \$10,795,299, and the remaining balance of the defeased bonds was \$10,510,000.

Note 9: Commitments

The University has contracted for the construction and renovations of several facilities. At June 30, 2016, the estimated remaining costs to complete these facilities are shown below.

Campus	Contract Balance
UAF	\$ 47,553,578
UAFS	1,406,856
UALR	554,152
UAM	740,555
UAMS	9,395,000
UAPB	797,241
PCCUA	151,398
UACCH	137,842
UACCM	13,725,009
	<u>\$ 74,461,631</u>

The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business such leases will continue to be required. Total operating leases paid in the fiscal year ended June 30, 2016, were \$13,201,238.

Below are the scheduled payments for each of the five succeeding fiscal years and thereafter.

Operating Leases	
Year Ended June 30,	Amount
2017	\$ 8,724,987
2018	5,134,094
2019	2,228,577
2020	1,144,636
2021	872,351
2022-2026	2,210,814

Note 10: Short-Term Borrowing

The GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2016.



Note 11: Capital Assets

Following are changes in capital assets for the year ended June 30, 2016:

CAPITAL ASSETS	June 30, 2015				June 30, 2016	
	Balance	Additions	Transfers	Deletions	Balance	
Land	\$ 100,948,407	\$ 2,743,297			\$ 103,691,704	
Library Holdings	136,143,328	2,936,709		\$ 1,281,084	137,798,953	
Construction in progress	197,530,614	78,092,952	\$ (168,218,657)	32,751	107,372,158	
Improvements and infrastructure	279,934,684	1,535,410	3,039,404	163,633	284,345,865	
Buildings	3,208,179,415	13,642,232	163,539,253	3,235,581	3,382,125,319	
Equipment	593,490,748	43,441,196	1,087,000	16,483,415	621,535,529	
Intangibles	161,129,306	184,273	1,633,000		162,946,579	
Other	54,274,850	881,000	(1,080,000)	537,845	53,538,005	
Total Capital Assets	\$ 4,731,631,352	\$ 143,457,069	\$ 0	\$ 21,734,309	\$ 4,853,354,112	
Less accumulated depreciation:						
Library Holdings	\$ 113,893,715	\$ 4,250,881		\$ 1,277,743	\$ 116,866,853	
Improvements and infrastructure	126,444,016	11,820,422		66,100	138,198,338	
Buildings	1,273,764,330	107,262,872		929,807	1,380,097,395	
Equipment	470,897,104	41,828,118	\$ 708,000	16,353,340	497,079,882	
Intangibles	92,692,878	8,071,401		(86,130)	100,850,409	
Other	18,270,427	4,879,381	(708,000)		22,441,808	
Total Accum Depreciation	\$ 2,095,962,470	\$ 178,113,075	\$ 0	\$ 18,540,860	\$ 2,255,534,685	
Capital Assets, Net	\$ 2,635,668,882	\$ (34,656,006)	\$ 0	\$ 3,193,449	\$ 2,597,819,427	

Library holdings, including old and rare books, valued at \$1,292,000, held by the Medical Sciences Campus, are

not included in the above chart or in the accompanying Statement of Net Position



Note 12: Risk Management

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System with the exception of the Fort Smith campus. The role of the System Office is to analyze and recommend insurance coverage, but it is ultimately up to each campus to inform the System Office regarding their specific coverage requirements.

Property coverage is insured through FM Global with a \$100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock campuses. The other covered campuses have a \$50,000 deductible. The FM Global policy also contains earthquake/flood and domestic/foreign terrorism coverage. Additionally, the Fayetteville, Medical Sciences, Phillips, and Morrilton campuses have business interruption coverage with FM Global.

Auto coverage, through Cypress Insurance, has a physical damage deductible of \$1,000 and provides coverage against liability losses up to \$1,000,000 per occurrence.

The Medical Sciences campus maintains malpractice insurance for certain employees under a claims-made policy. The Fort Smith campus acquires its own property insurance through Alliant Property Insurance (\$25,000 deductible) and auto insurance through Cypress Insurance (\$5,000 deductible).

The University does not purchase general liability, errors or admissions, or tort immunity for claims arising from third-party losses on University property as the University of Arkansas has sovereign immunity against such claims. Claims against the University for such losses are heard before the State Claims Commission. In such cases where the University enters into a lease agreement to hold a function at a location not owned by the University or for special events off-campus, general liability coverage may be purchased for such functions.

The University maintains worker's compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Arkansas Department of Finance and Administration. The types of benefits and expenditures that are paid include the following:

medical expenses, hospital expenses, death benefits, disability and claimant's attorney fees.

Additionally, the University participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of \$300,000 recovery per occurrence with a \$2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Arkansas Department of Finance and Administration.

There have been no reductions in insurance coverage from the prior fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13: Employee Benefits***Insurance Plans***

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental benefit plans for University of Arkansas System (the University) employees and their eligible dependents. All campuses participate in the health plan. All campuses, except CCCUA, PCCUA, and UACCH, participate in the dental plan. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation.

At June 30, 2016, a total of 17,058 active employees, former employees, and pre-65 retirees were participants in the health plan. As of June 30, 2016, the University offers two different health plans: Classic (HMO) and Point of Service (POS). Participating campuses pay anywhere from 40% to 98% of the Classic Plan premium and 35% to 91% of the Point of Service Plan premium. Each campus makes its contribution determination based on budget considerations. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 17,674 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2016. The University pays 0% to 51% of the total premium for full-time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

Both plans are accounted for on the accrual basis. No acquisition costs were capitalized at the onset of the plan. The System Administration estimates the medical and pharmacy claims liability to be \$18,037,100 at June 30, 2016. This liability is established for incurred but not paid (IBNP) claims, and includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for health and pharmacy is based on the calculation prepared by Sibson Consulting.

The System Administration estimates the dental claims liability to be \$375,200 at June 30, 2016. This liability is established for incurred but not paid (IBNP) claims. The IBNP claims liability includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for dental is based on the calculation prepared by Sibson Consulting.

The System Administration purchases specific reinsurance from United Healthcare-BP to reduce its

exposure to large claims. In a fiscal year, after paying claims of more than \$1,000,000 for any one covered individual, the University pays an aggregating specific deductible of \$125,000, whether from one or more covered individuals also exceeding \$1,000,000 in paid claims, before being reimbursed from the reinsurance company.

The plan has not purchased any annuity contracts on behalf of claimants. If needed, the University would make arrangements through its reinsurance carrier.

The funding levels for the Plan were established based upon anticipated year-end loss ratios of 95%. As of June 30, 2016, the loss ratio for the health plan was 93% and the loss ratio for the dental plan was 94%.

The System Administration retains and accounts for all of the risk financing associated with the self-insurance plan's activities as defined by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Reconciliation of Changes in the Liability for Future Insurance Claims

	FY16	FY15
Unpaid claims and claim adjustment expenses at beginning of year	\$ 20,800,000	\$ 14,524,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	151,039,946	155,077,772
Adjustment in provision for insured events of prior years	(5,710,599)	3,534,216
Total incurred claims and claim adjustment expenses	145,329,347	158,611,988
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	132,627,646	134,277,772
Claims and claim adjustment expenses attributable to insured events of prior years	15,089,401	18,058,216
Total Payments	147,717,047	152,335,988
Total unpaid claims and claim adjustment expenses at end of year	\$ 18,412,300	\$ 20,800,000

The liability for future insurance claims includes health, pharmacy and dental incurred but not paid (IBNP) claims/claim adjustment expenses only.

Retirement Plans

Substantially all employees of the University participate in either the Optional Retirement Program (ORP), which includes Teachers Insurance Annuity Association – College Retirements Equities Fund (TIAA-CREF) and Fidelity Investments, or the Arkansas Public Employee Retirement System (APERS). The Arkansas Teacher Retirement System (ATRS) is available only to employees who were enrolled as of July, 2011. APERS and ATRS are both defined benefit plans.

The ORP is a defined contribution plan. The plan includes both a 403(b) program and a 457(b) program as defined by the Internal Revenue Service Code of 1986 as amended. The authority under which the Plan's benefit provisions are established or amended is the President of the University or his designee. Arkansas Code Annotated authorizes participation in the plan.

Participants in the University's plan can choose to be contributory or non-contributory. The University automatically contributes 5% of an employee's regular salary to TIAA-CREF and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, with a maximum total University contribution of 10% of regular salary up to the IRS match limit, which at June 30, 2016, was \$26,500. Employee contributions in excess of 10% are allowed by the plans in accordance with Internal Revenue Service regulations, but the University does not match these additional contributions. All benefits attributable to plan contributions made by the participant are immediately vested in the participant, and contributions made by the University are vested upon completion of one year of employment. The University's TIAA/CREF and Fidelity contributions for the fiscal year 2016 were \$91,052,869. The participants' contributions for the fiscal year 2016 were \$98,059,455.

APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 14.50% in fiscal year 2016. Those employees hired after July 1, 2005, must be contributory unless they had prior service as a state employee. Employees hired before that date may be contributory. The University's contributions for the fiscal year 2016 were \$5,122,338. Participants' contributions for the fiscal year 2016 were

\$1,433,138. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. APERS issues a publicly available financial report, which may be obtained by writing: APERS, One Union National Plaza, 124 W. Capitol, 5th Floor, Little Rock, AR 72201.

ATRS is a cost-sharing multi-employer defined benefit pension plan. The University contributes 14% of all covered employees' salaries. Under certain conditions, covered employees may voluntarily contribute 6% of their salary. The University's contributions for the fiscal year 2016 were \$1,448,084. Participants' contributions for the fiscal year 2016 were \$434,579. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. ATRS issues a publicly available financial report, which may be obtained by writing: ATRS, 1400 W. 3rd Street, Little Rock, AR 72201.

Cooperative Extension Service employees who hold accepted appointments with the U.S. Department of Agriculture are covered by one of the following plans depending on when he or she began work. Employees employed prior to January 1, 1984 are on the Civil Service Retirement System. This system requires an employee contribution of 7% and the University contributes 7%. Employees employed between January 1, 1984 and July 31, 1987, are on either the Civil Service Offset or the Federal Employees Retirement System, depending on their length of prior federal service. Both systems require an employee contribution of .80%. The Civil Service Offset requires matching of 7% and the Federal Employees Retirement System requires agency matching of 13.7%. Employees on Civil Service participate in TIAA-CREF and Fidelity. The University's and participants' CSR and FERS contributions were \$268,859 and \$104,514 respectively for the year 2016.

The Thrift Savings Plan is a retirement savings and investment plan for Federal employees at the Cooperative Extension Service. It is a defined contribution plan and its purpose is to provide retirement income for Federal employees similar to a 401(k) plan. Employee contributions are exempt from taxation. The plan is available to all Federal employees without employer matching for employees covered under the Civil Service Retirement System. Employees covered under the Federal Employees Retirement System

receive a mandatory 1% employer contribution. The University's and participants' CSR contributions were \$60,701 and \$108,553 respectively for the year 2016.

The University of Arkansas community colleges offer APERS and their own ORP which is a 403(b) plan. With the exception of PCCUA, which follows the standard 5% up to 10% match, contributions by the institutions range from 10% to 14% of earnings and employees have a mandatory contribution of 6% and, within the IRS guidelines, may elect to contribute more. Contributions can be made to TIAA-CREF, American Fidelity or VALIC. The University's VALIC contributions for the fiscal year 2016 were \$1,641,539. The participants' contributions to VALIC for fiscal year 2016 were \$1,147,268. The participants' contributions to American Fidelity for fiscal year 2016 were \$440.

The University has, from time to time, negotiated voluntary early retirement agreements with faculty and staff which may include the provision of a stipend and healthcare or other benefits for future periods. The amount of liability established for these type agreements was \$1,853,052 and \$2,977,039, respectively, at June 30, 2016, and June 30, 2015.

NOTE 14: Defined Benefit Pension Plans

Arkansas Public Employees Retirement System (APERS)

Plan Description

APERS is a cost-sharing, multiple-employer, defined benefit plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. APERS issues a publicly available financial report that can be obtained at <http://www.apers.org/annualreports>.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 4 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, 7/1/2005 – 6/30/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55, or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of

Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.5% of applicable compensation for the fiscal year ended June 30, 2016. The University's and members' contributions for the year ending June 30, 2016, were \$5,122,338 and \$1,433,138, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2016, the University reported a liability of \$30,550,726 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used

to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the university's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the university's proportion was 1.659 percent, which was an increase of 0.197 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the University recognized pension expense of \$4,408,002. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 2,002,826
Changes of assumptions or other inputs	4,508,562	0
Net difference between projected and actual earnings on pension plan investments	0	1,515,747
Changes in the proportion and differences between the employer contributions and share of contributions	2,871,405	51,364
University contributions subsequent to the measurement date	5,122,338	0
Total	\$ 12,502,305	\$ 3,569,937

\$5,122,338, reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts

reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2017	\$ 715,405
2018	715,405
2019	436,703
2020	1,942,517
2021	0
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.50%
Salary Increases	3.25% – 9.85% including inflation
Wage Inflation	3.25%
Post-Retirement Cost-of-Living Increases	3.00% Annual Compounded Increase
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study for the period 2007-2012.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected

price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25	6.88
Real Assets	12	3.07
Absolute Return	5	3.35
Domestic Fixed	16	0.83
Total	100%	

Assumption Changes: Economic assumptions were updated in the June 30, 2015 valuation to a 7.50%

investment return assumption, a 2.50% price inflation assumption, and a 3.25% wage inflation assumption.

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to

all periods of projected benefit payments to determine the total pension liability. The current discount rate reflects a .25% decrease compared to the 7.75% single discount rate used to measure the total pension liability as of the prior measurement date.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$50,324,104	\$30,550,726	\$14,105,312

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued APERS financial report.

Commissioner, the Treasurer of the State, the Auditor of the State and the Commissioner of Education. ATRS issues a publicly available financial report that can be obtained at <https://www.arts.gov/publications>.

Arkansas Teacher Retirement System (ATRS)**Plan Description**

ATRS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the fifteen members of the Board of Trustees of the Arkansas Teacher Retirement System (the Board). Membership includes eleven members who are elected and consist of seven active members of ATRS with at least five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial ethnic group. There are also four ex officio members, including the State Bank

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 7 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory	2.15%
Non-Contributory	1.39%

Members are eligible to retire with a full benefit under the following conditions:

- at age 60 with 5 years of credited service,
- at any age with 28 years credited service.

Members with 25 years of credited service who have not attained age 60 may retire with a reduced benefit.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Survivor benefits are payable to qualified survivors upon the death of an active member with 5 years of service. The monthly benefit paid to eligible spouse survivors is computed as if the member had retired and elected the Joint & 100% Survivor option. Minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to \$10,000 and up to \$6,667 for noncontributory members. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 7. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory

and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Employers are required to contribute at a rate established by the Board of Trustees of ATRS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.00% of applicable compensation for the fiscal year ended June 30, 2016. The University's and member's contributions for the year ending June 30, 2016, were \$1,448,084 and \$434,579, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2016, the University reported a liability of \$12,850,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the university's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the university's proportion was 0.395 percent, which was a decrease of 0.042 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the University recognized pension expense of \$535,055. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 401,528	\$ 263,299
Changes of assumptions or other inputs	0	0
Net difference between projected and actual earnings on pension plan investments	1,698,903	3,339,805
Changes in the proportion and differences between the employer contributions and share of contributions	189,990	1,527,345
University contributions subsequent to the measurement date	1,448,084	0
Total	\$ 3,738,505	\$ 5,130,449

\$1,448,084, reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts

reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2017	\$(960,127)
2018	(960,127)
2019	(960,127)
2020	176,138
2021	(135,785)
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial

assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, closed
Amortization Period	30 years
Asset Valuation Method	4-year smoothed market; 20% corridor
Wage Inflation	3.25%
Salary Increases	3.25 – 9.10% including inflation
Investment Rate of Return	8.00%
Post-Retirement Cost-of-Living Increases	3.00% Simple
Mortality Table	Based on RP-2000 Mortality table for males and females, projected 25 years with scale AA, (95% for men & 87% for women)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study for the period July 1, 2005 – June 30, 2010

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	4.7%
Fixed Income	20	0.9
Alternatives	5	4.4
Real Assets	15	4.3
Private Equity	10	6.5
Cash Equivalents	0	0.1
Total	100%	

Discount Rate

A single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
\$21,341,643	\$12,850,498	\$5,732,671

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued ATRS financial report.



NOTE 15: Other Postemployment Benefits (OPEB)

The University offers postemployment health (including prescription drugs) and dental benefits, along with life insurance (\$10,000 available coverage), to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and pre-65 retired employees. The plan is considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University's plan for the University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the Walton Arts Center Foundation, Inc., the Razorback Foundation, Inc., and the University of Arkansas Technology Development Foundation, no postemployment benefit is accrued by the University for these private entities. Financial activities of the plan are reported in the University of Arkansas consolidated financial report.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ending June 30, 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 calculation reflects expected future medical costs. It includes an accrual for all active employees by valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits. As a result of the implementation of this statement, the University accrued \$62,779,374 in retiree healthcare liability as of June 30, 2016.

