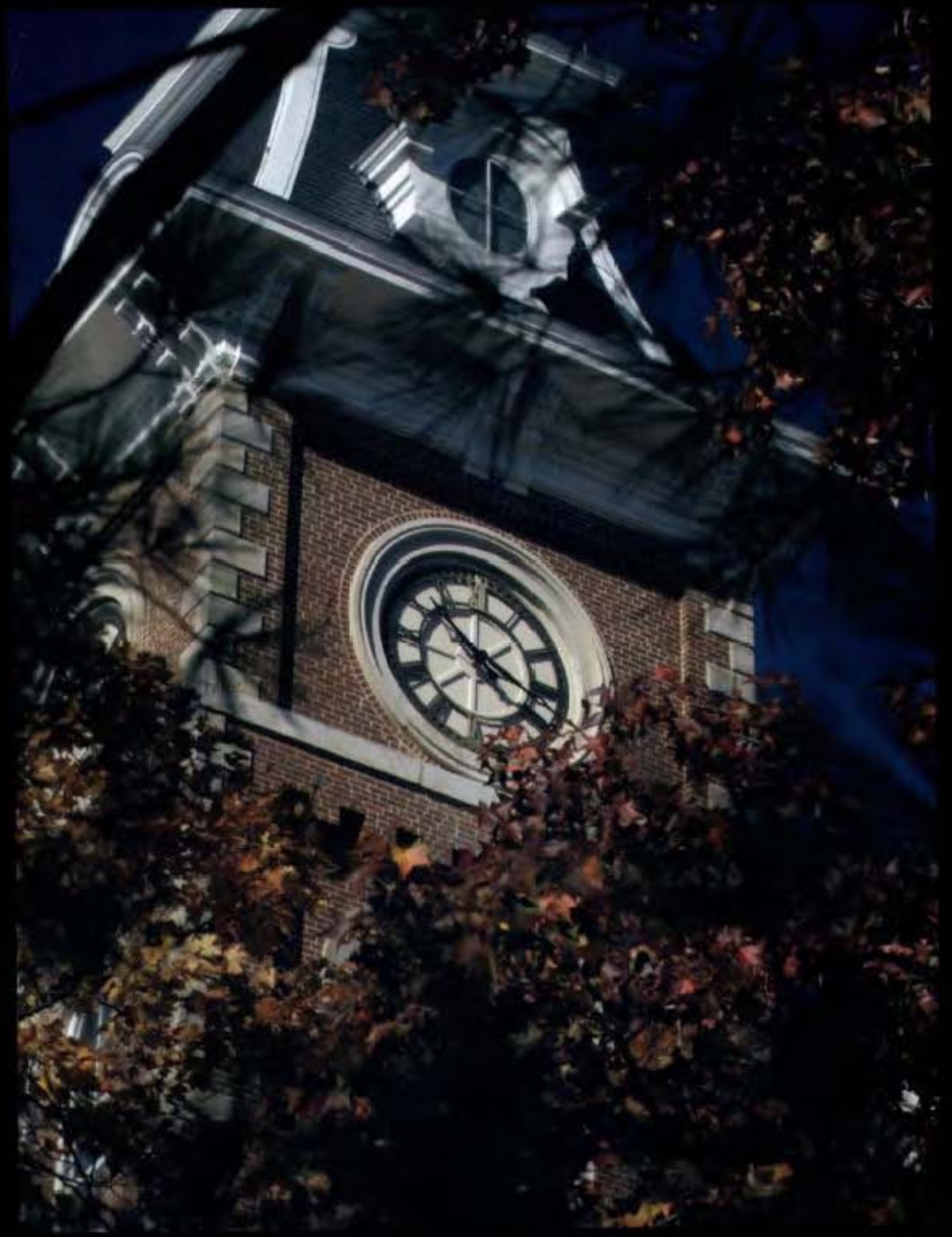


University of Arkansas

Annual Financial Report

2005 - 2006


UNIVERSITY OF ARKANSAS
1871
VERITATE DUCE PROGREDI

UNIVERSITY OF ARKANSAS
VERITATE DUCE PROGREDI
1871

Table of Contents

Presentation Letter	3
Financial Highlights	4
Enrollment Data	8
Independent Auditor's Report	13
Management Discussion and Analysis	14
Statement of Net Assets	24
Statement of Revenue, Expenses, and Changes in Net Assets	26
Statement of Cash Flows	28
Component Unit Schedules	30
Notes to Financial Statements	40

On the cover:
Old Main Clock Tower—University Relations

UNIVERSITY of ARKANSAS
1871

Vice Chancellor for Finance and Administration

406 Administration Building
Fayetteville, Arkansas 72701
(479) 575-5828
Fax: (479) 575-5400

November 16, 2006

Dr. John A. White
Chancellor
University of Arkansas
Fayetteville, AR 72701

Dear Chancellor White:

It is my pleasure to present the annual Financial Report of the University of Arkansas, for the year ended June 30, 2006.

This report has been prepared in conformity with generally accepted accounting principles established by the American Institute of Certified Public Accountants. The Division of Legislative Audit of the Legislative Joint Auditing Committee of the State of Arkansas has examined this report and their opinion is included.

Sincerely,

D. O. Pederson

D. O. Pederson
Vice Chancellor for Finance and Administration

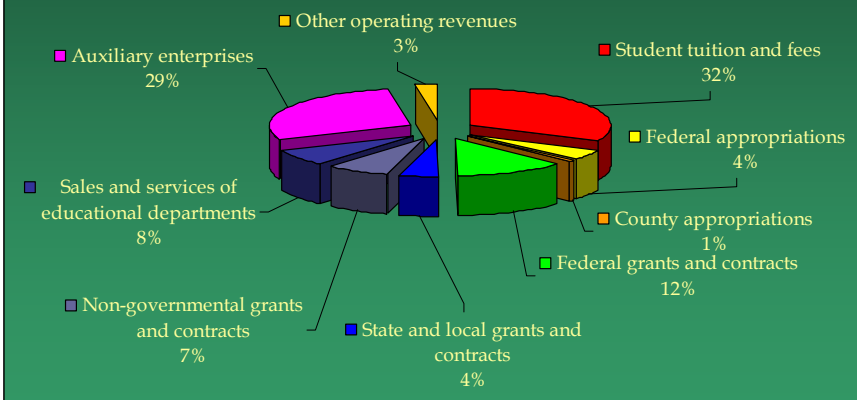
FISCAL YEAR 2006 OPERATING REVENUES

Student tuition and fees	83,632,334
Federal appropriations	11,434,331
County appropriations	2,638,568
Federal grants and contracts	32,273,808
State and local grants and contracts	11,718,805
Non-governmental grants and contracts	18,970,731
Sales and services of educational departments	19,718,657
Auxiliary enterprises	74,671,454
Other operating revenues	6,608,489
Total operating revenues	261,667,177

FISCAL YEAR 2006 NONOPERATING REVENUES

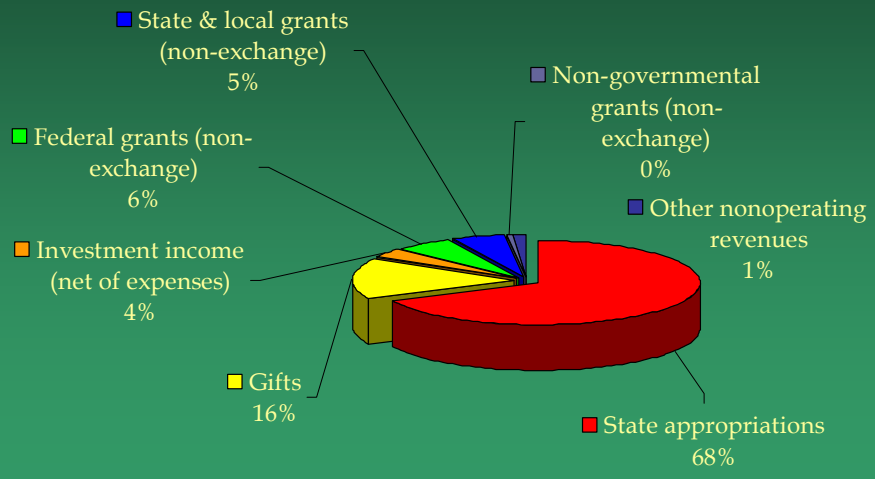
State appropriations	173,235,795
Gifts	39,917,256
Investment income (net of expenses)	9,425,173
Federal grants (non-exchange)	14,915,475
State & local grants (non-exchange)	13,403,594
Non-governmental grants (non-exchange)	1,099,331
Other nonoperating revenues	3,649,185
Total nonoperating revenues	255,645,809