Retirees pay 100% of premiums for all campuses with the exception that UACCM will pay the premium for those employees retiring on or after age 62 with at least 20 years of service. Employer costs are funded on a pay-as-you-go basis for all campuses. Retirees qualify for postretirement benefits as follows:

UAFS: Employees must be at least age 55 and have at least 10 years of service.

CCCUA: Employees must be at least age 60 and have at least 5 years of service.

UACCH: Employees must have at least 10 years of service.

UACCM: Employees must be at least age 60 and have at least 10 years of service.

ALL OTHERS: Employees must have a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death.

Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree benefits are included in this valuation.

Summary of Key Actuarial Methods and Assumptions

Valuation date	July 1, 2015; Census data collected as of January 1, 2015, for all campuses except UAFS and UACCH, both of which were collected as of January 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.5%
Projected payroll growth rate	4.0%
Medical inflation rate	Immediate rate of 7% with an ultimate rate of 4.5%

General Overview of the Valuation Methodology

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

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. 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. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

There have been no changes in actuarial assumptions or methods since the prior valuation.

Medical Coverage – Retirees not Eligible for Medicare:

Claim experience for the period January 1, 2013, through February 28, 2015, was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 1,037 life years of exposure and was deemed to be 61% credible for medical claims and 86% credible for prescription drug claims. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation.

Dental Coverage:

The dental rates are set to match projected costs. Based on a comparison of the recent dental claims plus fees, the dental rates are set at a level sufficient to cover projected costs. Retirees pay 100% of the budget rate for coverage. Therefore the cost for dental coverage was excluded from this valuation.

Mortality Rates:

Healthy	RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014
Disabled	RP-2014 Fully Generational Mortality Table for disabled retirees using projection scale MP-2014

Withdrawal Rates: Select rates by location are based on length of service for the first five years and age thereafter:

Year	UAF	UAMS	Other
0	25%	30%	20%
1	25%	20%	20%
2	20%	18%	20%
3	16%	18%	15%
4	16%	15%	15%

Ultimate rates are from Sarason turnover table T-6 for UAF, table T-7 for UAMS, and table T-4 for all other locations except CCCUA, UACCM, UAFS, and UACCH. Rates for CCCUA, UACCM, UAFS, and UACCH vary and are available in the actuarial report which can be obtained by writing the University of Arkansas System.

Retirement Rates, CCCUA, UACCM, UAFS, and UACCH:

Age	Rate
50-59	5%
60	15%
61	14%
62	25%
63-64	15%
65	35%
66-68	30%
69 +	100%

Retirement Rates, All Others

Age	Rate
50-59	5%
60-61	10%
62	15%
63-66	10%
67-69	50%
70 +	100%

Future Retiree Coverage: Retirees were assumed to remain in their current plan indefinitely (until age 65 at which point they would join the UHC Medicare Advantage plan).

CCCUA, UACCH & UACCM – 80% of employees are assumed to elect medical and Rx coverage at retirement.

UAFS – 100% of employees are assumed to elect medical and Rx coverage at retirement.

All Others -- 55% of employees are assumed to elect medical and Rx coverage at retirement.

75% of employees are assumed to elect life insurance coverage at retirement.

Future Dependent Coverage: 50% of employees electing medical and Rx coverage at retirement are assumed to be married and elect spouse coverage.

Spouse Age Differential: Males are assumed to be 4 years older than females.

Determination of FY16 Accrual

Unfunded actuarial accrued liability at 7-1-15	\$ 82,401,626
Annual Required Contribution (ARC)	
Normal cost	\$ 5,333,895
Amortization of the unfunded actuarial accrued liability over 30 years	2,941,998
Interest	372,415
Annual Required Contribution for FY16	8,648,308
Interest on Net OPEB Obligation	2,521,137
ARC Amortization Adjustment	(2,090,293)
Annual OPEB Cost for FY16	\$ 9,079,152
Net OPEB Obligation, 7-1-15	\$ 56,024,345
Annual OPEB Cost for FY16	9,079,152
Less: Expected Employer Contributions	(2,324,123)
Net OPEB Obligation, 6-30-16	\$ 62,779,374

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-09	\$ 9,440,819	\$ 2,075,012	21.98%	\$ 25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532
6-30-11	6,407,408	1,715,955	26.78%	35,948,985
6-30-12	6,959,921	1,666,639	23.95%	41,242,267
6-30-13	6,604,080	2,038,220	30.86%	45,808,127
6-30-14	5,693,607	1,508,259	26.49%	49,993,475
6-30-15	8,197,078	2,166,208	26.43%	56,024,345
6-30-16	9,079,152	2,324,123	25.60%	62,779,374

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-09	\$ 0	\$ 82,955,662	\$ 82,955,662	0%	\$ 982,002,008	8.45%
6-30-10	0	67,830,737	67,830,737	0%	952,169,503	7.12%
6-30-11	0	59,649,743	59,649,743	0%	977,592,138	6.10%
6-30-12	0	64,638,969	64,638,969	0%	1,042,067,018	6.20%
6-30-13	0	60,220,957	60,220,957	0%	1,072,221,612	5.62%
6-30-14	0	53,499,094	53,499,094	0%	1,103,763,909	4.85%
6-30-15	0	73,704,015	73,704,015	0%	1,127,553,054	6.54%
6-30-16	0	82,401,626	82,401,626	0%	1,167,667,283	7.06%

Note 16: Other Organizations

There are in existence several entities, in addition to those identified as component units in Note 1, which are related to the University. The purposes of these organizations are varied, but all were established to benefit the University, or its students, faculty and staff in some manner.

The Razorback Foundation, Inc. was incorporated on October 17, 1980, for the sole purpose of supporting intercollegiate athletics at the Fayetteville campus. Audited financial statements for the year ended June 30, 2016, are presented below in summary form and include the accounts of its wholly owned for-profit subsidiary, Sports Shows, Inc.

THE RAZORBACK FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

Assets	
Cash and investments	\$ 28,498,809
Other assets	46,889,856
Total Assets	<u>\$ 75,388,665</u>
Liabilities and Net Assets	
Liabilities	\$ 1,029,489
Net Assets	74,359,176
Total Liabilities and Net Assets	<u>\$ 75,388,665</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016

Income and Other Additions	\$ 49,918,086
Expenditures and Other Deductions	(27,610,653)
Total Increase in Net Assets	<u>\$ 22,307,433</u>

Arkansas Alumni Association, Inc. was incorporated in 1960 for the purpose of providing various services to the members, consisting of graduates, former students and friends, in connection with the promotion

and furtherance of the Fayetteville campus. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**ARKANSAS ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 2,537,795
Other assets	7,699,288
Total Assets	<u>\$ 10,237,083</u>
Liabilities and Net Assets	
Liabilities	\$ 1,318,321
Net Assets	8,918,762
Total Liabilities and Net Assets	<u>\$ 10,237,083</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 4,158,356
Expenditures and Other Deductions	(3,876,394)
Total Increase in Net Assets	<u>\$ 281,962</u>

Arkansas 4-H Foundation, Inc. was incorporated in 1951. The purposes and objectives of the Foundation are exclusively educational. The Foundation was formed to encourage and support such purposes that

will meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 4,384,993
Other assets	5,442,591
Total Assets	<u>\$ 9,827,584</u>
Liabilities and Net Assets	
Liabilities	\$ 177,620
Net Assets	9,649,964
Total Liabilities and Net Assets	<u>\$ 9,827,584</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 2,044,511
Expenditures and Other Deductions	(2,096,687)
Total Decrease in Net Assets	<u>\$ (52,176)</u>

University of Arkansas Technology Development Foundation was incorporated in May 2003, and is considered a supporting organization of the Fayetteville campus. Its mission is to stimulate a knowledge-based economy in the state of Arkansas through partnerships that lead to new opportunities for

learning and discovery, build and retain a knowledge-based workforce, and spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT
FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash	\$ 1,480,136
Other assets	13,680
Total Assets	<u>\$ 1,493,816</u>
Liabilities and Net Assets	
Liabilities	\$ 110,054
Net Assets	1,383,762
Total Liabilities and Net Assets	<u>\$ 1,493,816</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 1,668,483
Expenditures and Other Deductions	(1,522,556)
Total Increase in Net Assets	<u>\$ 145,927</u>

University of Arkansas Fort Smith Foundation, Inc. operates as a nonprofit corporation whose primary activity is providing support to the Fort Smith campus.

Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 78,663,277
Other assets	485,160
Total Assets	<u>\$ 79,148,437</u>
Liabilities and Net Assets	
Liabilities	\$ 1,441,007
Net Assets	77,707,430
Total Liabilities and Net Assets	<u>\$ 79,148,437</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 1,324,122
Expenditures and Other Deductions	(4,973,456)
Total Decrease in Net Assets	<u>\$ (3,649,334)</u>

University of Arkansas Fort Smith Benefit Plan was established on January 1, 1993, as an employee welfare benefit plan which provides health, dental and vision benefits to eligible employees and eligible dependents

of the Fort Smith campus. Audited financial statements for the year ended December 31, 2015, are presented below in summary form.

UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

Assets	
Cash and investments	\$ 361,885
Other Assets	8,438
Total Assets	<u>\$ 370,323</u>
Liabilities and Net Assets	
Liabilities	\$ 370,323
Net Assets	
Total Liabilities and Net Assets	<u>\$ 370,323</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2015

Income and Other Additions	\$ 337,372
Expenditures and Other Deductions	(574,605)
Total Decrease in Net Assets	<u>\$ (237,233)</u>

The Plan was terminated effective December 31, 2015. All claims incurred subsequent to December 31, 2015, are being paid by the University of Arkansas System Health Plan. The funds will be disposed in a manner which benefits solely those persons then receiving

benefits under the Plan and those employees who are participating in the Plan at the time of termination. Termination of the Plan does not affect in any way the amount or the terms of any benefit payable prior to the date of termination.



The University of Arkansas at Little Rock Alumni Association is utilized to receive and disburse funds obtained from gifts, activity fees and receipts from special projects. The Association operates as a nonprofit benevolent corporation for charitable educational purposes. The assets of the Association are held by the University of Arkansas Foundation, Inc.

Trojan Athletic Foundation, Inc. is a non-profit entity established to support the athletic department at the Little Rock campus. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

TROJAN ATHLETIC FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

Assets	
Cash	\$ 259,507
Other Assets	78,071
Total Assets	<u>\$ 337,578</u>
Liabilities and Net Assets	
Liabilities	\$ 17,803
Net Assets	319,775
Total Liabilities and Net Assets	<u>\$ 337,578</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016

Income and Other Additions	\$ 581,252
Expenditures and Other Deductions	(367,227)
Total Increase in Net Assets	<u>\$ 214,025</u>

University of Arkansas at Pine Bluff/AM&N Alumni Association, Inc. was organized to foster and promote the general welfare and growth of the University of

Arkansas at Pine Bluff. Unaudited financial statements for the year ended December 31, 2015, are presented below in summary form.

UAPB/AM&N ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

Assets	
Cash & investments	\$ 182,820
Other assets	13,781
Total Assets	<u>\$ 196,601</u>
Liabilities and Net Assets	
Liabilities	\$ 11,167
Net Assets	185,434
Total Liabilities and Net Assets	<u>\$ 196,601</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2015

Income and Other Additions	\$ 195,973
Expenditures and Other Deductions	(199,862)
Total Decrease in Net Assets	<u>\$ (3,889)</u>

University of Arkansas at Pine Bluff Scholarship Endowment Fund was created to provide scholarships to a culturally diverse student population

at the University of Arkansas at Pine Bluff. Unaudited financial statements for the year ended December 31, 2014, are presented below in summary form.

**UNIVERSITY OF ARKANSAS-PINE BLUFF
SCHOLARSHIP ENDOWMENT FUND
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2014**

Assets	
Cash & investments	\$ 4,087,933
Total Assets	<u>\$ 4,087,933</u>
Liabilities & Net Assets	
Liabilities	
Net Assets	\$ 4,087,933
Total Liabilities & Net Assets	<u>\$ 4,087,933</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2014**

Income and Other Additions	\$ 835,386
Expenditures and Other Deductions	<u>(163,043)</u>
Total Increase in Net Assets	<u>\$ 672,343</u>

Cossatot Community College of the University of Arkansas Foundation, Inc. assists in developing and increasing the programs and facilities for the Cossatot

Community College campus. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF
ARKANSAS FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 161,444
Other	335,818
Total Assets	<u>\$ 497,262</u>
Liabilities and Net Assets	
Liabilities	\$ 28,980
Net Assets	468,282
Total Liabilities and Net Assets	<u>\$ 497,262</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 39,245
Expenditures and Other Deductions	<u>(115,507)</u>
Total Decrease in Net Assets	<u>\$ (76,262)</u>

Phillips Community College Foundation is dedicated to raising funds to support the Phillips Community College campus and to provide scholarships for its

students. Audited financial statements for the year ended December 31, 2015, are presented below in summary form.

**PHILLIPS COMMUNITY COLLEGE FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015**

Assets	
Cash and investments	\$ 3,520,292
Other Assets	161,214
Total Assets	<u>\$ 3,681,506</u>
Liabilities and Net Assets	
Liabilities	\$ 328,237
Net Assets	3,353,269
Total Liabilities and Net Assets	<u>\$ 3,681,506</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2015**

Income and Other Additions	\$ 470,480
Expenditures and Other Deductions	(451,812)
Total Increase in Net Assets	<u>\$ 18,668</u>

University of Arkansas Community College at Hope Foundation, Inc. operates for the sole benefit of the Hope campus. Audited financial statements for the

year ended June 30, 2015, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE
FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2015**

Assets	
Cash and investments	\$ 2,237,218
Other Assets	3,000
Total Assets	<u>\$ 2,240,218</u>
Liabilities and Net Assets	
Liabilities	\$ 23,264
Net Assets	2,216,954
Total Liabilities and Net Assets	<u>\$ 2,240,218</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2015**

Income and Other Additions	\$ 519,985
Expenditures and Other Deductions	(380,712)
Total Increase in Net Assets	<u>\$ 139,273</u>

University of Arkansas Winthrop Rockefeller Institute (prior to June 11, 2012, known as the University of Arkansas Winthrop Rockefeller Center d/b/a/ Winthrop Rockefeller Institute) is an educational conference center incorporated in January 2005. The Institute's mission is to provide extended learning for youth and adults, internship opportunities for

students, professional development for faculty and staff of the University, as well as for the general public, and conferences focused on enriching and informing Arkansas leaders. Audited financial statements for the year ended June 30, 2015, are presented below in summary form.

**UNIVERSITY OF ARKANSAS WINTHROP ROCKEFELLER
CENTER, INC.**

CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

Assets

Cash & Investments	\$ 2,229,970
Grant Receivable	5,553,065
Other	309,510
Property and Equipment, Net	15,996,329
Total Assets	<u>\$ 24,088,874</u>

Liabilities and Net Assets

Liabilities	\$ 464,077
Net Assets	23,624,797
Total Liabilities and Net Assets	<u>\$ 24,088,874</u>

CONDENSED STATEMENT OF ACTIVITIES

FY Ended June 30, 2015

Income and Other Additions	\$ 1,956,453
Expenditures and Other Deductions	(6,567,736)
Total Decrease in Net Assets	<u>\$ (4,611,283)</u>



Delta Student Housing, Inc. (Delta) is a nonprofit corporation organized and operated under the Arkansas Nonprofit Corporation Act of 1993. Delta was created for the purpose of facilitating the financing for construction of student housing facilities on the various campuses of the University. In the fiscal year ended June 30, 2010, the School for Mathematics, Sciences and the Arts (ASMSA) received \$6,000,000 in American Recovery & Reinvestment Act funds through the State of Arkansas and \$1,000,000 from state general improvement funds to be used toward the construction of a new residence/student life facility. In addition, ASMSA had almost \$4,000,000 of reserve

funds to be used for the project. By leveraging these available funds, a financing structure was developed using federal New Market Tax Credits (NMTC) which made available almost \$15,000,000 to construct the facility. Construction of the facility was completed in the summer of 2012. The facility will be owned and managed by Delta until the completion of the NMTC compliance period of seven years, at which time the facility will be donated to ASMSA. A complete transcript of the NMTC transaction can be obtained in the office of the University's Vice President of Finance. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

DELTA STUDENT HOUSING, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

Assets	
Cash	\$ 157,510
Other	159,515
Property and equipment	12,505,596
Total Assets	<u>\$ 12,822,621</u>
Liabilities and Net Assets	
Liabilities	\$ 14,799,406
Net Assets	<u>(1,976,785)</u>
Total Liabilities and Net Assets	<u>\$ 12,822,621</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016

Income and Other Additions	\$ 251,828
Expenditures and Other Deductions	<u>(700,014)</u>
Total Decrease in Net Assets	<u>\$ (448,186)</u>



Note 17: Natural & Functional Classifications of Operating Expenses

Following is a reconciliation of the natural classifications as presented in the statement of revenues, expenses,

and changes in net position to the functional classifications for fiscal year 2016.