Fiscal Year 2006 Operating Revenues



- Student tuition and fees
- Federal appropriations
- County appropriations
- Federal grants and contracts
- State and local grants and contracts
- Non-governmental grants and contracts
- Sales and services of educational departments
- Auxiliary enterprises
- Other operating revenues

Fiscal Year 2006 Nonoperating Revenues



- State appropriations
- Gifts
- Investment income (net of expenses)
- Federal grants (non-exchange)
- State & local grants (non-exchange)
- Non-governmental grants (non-exchange)
- Other nonoperating revenues

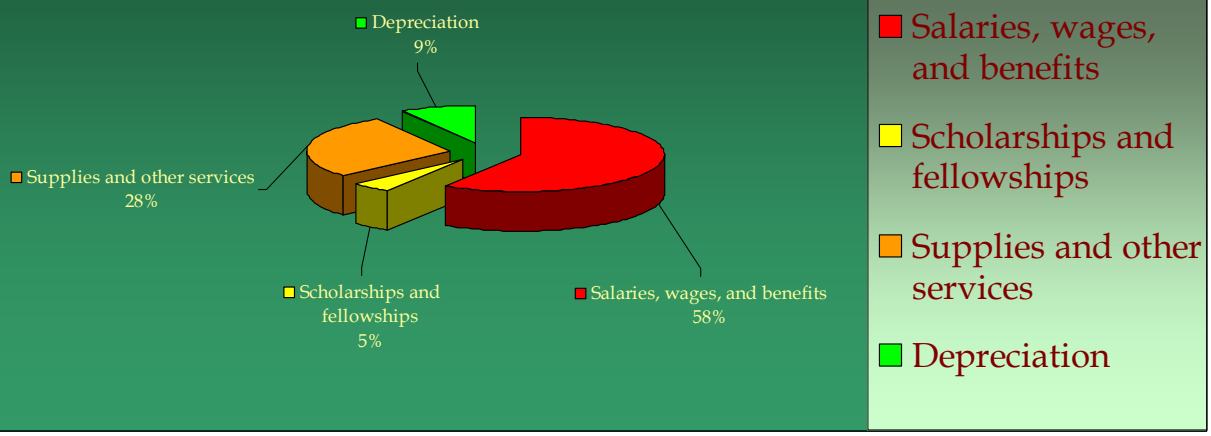
FISCAL YEAR 2006 OPERATING EXPENSES BY NATURAL CLASSIFICATION

Salaries, wages, and benefits	301,365,276
Scholarships and fellowships	23,380,916
Supplies and other services	143,328,057
Depreciation	44,003,342
Total operating expenses	512,077,591

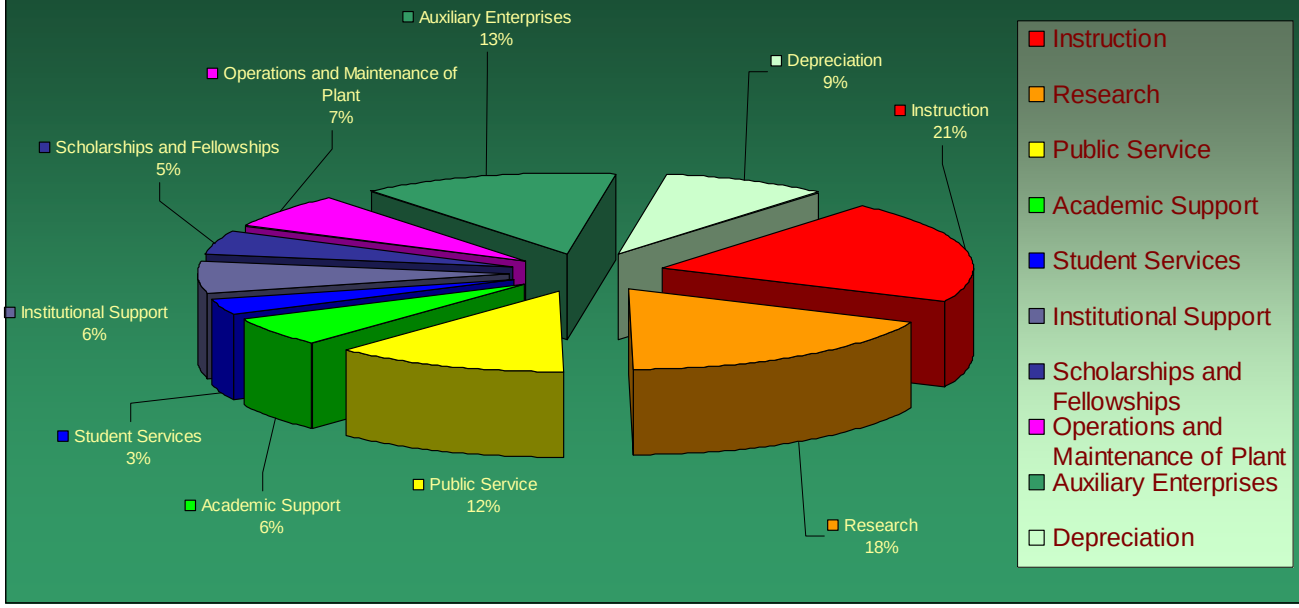
FISCAL YEAR 2006 OPERATING EXPENSES BY FUNCTION

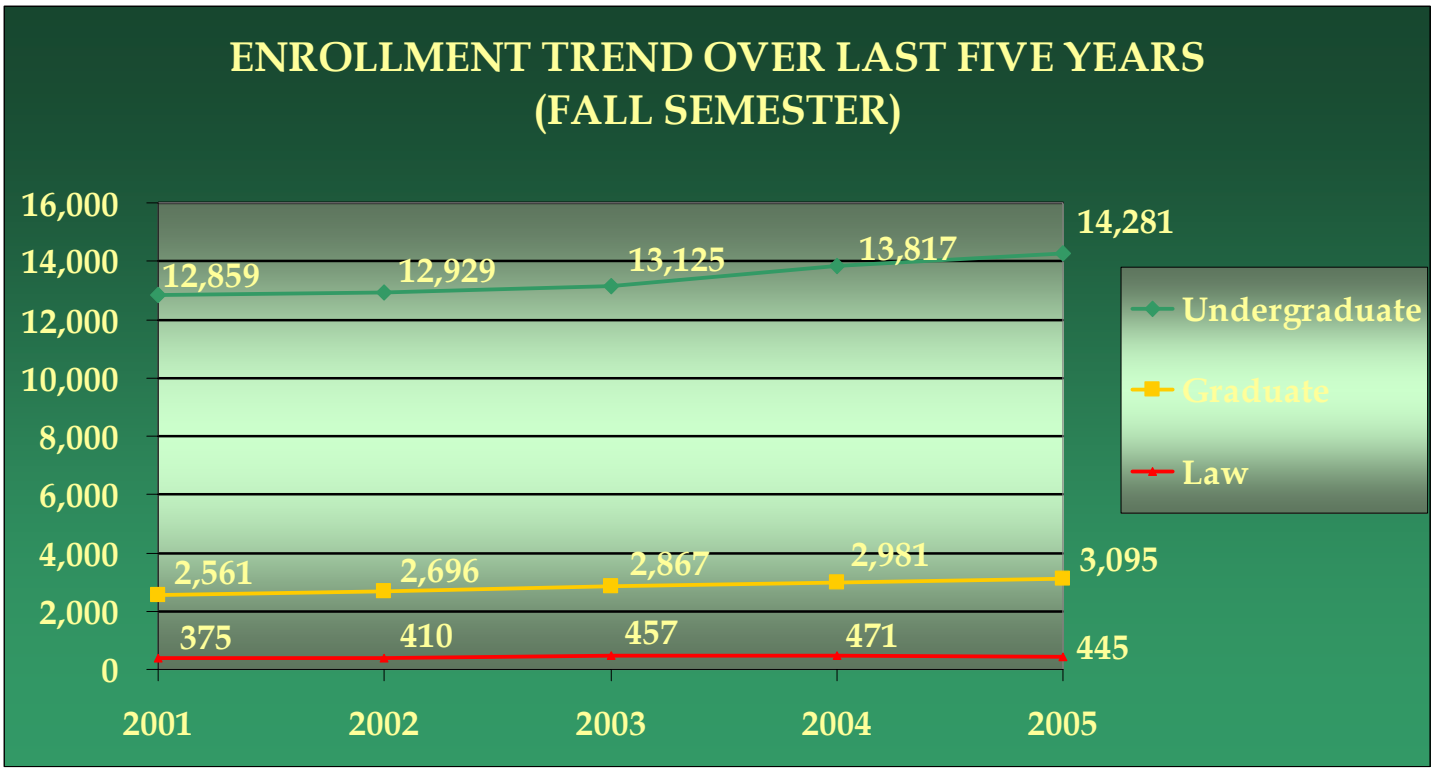
Instruction	106,277,585
Research	91,730,845
Public Service	62,655,972
Academic Support	29,742,517
Student Services	17,406,035
Institutional Support	31,536,008
Scholarships and Fellowships	24,735,217
Operations and Maintenance of Plant	35,034,869
Auxiliary Enterprises	68,955,201
Depreciation	44,003,342
Total	512,077,591

Fiscal Year 2006 Operating Expenses by Natural Classification

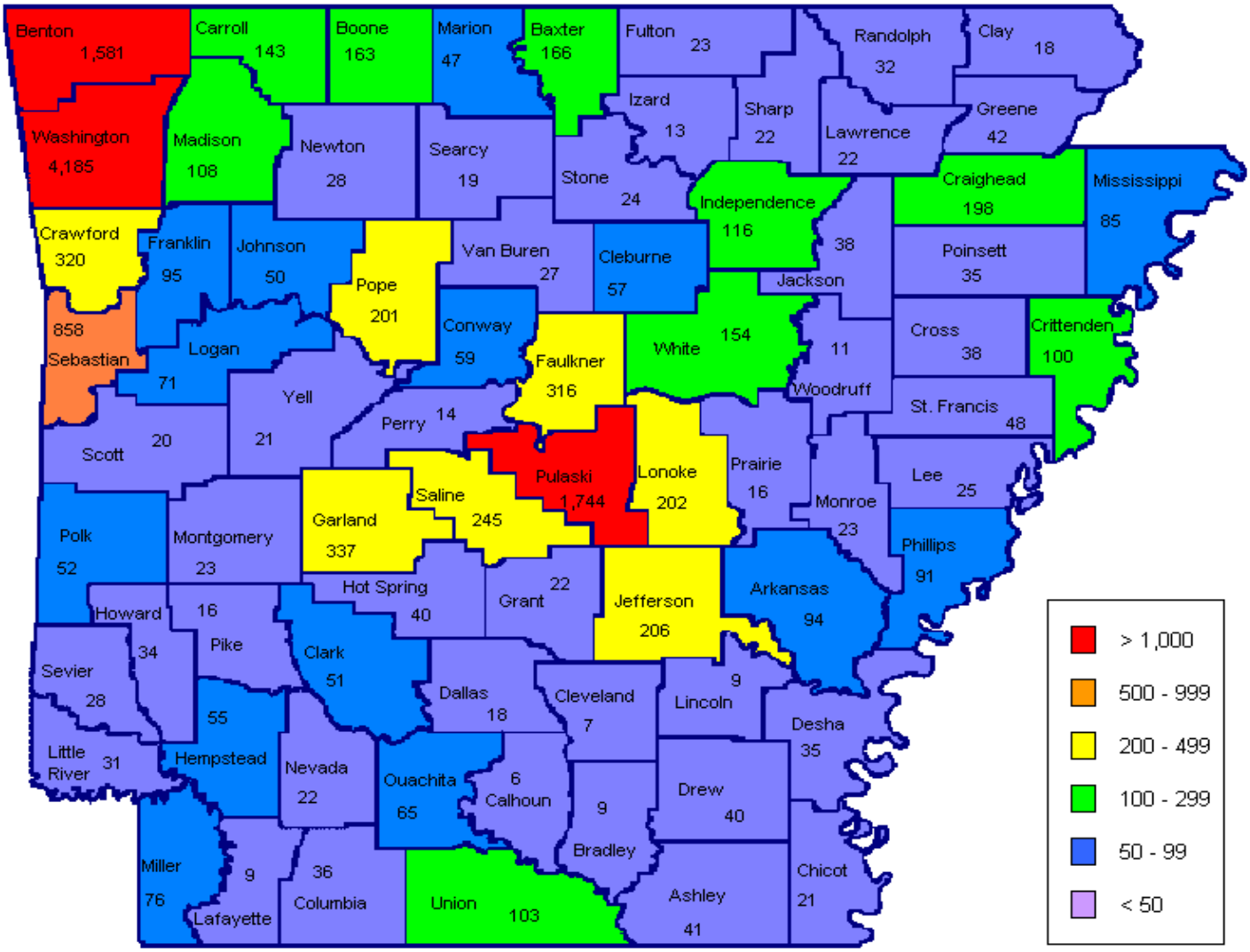


Fiscal Year 2006 Operating Expenses by Function

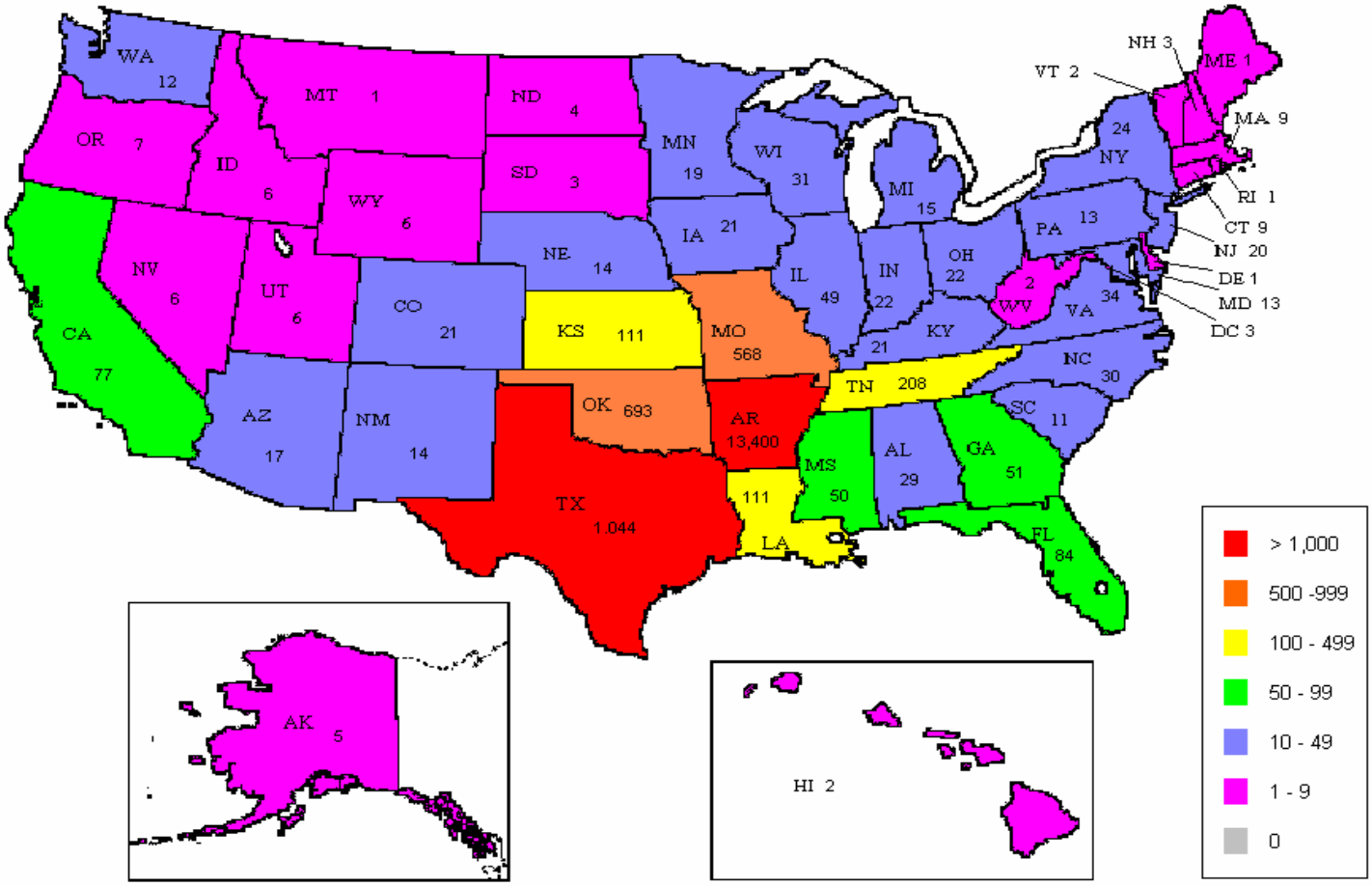



ENROLLMENT TREND OVER LAST FIVE YEARS
(FALL SEMESTER)
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
12,859
12,929
13,125
13,817
14,281
2,561
2,696
2,867
2,981
3,095
375
410
457
471
445
2001
2002
2003
2004
2005
Undergraduate
Graduate
Law

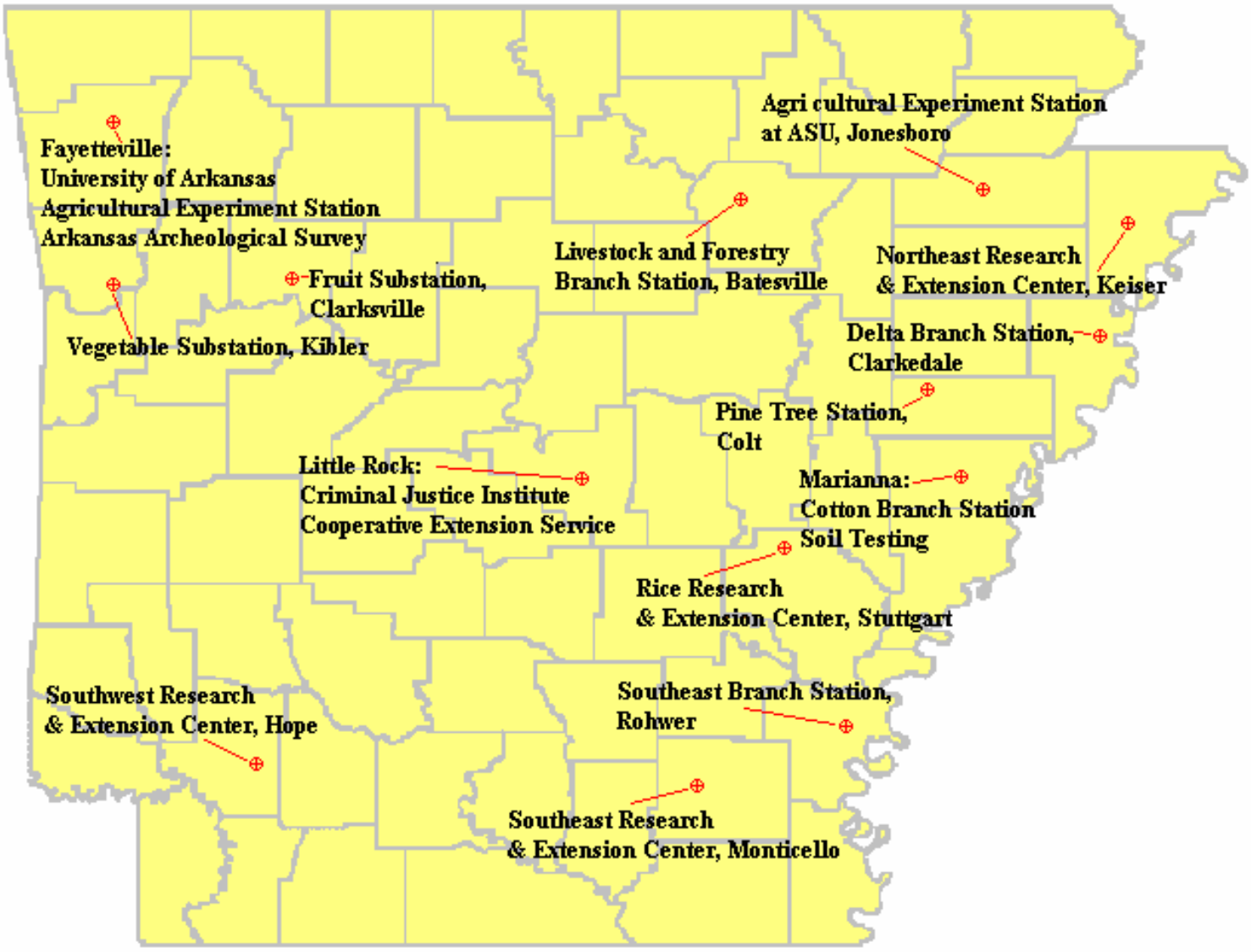
IN-STATE UNDERGRADUATE ENROLLMENT
BY COUNTY OF ORIGIN



UNDERGRADUATE ENROLLMENT BY STATE



UNIVERSITY OF ARKANSAS, FAYETTEVILLE LOCATION AND LOCATIONS OF OTHER DIVISION SITES



In addition, there are Cooperative Extension Service offices in each of the 75 counties in the State of Arkansas. There are also various Archeological Survey sites throughout the State.


UNIVERSITY
of ARKANSAS
1871
®

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas

Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

University of Arkansas, Fayetteville
Legislative Joint Auditing Committee

We have audited the accompanying basic financial statements of the University of Arkansas, Fayetteville (Institution), an Institution of Higher Education of the State of Arkansas, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Institution's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., The Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas Fayetteville Campus Foundation, Inc., The Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., is based 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 of material misstatement. The financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., The Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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 University of Arkansas, Fayetteville and of its aggregate discretely presented component units as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
November 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Report

The financial report of the University of Arkansas, Fayetteville consists of: Management's Discussion and Analysis, Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, Component Units Statements, and Notes to the Financial Statements.

This report provides short-term and long-term information on the University of Arkansas, Fayetteville. Management prepared this discussion and analysis, the financial statements, and the related footnote disclosures.

This financial report has been prepared using the accrual basis of accounting, which is consistent with the accounting method used by private-sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