Functional Classifications	Natural Classifications					TOTAL
	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	
Instruction	\$ 364,028,974	\$ 55,476,669				\$ 419,505,643
Research	158,288,477	74,532,749				232,821,226
Public Service	83,696,862	41,828,972				125,525,834
Academic Support	73,160,758	37,316,089				110,476,847
Student Services	41,295,134	18,180,661				59,475,795
Institutional Support	182,376,151	37,251,888				219,628,039
Scholarships/Fellow ships	108,056	223,675	\$ 61,526,517			61,858,248
Plant Operations	59,324,861	86,709,415				146,034,276
Auxiliary Enterprises	65,590,289	89,391,780	2,400,177			157,382,246
Depreciation					\$178,113,075	178,113,075
Patient Care	525,473,796	325,389,000				850,862,796
Other	1,813,000	8,214,000				10,027,000
Insurance expenses				\$161,167,230		161,167,230
TOTAL	\$1,555,156,358	\$ 774,514,898	\$ 63,926,694	\$161,167,230	\$178,113,075	\$ 2,732,878,255

Note 18: Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that these matters will be resolved without material adverse effect on the future operations or financial position of the University.

In the fiscal year ended June 30, 2006, the Arkansas Development Finance Authority (the Authority) issued \$36,775,000 in Tobacco Settlement Revenue Bonds. The Authority made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10% and principal and accumulated interest are payable beginning in 2021 through 2031 for \$22,158,000 of serial bonds and beginning in 2036 through 2046 for \$14,617,000 of term bonds.

Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments

on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the debt service revenues are insufficient to make such payments. Management believes the debt service revenues will be sufficient to service the entire principal and interest due. The *Global Insights USA, Inc.* report, prepared in August 2006, on the *Forecast of U.S. Cigarette Consumption (2004-2046)* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received \$60,067,457 from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately \$27.6 million in 2046 with the first \$5 million dedicated to pay the debt service on this bond issue.

If debt service revenues had been considered insufficient at June 30, 2016, the University would have incurred a liability of \$60,170,540 related to issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue. The revenues pledged by UAMS to secure the Loan Agreement consist of inpatient service fees and fees collected from other ancillary, therapeutic, and diagnostic services provided within the walls of the hospital but exclude physician-generated revenues, state appropriations, and revenues restricted for other purposes.

Note 19: Elimination of Inter-Company Transactions

The consolidated financial statements were prepared from financial statements submitted by each campus and the System Administration of the University. The inclusion of inter-company transactions in the consolidated financial statements is not considered materially significant to distort the amounts presented in the consolidated financial statements with the following exceptions, which were eliminated.

FY16 - Statement of Net Position

An elimination entry was made to reduce accounts receivable by \$14,925,551, which represent amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered, amounts owed between campuses, and interest due from a System Administration loan for eVersity from the campuses. Accounts payable was reduced by \$14,722,626, representing these billed amounts adjusted by cash in-transit within the system. Cash was increased by \$202,925 to account for payments in-transit within the system.

Three loans between University entities were eliminated to reduce assets and liabilities: (1) \$750,000 (current portion \$150,000) to reflect a loan to ASMSA by the System Administration; and (2) \$3,205,308 (current portion \$20,506) to reflect a loan from UAMS to UAF and from the campuses to eVersity.

FY16 - Statement of Revenues, Expenses, and Changes in Net Position

As explained in Note 13, the System Administration administers the self-funded insurance programs for

the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues, and insurance claims paid are shown as insurance expenditures on the System Administration's financial statements. The premiums expensed by the campuses are recorded as part of compensation benefits. An elimination entry was made to reduce insurance revenue and compensation/benefits expenditures in the amount of \$126,040,114.

An elimination entry was made for billings by System Administration to the campuses for services rendered to reduce operating sales and services revenue and operating supplies/services expense in the amount of \$3,238,827.

An elimination entry for services provided among campuses in the amount of \$910,346. These amounts decreased both other operating revenues and operating supplies/services.

An elimination entry for the System Administration's interest expense for a loan from the campuses was made to decrease other non-operating revenues (expenses) and investment income in the amount of \$10,883.

FY16 - Statement of Cash Flows

The effects of the elimination entries described above to the statement of net position and the statement of revenues, expenses and changes in net position are also reflected in the statement of cash flows.

Note 20: Disaggregation of Accounts Receivable and Accounts Payable

Current accounts receivable balances, net of allowances, at June 30, 2016, and June 30, 2015, as

shown on the Statement of Net Position, consist of the following:

ACCOUNTS RECEIVABLE	June 30, 2016	June 30, 2015
Student accounts	\$18,720,830	\$20,531,405
Non-student accounts	48,733,055	17,529,754
Health care related services		20,443,000
Grants and contracts	27,674,033	31,222,513
Property and sales taxes	2,194,511	2,293,546
Other	428,643	419,584
Total	<u>\$97,751,072</u>	<u>\$92,439,802</u>

Current accounts payable balances at June 30, 2016, and June 30, 2015, as shown on the Statement of Net Position, consist of the following:

ACCOUNTS PAYABLE	June 30, 2016	June 30, 2015
Trade related	\$40,144,294	\$36,660,269
Payroll related	71,911,113	71,324,316
Interest	6,867,742	7,041,665
Other	25,759,713	24,014,353
Total	<u>\$144,682,862</u>	<u>\$139,040,603</u>

Note 21: Joint Endeavor

In 1987, the University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. The University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., was established to administer this project and its funds. Activities of the foundation were managed by nine directors - three appointed by the University, three by the City of Fayetteville, and three recommended by the Foundation that were approved by the mayor and chancellor.

The Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council was required to submit an

annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council was comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom served as volunteers.

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the University of Arkansas to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional directors to the Board of Directors of the Arts Center Council while ensuring that the City

and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of \$1.5 million to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of \$1.5 million to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. To date, the University's funds placed in the endowment have not been spent. Accordingly, the relationship of the University and Walton Arts Center Foundation, Inc., remains unchanged. In the event the funds are expended, as provided in the revised agreement, the Walton Arts Center Foundation, Inc. would no longer be an agent for the University nor would the University have the right of appointment of Walton Arts Center Foundation, Inc. directors.

An Amended and Restated Interlocal Cooperation Agreement was also executed that permits the Walton Arts Center to conduct business as a separate, free-standing non-profit corporation; that budget and operational oversight rests exclusively with the Walton Arts Center Council and confirms the Walton Arts Center is no longer an agent of the University or the City, nor restricted to the terms of the original agreement; and affirms the Walton Arts Center must comply with the terms of a new lease agreement executed by the University, City of Fayetteville and the Walton Arts Center Council.

The lease agreement extends the term to twenty-five years and recognizes the changed scope of the Walton Arts Center. The lease also provides assurances regarding the on-going quality and type of performances at the Walton Arts Center in Fayetteville.

Note 22: Related Parties

The following are significant related party transactions other than those with component units discussed in Note 1.

The spouse of a member of the Board of Trustees owns a sports apparel store in Little Rock, Arkansas that has been used for several years by various campuses. In FY16, three campuses bought merchandise from the store with a cost of \$68,181. Purchases of these types

are not reviewed and approved by the Board.

Another member of the Board of Trustees is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2016, bank balances held at First Security Bank for UAF and UAMS total \$127,078,128 (book balances shown on the Statement of Net Position total \$123,343,191). The University has conducted business with the bank for several years. In addition, Crews and Associates, Inc. (Crews) is a wholly owned, non-bank affiliate of First Security Bancorp and has served as one of the University's bond underwriters for several years. In FY16, the Board of Trustees, with this member abstaining from the vote, approved the selection of Crews as co-underwriter for four bond issues for the Fayetteville campus in the amount of \$153,055,000.

The Vice Chancellor and Director of Athletics on the Fayetteville campus is a member of the Board of Directors of Arvest Bank Fayetteville, one of sixteen autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2016, bank balances held for the Fayetteville campus at Arvest Bank Group, Inc. banks total \$38,366,414 (book balances shown on the Statement of Net Position for the campus total \$37,922,585).