This portion of the University's Financial Report, Management's Discussion and Analysis, provides an overview of and is limited to the financial activities for the year ended June 30, 2006. Information included for the prior year is provided for purposes of comparison and any analysis of the prior year amounts should be done using the complete financial statements for the prior year.

Financial Highlights

Overall, the University's revenues, expenditures, and net assets grew at a healthy rate during the fiscal year ended June 30, 2006. Operating revenues increased by 10.2% in fiscal year 2006 over fiscal year 2005. Operating expenses increased by 9.4% and total net assets grew by 7.6%

The University has identified three foundations as component units. The foundations determined to be component units are: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. As component units, their financial information is included in our financial report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* Additional information concerning this reporting requirement is provided in Note 1 "Summary of Significant Accounting Policies", under "Component Units" in the Notes to the Financial Statements.

Note 16 to the Financial Statements refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 59.2% of the nets assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Statement of Net Assets

The Statement of Net Assets reports all financial and capital resources of the University. This statement is presented such that assets less liabilities equal net assets. Assets and liabilities are presented in the order of their relative liquidity. In addition, assets and liabilities are reported as current and noncurrent. Current assets are those assets that can be realized, with relative ease, such as cash, in the coming year. 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.

Net Assets are presented in four categories: Invested in Capital Assets, Restricted and Nonexpendable, Restricted and Expendable, and Unrestricted Net Assets. Net Assets Invested in Capital Assets are reported net of both depreciation and related debt. Restricted and Nonexpendable Net Assets are required to be retained in perpetuity (endowments). Restricted and Expendable Net Assets have constraints placed on their use by external entities (grantors, contractors, and capital appropriations). Unrestricted Net Assets consist of all other net assets that do not meet the definition of Invested in Capital Assets or Restricted Net Assets and are available for management to use as deemed appropriate.

The following summarizes the University's assets, liabilities, and net assets as of June 30, 2006, and June 30, 2005:

Assets	As of June 30, 2006	As of June 30, 2005
Current Assets	$ 74,564,373	$ 138,590,677
Capital Assets, net of depreciation	632,780,417	540,660,319
Other Noncurrent Assets	248,659,572	154,473,888
Total Assets	$ 956,004,362	$ 833,724,884
Liabilities		
Current Liabilities	$ 66,935,473	$ 51,294,240
Noncurrent Liabilities	333,833,882	266,546,506
Total Liabilities	$ 400,769,355	$ 317,840,746
Net Assets		
Invested in Capital Assets, net of related debt	$ 380,440,851	$ 330,465,771
Restricted – Nonexpendable	16,597,898	17,551,711
Restricted – Expendable	67,918,608	65,557,639
Unrestricted	90,277,650	102,309,017
Total Net Assets	$ 555,235,007	$ 515,884,138

The overall decrease in Current Assets is almost entirely the result of the reclassification of deposits with bond trustees. Management determined that these deposits should be

classified as Noncurrent Assets since they are to be used for the purchase or construction of capital assets. The balance of cash and cash equivalents decreased by $3,759,648 from June 30, 2005 to June 30, 2006 due in large part to timing issues, and management's policy of maximizing investment holdings and minimizing idle cash on hand. Other changes in the items included in Current Assets are insignificant.

The increase in Capital Assets, net of depreciation, is the result of the University acquiring capital assets at a rate greater than these assets are disposed of or depreciated. The section "Significant Changes in Capital Assets and Long Term Debt Activity" below and Note 12 "Property, Plant and Equipment" in the Notes to Financial Statements provide additional detail concerning these assets.

The increase in Other Noncurrent Assets of $94,185,684 can be explained by the University's issuance of $75,625,000 of new bonds during fiscal year 2006, and the reclassification of remaining deposits with trustees from prior bond issues. At June 30, 2006, there was approximately $65,000,000 of proceeds from the Series 2006 bonds remaining and approximately $22,000,000 of prior bond issue proceeds reclassified from Current Assets to Noncurrent Assets. Overall long-term investments increased by $7,596,538, or 5.4%, due in large part to the reasons mentioned above explaining the decrease in the balance of cash and cash equivalents. There were no significant changes in Other Non-Current Assets.

Current Liabilities are up by $15,641,233. One reason for this increase relates to an increase of $6,771,385 in accounts payable and accrued liabilities relating to major construction projects in progress at June 30, 2006. Also, deferred revenue increased by $5,732,209 due mainly to an increase in the value of football ticket sales for the Fall 2006 season. Other current liabilities were virtually unchanged.

Noncurrent Liabilities are up as the result of the assumption of additional long-term debt in the form of new bonds issued during the year. There were no significant changes in the other items that comprise these liabilities.

Net Assets Invested in Capital Assets is reported net of both depreciation and of related debt. Like Capital Assets discussed above, additional information concerning Net Assets Invested in Capital Assets is provided in the section "Significant Changes in Capital Assets and Long Term Debt Activity" below and Note 12, "Property, Plant and Equipment," of the Notes to Financial Statements. The increase in Net Assets Invested in Capital Assets is the result of the University acquiring these assets from non-debt sources at a rate greater than these assets are being disposed of or depreciated (used).

Net Assets Restricted – Nonexpendable are also known as endowment fund assets. The decrease in Net Assets Restricted – Nonexpendable is the result of a variety of factors and cannot be attributed to any specific circumstances. The increase in Net Assets Restricted – Expendable is due primarily to an increase in the amount of funds restricted for research expenses of $6,431,782, and an increase in the amount restricted for debt service of $1,155,290, coupled with decreases in the amounts restricted for capital

projects of $4,924,461 and for institutional department uses of $1,977,705. Net Assets Restricted – Expendable for research increased due to an increase in research activity and the related increase in the amount of unreimbursed research expenses. The increase in the amount of Net Assets Restricted for debt service was due to an amount set aside from the proceeds from the newly issued various facilities revenue bonds for capitalized interest. Decreases in the amounts restricted for capital projects and for institutional department uses are a result of management decisions to increase the amount of capital project construction, and to fund additional programs.

The University of Arkansas, Fayetteville Campus is responsible for the decrease in Unrestricted Net Assets. All of the other units of the University of Arkansas Fund had increases in Unrestricted Net Assets or experienced only minor decreases. The Fayetteville Campus has intentionally spent unrestricted funds at a rate greater than the revenues realized as a policy of requiring more effective use of funds on a timely basis. Unrestricted Net Assets are owned by the units of the University of Arkansas Fund as follows:

	As of June 30, 2006	As of June 30, 2005
Fayetteville Campus	$ 57,910,290	$ 70,174,126
Agricultural Experiment Station	19,533,755	21,380,401
Cooperative Extension Service	9,880,408	8,368,759
Arkansas Archeological Survey	146,171	198,697
Criminal Justice Institute	1,985,501	1,823,884
Clinton School of Public Service	821,525	363,150
Total Unrestricted Net Assets	$ 90,277,650	$ 102,309,017

The Unrestricted Net Assets for the Fayetteville Campus are allocated as follows:

	As of June 30, 2006	As of June 30, 2005
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	5,556,798	17,324,380
Service Operations	2,545,725	2,494,944
Auxiliaries	6,730,959	3,742,523
Plant Funds	23,397,713	28,316,777
Quasi-Endowment Funds	18,929,095	17,545,502
Total Fayetteville Campus Unrestricted Net Assets	$ 57,910,290	$ 70,174,126

In Plant Funds, $18,554,874 is allocated to a non-mandatory bond sinking fund. The University is authorized to issue bonds for capital expenditures with the interest paid on the bonds exempt from federal and state income taxes (tax exempt municipal bonds) for the bond buyers. The University also has the authority to invest unrestricted net assets any way deemed appropriate. This non-mandatory bond sinking fund is the accumulation of assets resulting from the University having budgeted or accumulated funds for capital

expenditures, but instead borrowed with tax-exempt bonds for these expenditures, and invested the accumulated funds. In this process, the University realizes investment income in excess of interest expenses for the difference between the yield for taxable corporate or government bonds and tax-exempt municipal bonds. This bond sinking fund is used to pay the principal amounts due on these bonds. Reducing the Fayetteville Campus net assets by this non-mandatory bond sinking fund leaves Unrestricted net assets of $39,355,416.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets is the operating statement for the University and provides an Operating income (loss) amount. The Operating Loss of $250,410,414 is of little significance for the University of Arkansas, Fayetteville since accounting standards require a significant portion of our revenues (State appropriations, gifts, investment income, and some grants and contracts) to be reported as Nonoperating revenue.

Two other numbers on this operating statement, Loss before other revenues and changes in net assets of ($4,262,843), and Increase in net assets of $39,350,869 are much more useful indicators of the University's financial health and management's effectiveness. Increases in these numbers over time indicate the University's financial health is improving, though campus needs may not be met and may have long term negative consequences. Conversely, decreases in these numbers over time indicate deteriorating financial health, while additional campus needs are met as operational investments in the future of the campus. In addition to these financial indicators, other indicators such as enrollment, ability to acquire competitive research grants, and the condition of University facilities should be considered when assessing the University's health and vigor.

Total Net Assets for the University increased by $39,350,869 or 7.63%. The following summarizes the University's operating statement:

	Fiscal 2006 Total	Fiscal 2005 Total
Operating Revenues	$ 261,667,177	$ 237,355,526
Operating Expenses	512,077,591	467,936,401
Operating income (loss)	(250,410,414)	(230,580,875)
Net nonoperating revenues (expenses)	246,147,571	225,009,652
Income (loss) before other revenues and changes in net assets	(4,262,843)	(5,571,223)
Other revenues and changes in net assets	43,613,712	21,493,582
Increase (decrease) in Net Assets	$ 39,350,869	$ 15,922,359

Operating Revenues increased by $24,311,651. This is comprised of increases in Student tuition and fees of $11,096,564; Federal appropriations of $2,121,925; Nongovernmental grants and contracts of $5,033,805; Sales and Services of Educational Departments of

$1,859,821; Residence life of $2,903,499; Bookstore of $2,306,633 and a net decrease in other items of $1,010,596.