The Vice Chancellor for Finance and Administration at the University of Arkansas at Fort Smith sits on the Board of Directors of Educational and Institutional Cooperative Services, Inc. (E&I). Chartered in the State of New York in 1934, the principal role of E&I is to secure group discounts and favorable terms for the member educational institutions by aggregating buying power through large-volume contracts. The University of Arkansas has been a member institution of the E&I Cooperative since 1952. E&I contracts are competitively bid and approved for the University's use by the Office of State Procurement. UAFS made purchases totaling \$506,415 during the fiscal year ended June 30, 2016, utilizing 17 E&I contracts.

Note 23: Prior Year Restatement

Statement of Revenues, Expenses, and Changes in Net Position

Beginning net position for the year ended June 30, 2015, as reported on the Statement of Revenues, Expenses and Changes in Net Position, was restated due to the implementation of GASB Statements

68, as amended. As a result, Net Position – beginning of the year was reduced by \$40,275,748 to reflect the net effect of recognizing the University's proportionate share of the net pension liability and deferred outflows of resources attributable to the year ended June 30, 2014.

Note 24: Subsequent Events

Fayetteville Campus

On September 8, 2016, the Board of Trustees authorized the issuance of bonds not to exceed \$120,000,000 for the purpose of constructing, reconstructing, enlarging and repairing additional facilities including particularly improvements to and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects. On October 5, 2016, the University sold the Board of Trustees of the University of Arkansas Athletic Facilities Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2016A with a par amount of \$24,845,000 and Taxable Series 2016B with a par amount of \$90,000,000. The bond issues were closed and delivered October 19, 2016.

Fort Smith Campus

On September 8, 2016, the Board of Trustees authorized the issuance of bonds not to exceed \$29,500,000 to refund all or a portion of the Series 2009 Student Fee Revenue Bonds and the Series 2010B Student Fee Revenue Bonds. On October 6, 2016, the University sold the Board of Trustees of the University of Arkansas Student Fee Refunding Revenue Bonds, Tax-Exempt Series 2016 (Fort Smith Campus), with a par value of \$19,500,000. The bond issues were closed and delivered October 20, 2016.

Little Rock Campus

Dr. Andrew Rogerson became the chancellor at the Little Rock campus on September 1, 2016.

Batesville Campus

On September 8, 2016, the Board approved the pursuit of a loan from the Arkansas Department of Higher Education's College Savings Bond Revolving Loan Fund. The Arkansas Department of Higher Education Coordinating Board subsequently approved the loan on September 30, 2016, in the amount of \$2,000,000 with a term of ten years with an annual interest rate not to exceed 0.68%. Proceeds from the loan will be used to construct a Workforce Training Center. The remainder of funds will be provided by campus reserves.

Pending Mergers

On July 28, 2016, the Board of Trustees entered into a merger agreement with the Board of Trustees of Rich Mountain Community College ("RMCC"), a publicly supported community college located in Mena, Arkansas. After the merger, RMCC will be known as University of Arkansas Community College at Rich Mountain. The merger, which is to be effective January 1, 2017, is subject to the approval of accreditation by the Higher Learning Commission of the North Central Association.

On July 28, 2016, the Board entered into a merger agreement with the Board of Trustees of Pulaski Technical College ("PTC"), a publicly supported technical college located in Pulaski County, Arkansas. After the merger, PTC will be known as University of Arkansas - Pulaski Technical College. The merger with PTC, which is to be effective February 1, 2017, is not only subject to the Higher Learning Commission approval of accreditation but also approval by the Arkansas General Assembly of enacting legislation authorizing the control of UA-Pulaski Tech be vested with the Board of Trustees.

Employee Benefits

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Public Employees Retirement System Last Two Fiscal Years*		
	2016	2015
University's proportion of net pension liability	1.659%	1.462%
University's proportionate share of net pension liability	\$ 30,550,726	\$ 20,737,110
University's covered payroll	\$ 29,241,762	\$ 24,610,760
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.48%	84.26%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%
*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.		

Schedule of University Contributions Arkansas Public Employees Retirement System Last Two Fiscal Years*		
	2016	2015
Contractually required contribution	\$ 5,122,338	\$ 4,316,084
Contributions in relation to the contractually required contribution	(5,122,338)	(4,316,084)
Contribution deficiency (excess)	\$ 0	\$ 0
University's covered-employee payroll	\$ 35,350,993	\$ 29,241,762
Contributions as a percentage of covered-employee payroll	14.49%	14.76%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.		



Changes in Assumptions

Amounts reflect a change in economic assumptions used in the June 30, 2015, valuations. The investment

return assumption used was 7.50%, and the wage inflation assumption used was 3.25%.

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Teacher Retirement System Last Two Fiscal Years*		
	2016	2015
University's proportion of net pension liability	0.395%	0.437%
University's proportionate share of net pension liability	\$ 12,850,498	\$ 11,467,444
University's covered payroll	\$ 11,516,407	\$ 11,527,065
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.58%	99.48%
Plan fiduciary net position as a percentage of the total pension liability	82.20%	84.98%
*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.		

Schedule of University Contributions Arkansas Teacher Retirement System Last Two Fiscal Years*		
	2016	2015
Contractually required contribution	\$ 1,448,084	\$ 1,612,297
Contributions in relation to the contractually required contribution	(1,448,084)	(1,612,297)
Contribution deficiency (excess)	\$ 0	\$ 0
University's covered-employee payroll	10,392,131	11,516,407
Contributions as a percentage of covered-employee payroll	13.93%	14.00%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.		

Other Postemployment Benefits

General Overview of the Valuation Methodology

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

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. 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. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

There have been no changes in actuarial assumptions or methods since the prior valuation.

Medical Coverage – Retirees not Eligible for Medicare:

Claim experience for the period January 1, 2013, through February 28, 2015, was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 1,037 life years of exposure and was deemed to be 61% credible for medical claims and 86% credible

for prescription drug claims. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation.

Dental Coverage:

The dental rates are set to match projected costs. Based on a comparison of the recent dental claims plus fees, the dental rates are set at a level sufficient to cover projected costs. Retirees pay 100% of the budget rate for coverage. Therefore the cost for dental coverage was excluded from this valuation.

Determination of FY16 Accrual

Unfunded actuarial accrued liability at 7-1-15	\$ 82,401,626
Annual Required Contribution (ARC)	
Normal cost	\$ 5,333,895
Amortization of the unfunded actuarial accrued liability over 30 years	2,941,998
Interest	372,415
Annual Required Contribution for FY16	8,648,308
Interest on Net OPEB Obligation	2,521,137
ARC Amortization Adjustment	(2,090,293)
Annual OPEB Cost for FY16	\$ 9,079,152
Net OPEB Obligation, 7-1-15	\$ 56,024,345
Annual OPEB Cost for FY16	9,079,152
Less: Expected Employer Contributions	(2,324,123)
Net OPEB Obligation, 6-30-16	\$ 62,779,374

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-09	\$ 9,440,819	\$ 2,075,012	21.98%	\$ 25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532
6-30-11	6,407,408	1,715,955	26.78%	35,948,985
6-30-12	6,959,921	1,666,639	23.95%	41,242,267
6-30-13	6,604,080	2,038,220	30.86%	45,808,127
6-30-14	5,693,607	1,508,259	26.49%	49,993,475
6-30-15	8,197,078	2,166,208	26.43%	56,024,345
6-30-16	9,079,152	2,324,123	25.60%	62,779,374

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit

rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-09	\$ 0	\$ 82,955,662	\$ 82,955,662	0%	\$ 982,002,008	8.45%
6-30-10	0	67,830,737	67,830,737	0%	952,169,503	7.12%
6-30-11	0	59,649,743	59,649,743	0%	977,592,138	6.10%
6-30-12	0	64,638,969	64,638,969	0%	1,042,067,018	6.20%
6-30-13	0	60,220,957	60,220,957	0%	1,072,221,612	5.62%
6-30-14	0	53,499,094	53,499,094	0%	1,103,763,909	4.85%
6-30-15	0	73,704,015	73,704,015	0%	1,127,553,054	6.54%
6-30-16	0	82,401,626	82,401,626	0%	1,167,667,283	7.06%



The University of Arkansas System is a comprehensive, publicly-supported higher education system composed of unique institutions, units and divisions that share the singular goal of serving Arkansas residents and others by developing and sharing knowledge to impact an ever changing world. The System provides access to academic and professional education, and develops intellectual growth and cultural awareness in its students, staff and faculty. The System further promotes an atmosphere of excellence that honors the heritage and diversity of our state and nation, and provides students, researchers and professionals with tools to promote responsible stewardship of human, natural and financial resources at home and abroad.