The increase in Student tuition and fees is the result of increases in the rates charged for tuition and fees and an increase in enrollment. Other Operating Revenues includes activities such as conferences, workshops, and beverage pouring rights. Sales and services of educational departments are revenues generated and retained by academic departments. These entrepreneurial activities are encouraged and generate needed funds for these departments. The increase in Residence life is the result of the income from the newly completed 600 bed Northwest Quad Residence Hall, as well as increases in the rates charged and an increase in occupancy in the other residence halls.

Operating Expenses increased by $44,141,190 or 9.43%. Salaries, wages, and benefits increased $21,170,185 or 7.56%, as the result of salary and fringe benefit increases. Scholarships and fellowships increased $4,023,669 or 20.79%. This increase is a result of growth in the amount of nonresident undergraduate tuition scholarships. Supplies and other services increased $13,819,798 or 10.67%. This was a general increase in all areas with no particular commodity or department affected in a significant way. Depreciation increased $5,127,538 or 13.19% and is directly related to the increase in Capital Assets acquired from bond proceeds and other sources.

Net nonoperating Revenues (Expenses) increased by $21,137,919 or 9.39%. Offsetting increases and decreases of the individual lines within this section of the report comprise this amount as follows: State Appropriations are up $11,238,569 or 6.94%; Gifts increased by $9,505,615 or 31.26%; Investment income was down by $597,524 or 5.96%; Interest on capital asset-related debt is up by $3,000,017 or 55.42%; Federal, State & Local, and Non-governmental grants (nonexchange) increased by $4,273,418 or 17%; Other nonoperating revenues are up by $573,405; and Loss on disposal of assets increased by $855,547.

The reported gift information above is not a good indicator of the University's ability to obtain gifts. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, Inc. whose financial information is presented in summary form in Note 16 "Other Entity" in the Notes to the Financial Statements. The decrease in investment income is the result of generally lower cash balances available for investing activity at times throughout the year due to increased demands in capital projects and other program uses. Also, due to continued progress on the capital projects being financed with bond proceeds, there were decreasing balances of bond proceeds on deposit with bond trustee thereby resulting in lower investment earnings. The increase in interest on capital asset-related debt is directly related to the increase in capital debt over the last several years. The increase in grants activity is the result of increases in grants received by the University.

In Other Revenues and Changes in Net Assets, Capital grants and gifts were up $16,075,316. There was also a change in the accounting estimates of the useful lives of certain classes of equipment that resulted in an adjustment made to accumulated

depreciation for those classes of equipment. This change resulted in an increase in net assets of $5,184,052. This change is further explained in Note 18 of the Notes to the Financial Statements.

Statement of Cash Flows

The purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the year. This statement may aid 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. This Statement of Cash Flows is prepared using the "direct method" as required by the Governmental Accounting Standards Board.

Similar to Operating income (loss) on the Statement of Revenues, Expenses, and Changes in Net Assets, Net cash provided (used) by operating activities is of little significance to the University of Arkansas, Fayetteville because accounting standards require significant sources of cash to be reported as Nonoperating Financing. Net cash provided by operating activities and noncapital financing activities is a much more meaningful number for the University of Arkansas, Fayetteville.

The following summarizes the University's cash flows:

	Fiscal Year 2006	Fiscal Year 2005
Cash flows from operating activities	$ (198,354,074)	$ (188,893,866)
Cash flows from noncapital financing activities	243,828,428	217,023,449
Net cash provided (used) by operating and noncapital financing activities	45,474,354	28,129,583
Cash flows from capital financing activities	(52,732,262)	(44,868,630)
Cash flows from investing activities	3,498,260	12,993,035
Net increase (decrease) in cash for the year	$ (3,759,648)	$ (3,746,012)

Cash flows from operating activities show a decrease in the use of cash of $9,460,208. The largest sources of operating activity cash continue to be student tuition and fees, grants and contracts and athletics. The largest uses of operating cash continue to be payments to employees, payments to suppliers, payments for benefits, and payments for scholarships and fellowships.

Cash flows from noncapital financing activities increased by $26,804,979. State appropriations, gifts and grants for other than capital purposes, and federal, state and local and nongovernmental grants (nonexchange) contributed to this increase with no changes of significance in the other items included in this amount.

The significant activity related to Cash flows from capital financing activities is the result of ongoing construction projects using the proceeds from the sale of bonds in the current

and prior years, and the payment of regularly scheduled debt service payments. The balance of this activity is not significant.

Cash flows from investing activities show the net liquidation of investments to support the operating and capital expenses.

Significant Changes in Capital Assets and Long-Term Debt Activity

In FY 06, the University of Arkansas, Fayetteville issued new bonds for construction in the total amount of $75,625,000. In addition, in FY 06, the University issued bonds for the purpose of refunding portions of existing bond issues in the amount of $9,645,000. The amount of prior year bonds refinanced totaled $9,520,000 resulting in a deferred loss on refinancing of $125,000, which will be amortized over the life of the refinancing bonds. A summary of long-term debt (including the current portion) activity is as follows:

	Bonds	Notes	Installment Contracts and Leases
Balance as of July 1, 2005	$ 256,264,760	$ 5,610,587	$ 1,005,067
Additions, net of deferred loss	85,145,000		756,527
Refinanced	(9,520,000)		
Payments of principal	(8,783,000)	(300,488)	(747,049)
Amortization of Deferred Loss	317,289		
Balance as of June 30, 2006	$ 323,424,049	$ 5,310,099	$ 1,014,545

Note 9 in the Notes to the Financial Statements provides additional information related to the University's long-term debt.

A summary of the change in Net Assets invested in capital assets, net of depreciation and net of related debt is as follows:

Net Assets Invested in capital assets, net of related debt and depreciation as of June 30, 2005	$	330,465,771
Land Additions and Disposals (net)		3,676,040
Buildings Additions and Disposals, net of depreciation		39,382,251
Improvements/Infrastructure Additions, net of depreciation		2,676,872
Equipment Additions and Disposals, net of depreciation		26,411,867
Construction In Progress Additions net of transfers to buildings and improvements/infrastructure		19,934,645
Livestock Additions		38,423
Prepaid Maintenance Contract (net)		129,347
Bond debt moved to Net Assets invested in capital assets		(51,031,085)
Bonds assumed in FY06		(9,645,000)
Bonds refinanced in FY06		9,520,000
Bond Principal Paid in FY 06		8,783,000
Deferred loss on refinanced bond issues, amortized		(192,290)
Note Payable moved to Net Assets invested in capital assets		
Capital Leases assumed in FY 06		(756,527)
Note, Capital Lease and Installment Contract Principal Paid in FY 06		1,047,537
Net Assets Invested in capital assets, net of related debt and depreciation as of June 30, 2006	$	380,440,851

Conditions and other factors having a significant effect

The University's outlook is closely related to its role as the flagship university for the state and the only major non-medical research university in the state. The University is largely dependent on the ongoing financial and political support from state government. A rational funding formula approach was adopted by the Arkansas General Assembly in the 2005 session.

During the fiscal year ended June 30, 2006, the total general revenue distribution from the State of Arkansas, including distributions from the Educational Excellence Trust Fund totaled $168,270,941. This is an increase of $10,234,153, or 6.48% over the distribution for fiscal year 2005.

The estimated total general revenue distribution from the State for the fiscal year ended June 30, 2007, is $179,015,689. This is an expected increase of $10,744,748, or 6.39%.

The University is also dependent on its ability to recruit and retain high quality students. Preliminary numbers for Fall 2006 indicate that enrollment is 17,929, an all-time record high enrollment, and an increase of .61% over the fall 2005 enrollment. Undergraduate enrollment is up 0.5%, Graduate enrollment is up 1.6% and Law School enrollment is down 3.4%. The total number of degree-seeking freshmen was 2,784, the largest

freshmen class since a concerted enrollment growth effort began in 1998. While management is encouraged to see record enrollment, undergraduate enrollment needs further increases to ensure continued increases in the revenue generated by tuition and to ensure continued support from state government.

The condition of the University's capital assets is another important consideration. An estimate of the deficiencies of the Educational and General facilities of the University has been made to provide the necessary data to develop an optimized facility renewal plan. All systems in all facilities were evaluated by a team of trained engineers/architects and assigned scores with 1 being poor condition, 2 being adequate condition, and 3 being target condition. The gross square footage weighted average for all Educational and General facilities was 1.58 for the year ended June 30, 2002. An effective method of assessing the management of these assets is to track the average facility score over time. The University's Facilities Management Department expects to update this facility assessment on a rolling basis addressing all facilities on a five year cycle.

UNIVERSITY OF ARKANSAS
Statement of Net Assets
June 30, 2006
With Comparative Figures at June 30, 2005

	June, 30	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	$ 32,157,682	$ 35,917,330
Accounts receivable, net	28,752,919	26,953,644
Accrued interest receivable	919,148	936,750
Pledges receivable	20,000	100,000
Inventories	3,708,212	3,505,660
Deposits with bond trustee	975,108	62,601,211
Notes receivable, net	3,980,886	4,015,071
Other assets	4,050,418	4,561,011
Total current assets	74,564,373	138,590,677
Noncurrent Assets		
Endowment investments	60,818,085	58,708,882
Pledges receivable	10,000	
Notes receivable, net	11,693,482	12,242,546
Deposits with bond trustee	88,397,144	956,098
Other long-term investments	86,695,227	81,207,892
Other assets	1,045,634	1,358,470
Capital assets, net	632,780,417	540,660,319
Total noncurrent assets	881,439,989	695,134,207
Total assets	$ 956,004,362	$ 833,724,884
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 20,112,563	$ 13,293,521
Accrued payroll liabilities	12,202,742	11,223,298
Accrued interest expense	2,318,755	1,453,911
Student overpayments	143,596	
Funds held in trust for others	640,461	683,849
Deferred revenue	20,585,656	14,853,447
Compensated absences payable - current portion	825,311	710,528
Bonds, notes and capital leases payable - current portion	10,106,389	9,075,686
Total current liabilities	66,935,473	51,294,240
Noncurrent Liabilities		
Compensated absences payable	14,187,578	12,737,778
Bonds, notes and capital leases payable	319,642,304	253,804,728
Other noncurrent liabilities	4,000	4,000
Total noncurrent liabilities	333,833,882	266,546,506
Total liabilities	$ 400,769,355	$ 317,840,746
NET ASSETS		

UNIVERSITY OF ARKANSAS
Statement of Net Assets
June 30, 2006
With Comparative Figures at June 30, 2005

	June, 30	
	2006	2005
Invested in capital assets, net of related debt	$ 380,440,851	$ 330,465,771
Restricted for		
Nonexpendable		
Scholarships and fellowships	7,375,762	7,641,488
Research	4,129,896	4,821,144
Instructional department uses	4,991,083	4,987,922
Loans	101,157	101,157
Expendable		
Scholarships and fellowships	8,246,012	7,457,318
Research	24,285,908	17,854,126
Public service	3,327,998	3,295,854
Instructional department uses	7,945,230	9,922,935
Loans	16,031,831	16,157,020
Capital projects	1,433,442	6,357,903
Debt service	2,548,457	1,568,043
Other	4,099,730	2,944,440
Unrestricted	90,277,650	102,309,017
Total net assets	$ 555,235,007	$ 515,884,138

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006
With Comparative Figures for 2005

	Fiscal 2006 Total	Fiscal 2005 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $30,611,981 in fiscal year 2006, and $29,254,486 in fiscal year 2005)	$ 83,632,334	$ 72,535,770
Federal appropriations	11,434,331	9,312,406
County appropriations	2,638,568	2,545,695
Federal grants and contracts	32,273,808	32,598,656
State and local grants and contracts	11,718,805	11,503,777
Nongovernmental grants and contracts	18,970,731	13,936,926
Sales and services of educational departments	19,718,657	17,858,836
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $3,875,614 in fiscal year 2006, and $4,250,168 in fiscal year 2005)	13,465,424	10,561,925
Athletics	37,915,691	40,173,489
Bookstore	14,394,240	12,087,607
Student Apartments	695,309	1,420,088
Arkansas Union	733,461	447,996
Student Health Services	1,114,937	1,090,624
Transit and Parking	4,718,642	3,323,318
Student Organizations/Activities	284,178	287,494
Other Auxiliary Enterprises	1,349,572	951,731
Other operating revenues	6,608,489	6,719,188
Total operating revenues	261,667,177	237,355,526
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	301,365,276	280,195,091
Scholarships and fellowships	23,380,916	19,357,247
Supplies and other services	143,328,057	129,508,259
Depreciation	44,003,342	38,875,804
Total operating expenses	512,077,591	467,936,401
Operating loss	(250,410,414)	(230,580,875)

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006
With Comparative Figures for 2005

	Fiscal 2006 Total	Fiscal 2005 Total
NONOPERATING REVENUES (EXPENSES)		
State appropriations	173,235,795	161,997,226
Gifts	39,917,256	30,411,641
Investment income (net of investment expense of $377,073 in fiscal year 2006, and $485,281 in fiscal year 2005)	9,425,173	10,022,697
Interest on capital asset - related debt	(8,413,114)	(5,413,097)
Federal grants (nonexchange)	14,915,475	16,806,938
State and local grants (nonexchange)	13,403,594	7,522,753
Nongovernmental grants (nonexchange)	1,099,331	815,291
Loss on disposal of assets	(1,085,124)	(229,577)
Other nonoperating revenues	3,649,185	3,075,780
Net nonoperating revenues	246,147,571	225,009,652
Loss before other revenues and changes in net assets	(4,262,843)	(5,571,223)
OTHER REVENUES AND CHANGES IN NET ASSETS		
Capital appropriations	1,591,773	1,398,067
Capital grants and gifts	37,494,207	21,418,891
Adjustment due to change in accounting estimate	5,184,052	
Other changes	(656,320)	(1,323,376)
Total other revenues and changes in net assets	43,613,712	21,493,582
Increase in net assets	39,350,869	15,922,359
NET ASSETS		
Net assets - beginning of year	515,884,138	499,961,779
Net assets - end of year	$ 555,235,007	$ 515,884,138

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2006
With Comparative Figures for 2005

	Fiscal 2006 Total	Fiscal 2005 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 84,613,824	$ 72,035,507
Federal appropriations	11,077,273	9,315,889
County appropriations	2,585,644	2,553,907
Grants and contracts	61,527,068	57,539,776
Payments to suppliers	(143,562,830)	(130,005,589)
Payments to employees	(238,828,483)	(223,151,064)
Payments for benefits	(60,162,468)	(53,477,778)
Payments for scholarships and fellowships	(23,380,916)	(19,357,247)
Loans issued to students and employees	(3,705,364)	(1,682,757)
Collections of loans to students	4,113,996	1,964,764
Collections of interest on loans to students	430,582	25,687
Auxiliary enterprise charges		
Residence Life	13,552,298	10,713,348
Athletics	43,792,626	38,828,242
Bookstore	13,712,336	12,448,780
Student Apartments	709,715	1,412,029
Arkansas Union	771,680	433,183
Student Health Services	1,208,293	1,058,122
Transit and Parking	4,786,151	3,335,823
Student Organizations/Activities	246,463	328,345
Other Auxiliary Enterprises	1,421,311	3,056,949
Sales and services of educational departments	19,371,396	17,765,182
Other receipts	7,365,331	5,965,036
Net cash used by operating activities	(198,354,074)	(188,893,866)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	173,235,795	161,997,226
Gifts and grants for other than capital purposes	39,395,033	30,192,511
Federal grants (nonexchange)	14,936,003	16,170,192
State and local grants (nonexchange)	13,403,594	7,522,753
Nongovernmental grants (nonexchange)	1,099,331	815,291
Other non-operating revenue	1,795,698	205,395
Net agency fund transactions	(37,026)	120,081
Net cash provided by noncapital financing activities	243,828,428	217,023,449
Net cash provided by operating activities and noncapital financing activities	45,474,354	28,129,583
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	85,361,030	44,520,000
Capital appropriations	1,591,773	1,398,067
Capital grants and gifts received	6,575,186	2,148,369
Purchases of capital assets	(90,751,816)	(68,038,436)
Principal paid on capital debts and leases	(19,350,536)	(9,152,827)
Interest paid on capital debt and leases	(11,536,206)	(11,218,996)
Deposit with trustee	(25,814,943)	(5,342,343)
Other sources	1,193,250	817,536
Net cash used by capital financing activities	(52,732,262)	(44,868,630)