Enrollment listed by campus are the preliminary official 11th-day headcounts as provided in September 2016 to the Arkansas Department of Higher Education for Fall 2016.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Established: 1871
Enrollment: 27,194
www.uark.edu

Founded in 1871, the University of Arkansas, Fayetteville (UAF) is the flagship institution of the University of Arkansas System. UAF is the state's foremost partner, resource and catalyst for education and economic development and is a university for the integration of student engagement, scholarship, research and innovation that collectively transforms lives and inspires leadership for a global society.

As Arkansas's first land-grant university, UAF has a mandate to teach, conduct research and perform outreach. The university offers baccalaureate, master's, doctoral, professional and specialist degree programs, including a Juris Doctor degree and a LL.M. in Agriculture and Food Law. The Carnegie Foundation for the Advancement of Teaching places UAF in its highest category for research activity, a classification shared by only two percent of universities nationwide. Research activity is a significant academic element at the university and an economic engine for the state.

UNIVERSITY OF ARKANSAS AT FORT SMITH

Established: 1928
Joined System: 2002
Enrollment: 6,597
www.uafr.edu

Originally established in 1928 as part of the local school system with college-parallel course offerings, the University of Arkansas at Fort Smith (UAFS) joined the UA System in 2002 and began transitioning from a two-year college to a four-year regional university.

With a mission and vision to connect education with careers and a focus on preparing students to succeed in an ever-changing global world while advancing economic development and quality of place, UAFS is renewing the focus on workforce development. Students are being prepared for careers in the "real world" traditional and cutting-edge technological fields such as robotics, information science technology, and cyber security. New degrees, such as a program focusing on the latest relational database management systems, are being developed to keep pace with changing business and industry needs.

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Established: 1927
Joined system: 1969
Enrollment: 11,710
www.ualr.edu

The University of Arkansas at Little Rock (UALR), located in the state's capital city, offers a comprehensive academic experience at the baccalaureate, master's and doctoral levels; innovative research opportunities; a quality faculty educated from around the world; and a rich student life experience with athletics, housing, study abroad, Greek life and service learning.

From high school students and traditional residential and graduate degree seekers, to mid-life adults and senior citizens, UALR fulfills one of the state's greatest

needs by educating more college graduates. UALR's faculty and staff in programs such as the Academic Success Center and the Mentoring Network provide students with extra help to be successful.

UALR has been selected by the Carnegie Foundation for the Advancement of Teaching for the Community Engagement classification – the only institution in Arkansas in this category. The university is widely recognized for its involvement in community issues such as race and ethnicity, criminal justice and pre-kindergarten to 12th grade education. UALR students, faculty and staff are actively involved in service-learning activities around the state through partnerships with the Clinton School of Public Service and the Shepherd Higher Education Consortium on Poverty.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Established: 1879

Enrollment: 2,869

www.uams.edu and www.uamshealth.com

The University of Arkansas for Medical Sciences in Little Rock (UAMS) is the only academic health sciences university in Arkansas. It is the state's largest public employer with more than 10,000 employees in 73 of the state's 75 counties. Clinical affiliates include Arkansas Children's Hospital and the Central Arkansas Veterans Healthcare System.

With its combination of education, research and clinical programs, UAMS has a unique capacity to lead health care improvement in the state. Its assets include The University Hospital of Arkansas, regional programs (including Tele-education, Rural Hospital Program, and Area Health Education Centers located throughout the state), the Translational Research Institute, the Winthrop P. Rockefeller Cancer Institute, the Jackson T. Stephens Spine & Neurosciences Institute, the Donald W. Reynolds Institute on Aging, the Harvey & Bernice Jones Eye Institute, the Psychiatric Research Institute and the Myeloma Institute for Research & Therapy.

UNIVERSITY OF ARKANSAS AT MONTICELLO

Established: 1909

Joined System: 1971

Enrollment: 3,925

www.uamont.edu

Founded in 1909 as the Fourth District Agricultural School, the University of Arkansas at Monticello (UAM) is one of the region's few remaining open admissions universities. Serving southeast Arkansas, UAM offers baccalaureate and master's degree programs, as well as two-year associate degrees, technical certificates and certificates of proficiency. Colleges of Technology are located in Crossett and McGehee.

UAM has established a reputation for academic excellence in areas such as forestry, nursing, teacher education, pre-medicine, health-related sciences, business and social science. The university is home to the Arkansas Forest Resources Center, the Southeast Agriculture Research and Extension Center, and one of the South's top exercise physiology laboratories.

UAM has also added a program in spatial information systems, popular programs in social work and criminal justice, a fast-track master's degree program to place more teachers in the classroom, an online master's degree program in Physical Education and Coaching, a Master of Fine Arts in Creative Writing, and an online Master of Music in Jazz Studies.

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Established: 1873

Joined System: 1972

Enrollment: 2,821

www.uapb.edu

An 1890 land-grant institution, the University of Arkansas at Pine Bluff (UAPB) is the second-oldest university and the only public historically black university in Arkansas. Though the main campus is in Pine Bluff, its reach is worldwide. With the addition of the Arkansas Research and Education Optical Network (ARE-ON) students can

engage in information exchange with others anywhere in the world. Since its establishment, the institution has worked to create an environment that inculcates learning, growth and productivity.

UAPB offers undergraduate programs, master's degree programs, and a PhD program in Aquaculture & Fisheries, one of the country's leading programs in aquaculture and fisheries. The master's degree program in Computer Science and Technology offers the contemporary option of cyber security. The university's bachelor degree program in regulatory science and master's degree program in agricultural regulations are designated as Centers of Excellence by the U.S. Department of Agriculture. Other areas of emphasis at UAPB include teacher education, minority business development, student leadership development, and its Science, Technology, Engineering and Math (STEM) Academy.

UAPB research and extension programs support economic development in Arkansas by identifying solutions to problems faced by Arkansas aquaculture growers. Arkansas is the second-leading aquaculture producing state in the U.S., and aquaculture is the leading economic activity in several counties in Arkansas.

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1975
Joined System: 2001
Enrollment: 1,519
www.cccua.edu

Cossatot Community College of the University of Arkansas (CCCUA) is located in De Queen with classroom sites in Nashville, Ashdown, Lockesburg, Dierks and Foreman. In 2015 the financial website Wallet Hub ranked UA Cossatot the 48th best community college in the United States. The college offers both technical certification and associate's degrees and collaborates with other colleges and universities to offer bachelor's and master's degrees. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, CCCUA is the only community college in the state supported by sales taxes in three separate counties and one city, and has the highest percentage of Hispanic students in Arkansas.

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1964
Joined system: 1996
Enrollment: 1,755
www.pccua.edu

The first community college established in Arkansas, Phillips Community College of the University of Arkansas (PCCUA) is a multi-campus, two-year college serving Eastern Arkansas. Students are offered academic, occupational/technical and continuing education programs. PCCUA has campuses in DeWitt, Helena-W. Helena and Stuttgart.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Established: 1975
Joined System: 1997
Enrollment: 1,347
www.uaccb.edu

The University of Arkansas Community College at Batesville (UACCB) serves a multi-county area in north central Arkansas, offering associate degrees, technical certificates, certificates of proficiency, adult education (GED and ESL) and kids' college. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the campus has expanded program offerings and student services in order to meet its student-focused mission. Supported by an Independence County sales tax, UACCB provides affordable access to technical education and college transfer programs that meet the diverse higher education needs of the citizens of Arkansas.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Year Established: 1965
Joined System: 1996
Enrollment: 1,531
www.uacch.edu

Serving Southwest Arkansas, the University of Arkansas Community College at Hope (UACCH) offers the first two years of a traditional college education transferable to a four-year university, as well as an array of certificate programs to prepare students for

an ever-changing workforce. UACCH is an accredited, open-access institution that connects students and community partners to quality education and supports a culture of academic, occupational, personal growth and enrichment programs throughout Southwest Arkansas. UACCH is supported by a Hempstead County sales tax.

With the opening of UACCH-Texarkana Instructional Facility in 2012, UACCH became better prepared to be a regional contributor to the educational needs of southwest Arkansas, and has enabled the College to expand programs in both the technical and industrial areas, as well as the health professions. Through a partnership with the University of Arkansas at Little Rock (UALR), students are able to complete bachelor degrees.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Established: 1961
Joined system: 2001
Enrollment: 2, 032
www.uaccm.edu

The University of Arkansas Community College at Morrilton (UACCM) is a two-year institution offering university-transfer and career-specific training programs, adult education, workforce education and community outreach programs. UACCM offers associate of arts and associate of science degrees designed for university transfer, as well as associate of applied science degrees, technical certificates and certificates of proficiency designed for immediate entry into the job market. UACCM is supported by a Conway County sales tax.

UACCM has university partnerships to allow completion of bachelor's degrees with students taking most of their classes on the campus or online.

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES AND THE ARTS

Established: 1993
Joined System: 2004
asmsa.org

The Arkansas School for Mathematics, Sciences and the Arts (ASMSA) is the state's premier public high school focusing on excellence in mathematics,

science and the arts. Located in historic downtown Hot Springs, ASMSA is one of sixteen residential high schools in the country specializing in the education of gifted and talented students who have an interest and aptitude for advanced careers in mathematics and science. All classes are taught at the college level, and the school offers courses for college credit. Each year, ASMSA further cultivates the talents of bright students, many of whom begin college at the sophomore level.

Beyond the residential experience, ASMSA's outreach programs provide Saturday enrichment opportunities for motivated middle and early high school students. Digital learning programs like the Global Languages and Shared Societies (GLASS) Initiative and Arkansas STEM Pathways provide online instruction for students whose local school districts lack the resources for advanced instruction.

UNIVERSITY OF ARKANSAS CLINTON SCHOOL OF PUBLIC SERVICE

Established: 2004
www.clintonschool.uasys.edu

Located on the grounds of the William J. Clinton Presidential Center and Park in Little Rock, the University of Arkansas Clinton School of Public Service is the first graduate school in the nation to offer a Master of Public Service (MPS) degree, helping students further their careers in the areas of government, non-profit, volunteer and private sector service. As part of the school's unique curriculum, students complete hands-on public service projects, including local work in Arkansas communities and international projects across the world. The school also hosts a renowned public lecture series, featuring leaders in government, politics, foreign policy, journalism and philanthropy.

The model is unique in higher education because most of the school's financial investment is in scholarship and service and not in infrastructure and overhead. Little Rock's River Market serves as its student union. The Central Arkansas Main Library is the school library. When there is a need for auditorium space, the school accesses the Clinton Library, the Statehouse Convention Center or the Ron Robinson Theater--all of which are in walking distance.

The school's curriculum is enhanced with a national and international speaker series (www.clintonschoolspeakers.com) which brings in leaders

and scholars from the arts, business, education, government, international development, nonprofits, philanthropy and public service and are free and open to the public. The speakers have included United States presidents and ambassadors, Pulitzer Prize recipients, and Nobel Prize winners.

DIVISION OF AGRICULTURE

Established: 1959

www.division.uaex.edu

The University of Arkansas System Division of Agriculture is the statewide research and extension agency serving Arkansas agriculture, communities, families and youth. The mission of the division is to discover new knowledge, incorporate it into practical applications and assist Arkansans in its application. The division is comprised of two principal units: the Agriculture Experiment Station and the Cooperative Extension Service. Division faculty and facilities are located on several university campuses, at regional research and extension centers, branch stations and other locations. An extension office is located in each county in cooperation with county governments.

The Division of Agriculture has earned patents in a variety of research programs in food science, biological and agricultural engineering, poultry science, crop, soil, and environmental sciences, and the Rice Research and Extension Center. Volunteers are an extremely important component of delivering Extension programs, particularly in 4-H, Extension Homemakers and Master Gardeners.

ARKANSAS ARCHEOLOGICAL SURVEY

Established: 1967

www.uark.edu/campus-resources/archinfo/

The mission of the Arkansas Archeological Survey is to study and protect the 13,000-year archeological heritage of Arkansas, to preserve and manage information and collections from archeological sites, and to communicate what is learned to the people of the state. The survey has research stations across the state, each with a full-time Ph.D. archeologist associated with regional higher education institutions and state parks.

The archeologists conduct research, assist other state and federal agencies to help promote the economic importance of the state's heritage resources, and are available to local officials, landowners, educators and students, and citizens in need of information about archeology or archeological sites.

Arkansas Archeological Survey databases contain information on more than 48,000 archeological sites and 8,000 projects, available to qualified professional archeologists at state and federal agencies, colleges and universities, and federally recognized tribes. The Survey's curation facility, managed jointly with the University of Arkansas Museum, provides a secure, state-of-the-art home for both Survey and University artifact collections. Students and teachers across Arkansas use the Survey's educational websites to learn about our state's prehistoric and historic cultural heritage.

CRIMINAL JUSTICE INSTITUTE

Established: 1988

www.cji.edu

The Criminal Justice Institute (CJI) is a campus of the University of Arkansas System that serves a unique population of non-traditional students—certified law enforcement professionals who are actively employed within the state's law enforcement organizations. The Institute is committed to making communities safer by supporting law enforcement professionals through training, education, resources and collaborative partnerships.

Utilizing both online learning opportunities and classroom-based instruction, CJI provides an educational experience designed to enhance the performance and professionalism of law enforcement in progressive areas of policing, including law enforcement leadership and management, forensic sciences, computer technologies and related crimes, traffic safety, illicit drug investigations and school safety. In addition, the Institute develops and delivers curriculum in cyberterrorism and sexual assault management and investigation through the National Center for Rural Law Enforcement (NCRLE), a division of CJI committed to helping rural law enforcement agencies effectively combat crime in their communities.

UNIVERSITY OF ARKANSAS SYSTEM eVERSITY

Established: 2016

<http://eversity.uasys.edu>

The University of Arkansas System eVersity is a 100% percent-online institution created by the UA Board of Trustees in March 2014 to serve students who are unable to access traditional higher education campuses. The core principles of the institution include providing high-quality courses, affordable tuition and workforce-relevant degree programs, along with promoting student success in programs. eVersity began offering classes in partnership with existing UA System institutions in the spring of 2016.

Faculty from across the UA System develop and deliver rigorous certificate and degree programs that utilize rich data analytics to enhance student success and achievement.

UNIVERSITY OF ARKANSAS SYSTEM ADMINISTRATION

www.uasys.edu

The System Administration carries out the governance and administration of the University of Arkansas System in accordance with policies of the Board and the President.

General Administration includes the activities that further efforts to meet the goals of the strategic plan for the UA System and to achieve the comprehensive mission of the UA System. In this capacity, the System Office provides the oversight and development of policies and procedures to assist the campuses and units; provides oversight of the preparation of annual operating budgets and financial reports to the Board; prepares the consolidated annual financial statement; administers a program of employee benefits and risk management; provides legal advice and representation; provides internal audits and risk assessments of the fiscal operations of the campuses and entities; and coordinates public relations, media and governmental relations activities on behalf of the System, campuses and entities. The System Office further provides administrative staff support for the Board and President.

Academic Affairs/E-learning advises and assists the institutions to provide academic support services to the campuses concerning academic coursework, student success initiatives, and professional development support for faculty; coordinate and support online learning initiatives; and track appropriate and effective quality enhancement measures. Academic Affairs provides leadership and guidance to assist campuses and entities to meet statewide goals in student retention and graduation.



UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Joseph E. Steinmetz, *Chancellor*

Tim O'Donnell, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS AT FORT SMITH

Paul Beran, *Chancellor*

Brad Sheriff, *Vice Chancellor for Finance*

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Joel E. Anderson, *Chancellor*

Steve McClellan, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS AT MONTICELLO

Karla Hughes, *Chancellor*

Jay Jones, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Daniel W. Rahn, *Chancellor*

William R. Bowes, *Vice Chancellor for Finance & Chief Financial Officer*

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Laurence Alexander, *Chancellor*

Carla Martin, *Vice Chancellor for Finance and Administration*

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Steve Cole, *Chancellor*

Charlotte Johnson, *Vice Chancellor for Business and Financial Services*

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

E. Keith Pinchback, *Chancellor*

Stan Sullivant, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Deborah J. Frazier, *Chancellor*

Gayle Cooper, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Chris Thomason, *Chancellor*

Belinda Aaron, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Larry D. Davis, *Chancellor*

Lisa Gunderman-Willenberg, *Vice Chancellor for Finance*

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES & THE ARTS

Corey Alderdice, *Director*

Ashley Smith, *Director of Finance*

UNIVERSITY OF ARKANSAS SYSTEM eVERSITY

Michael Moore, *Chief Academic Officer*

THIS REPORT WAS PREPARED BY THE OFFICE OF THE VICE PRESIDENT FOR FINANCE
AND IS AVAILABLE ON THE UNIVERSITY OF ARKANSAS SYSTEM'S WEBSITE AT WWW.UASYS.EDU