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2006
With Comparative Figures for 2005

	Fiscal 2006 Total	Fiscal 2005 Total
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 21,113,975	$ 12,200,000
Investment income	2,963,819	1,806,269
Purchase of investments	(20,579,534)	(1,013,234)
Net cash provided by investing activities	3,498,260	12,993,035
NET DECREASE IN CASH	(3,759,648)	(3,746,012)
Cash - beginning of year	35,917,330	39,663,342
Cash - end of year	$ 32,157,682	$ 35,917,330
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (250,410,414)	$ (230,580,875)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	44,003,342	38,875,804
Changes in assets and liabilities		
Receivables (net)	(190,554)	1,165,160
Inventories	(202,553)	(332,662)
Prepaid expenses	803,244	(1,792,772)
Other assets	20,318	127,972
Accounts payable and accrued liabilities	(631,479)	1,013,697
Accrued payroll liabilities (Employees)	(80,455)	(138,545)
Accrued payroll liabilities (Benefits)	890,197	2,938,028
Student overpayments	191,551	(240,408)
Deferred revenue	5,732,210	(507,015)
Compensated absences	1,564,584	766,766
Loans to students and employees	(44,065)	(189,016)
Net cash used by operating activities	$ (198,354,074)	$ (188,893,866)
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, and infrastructure	$ 8,901,884	$ 3,090,626
Equipment donations	27,492,987	17,701,708
Bond issuance costs and underwriter's discounts paid directly from bond proceeds	871,254	1,481,622
Payments to bond escrow directly from bond proceeds	9,551,515	70,196,371

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Financial Position
June 30, 2006 and 2005

	2006	2005
Assets		
Investments	$ 438,625,038	$ 411,003,798
Net Assets:		
Temporarily restricted	$ 8,488,637	$ 10,922,717
Permanently restricted	430,136,401	400,081,081
Total net assets	$ 438,625,038	$ 411,003,798

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

Statement of Activities

For the Years Ended June 30, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:								
Contributions						$ 5,064,898	$ 100,635,102	$ 105,700,000
Interest and dividends		$ 4,034,393	$ 1,695,108	$ 5,729,501		3,125,197	3,347,153	6,472,350
Net unrealized and realized gains on long-term investments		7,086,208	28,360,212	35,446,420		4,546,851	24,852,267	29,399,118
Net assets released from restrictions	$ 13,554,681	(13,554,681)			$ 9,859,135	(9,859,135)		
Total revenue, gains and other support	13,554,681	(2,434,080)	30,055,320	41,175,921	9,859,135	2,877,811	128,834,522	141,571,468
Expenses and Losses:								
Program Services-								
Construction	3,120			3,120	75,962			75,962
Research	3,166,057			3,166,057	2,615,162			2,615,162
Faculty/staff support	655,492			655,492	245,126			245,126
Scholarships and awards	6,705,673			6,705,673	4,308,911			4,308,911
Equipment and technology	2,533,506			2,533,506	2,485,128			2,485,128
Other	189,411			189,411	23,013			23,013
Total program services	13,253,259			13,253,259	9,753,302			9,753,302
Supporting services-								
Management and general	301,422			301,422	105,833			105,833
Total expenses and losses	13,554,681			13,554,681	9,859,135			9,859,135
Change in net assets		(2,434,080)	30,055,320	27,621,240		2,877,811	128,834,522	131,712,333
Net assets, beginning of year		10,922,717	400,081,081	411,003,798		8,044,906	271,246,559	279,291,465
Net assets, end of year	$	$ 8,488,637	$ 430,136,401	$ 438,625,038	$	$ 10,922,717	$ 400,081,081	$ 411,003,798

THE RAZORBACK FOUNDATION, INC.
Statement of Financial Position
June 30, 2006

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Assets:					
Cash in bank	$ 141,907	$ 106,893		$ 35,014	
Pledges receivable-unrestricted, less allowance for uncollectible pledges	2,776,233	2,776,233			
Investments	22,149,068	6,450,770	$ 4,156,979	7,471,730	$ 4,069,589
Land, building and equipment, at cost, less accumulated depreciation	1,278,274			1,278,274	
Other assets	174,218	174,218			
Total assets	$ 26,519,700	$ 9,508,114	$ 4,156,979	$ 8,785,018	$ 4,069,589
Liabilities:					
Accounts payable	$ 391,164	$ 391,164			
Contract guarantee payable	825,726	825,726			
Deferred compensation payable	6,680,724	2,523,745	$ 4,156,979		
Total liabilities	$ 7,897,614	$ 3,740,635	$ 4,156,979		
Net Assets:					
Unrestricted	$ 5,767,479	$ 5,767,479			
Board designated-unrestricted	11,938,538			$ 8,785,018	$ 3,153,520
Permanently restricted	916,069				916,069
Total net assets	18,622,086	5,767,479		8,785,018	4,069,589
Total liabilities and net assets	$ 26,519,700	$ 9,508,114	$ 4,156,979	$ 8,785,018	$ 4,069,589

THE RAZORBACK FOUNDATION, INC.
Statement of Financial Position
June 30, 2005

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Assets:					
Cash in bank	$ 618,436	$ 436,144		$ 182,292	
Pledges receivable-unrestricted, less allowance for uncollectible pledges	2,599,860	2,599,860			
Investments	21,590,732	8,601,531	$ 3,883,911	5,275,620	$ 3,829,670
Land, building and equipment, at cost, less accumulated depreciation	1,586,471			1,586,471	
Other assets	177,218	177,218			
Total assets	$ 26,572,717	$ 11,814,753	$ 3,883,911	$ 7,044,383	$ 3,829,670
Liabilities:					
Accounts payable	$ 553,361	$ 553,361			
Contract guarantee payable	1,314,272	1,314,272			
Deferred compensation payable	5,745,350	1,861,439	$ 3,883,911		
Total liabilities	$ 7,612,983	$ 3,729,072	$ 3,883,911		
Net Assets:					
Unrestricted	$ 9,672,152	$ 8,085,681		$ 1,586,471	
Board designated-unrestricted	7,927,486			5,457,912	$ 2,469,574
Permanently restricted	1,360,096				1,360,096
Total net assets	18,959,734	8,085,681		7,044,383	3,829,670
Total liabilities and net assets	$ 26,572,717	$ 11,814,753	$ 3,883,911	$ 7,044,383	$ 3,829,670

THE RAZORBACK FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2006

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Changes in unrestricted net assets:					
Revenues and gains:					
Public support - contributions	$ 10,430,611	$ 10,430,611			
Investment income and other	614,065	327,229		$ 196,523	$ 90,313
Total unrestricted revenues and gains	11,044,676	10,757,840		196,523	90,313
Expenses:					
Program services:					
Directly allocated to:					
Football	1,584,242	1,584,242			
Basketball	220,097	220,097			
Baseball	146,871	146,871			
Track and field	1,417,951	1,417,951			
Other sports	10,717	10,717			
Athletic department operations	4,730,077	4,730,077			
Fundraising	1,337,736	1,337,736			
Administrative	640,921	640,921			
Deferred compensation expense	711,132	711,132			
Provision for uncollectible pledges	22,149	22,149			
Total expenses	10,821,893	10,821,893			

THE RAZORBACK FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2006

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Other changes:					
Transfers to deferred compensation plans	(300,000)	(300,000)			
Transfers to endowment fund		(100,000)			100,000
Transfers for current operations		(1,852,722)		1,852,722	
Unrealized loss on investments	(1,840)	(1,427)		(413)	
Depreciation	(308,197)			(308,197)	
Total other changes	(610,037)	(2,254,149)		1,544,112	100,000
Total increase (decrease) in unrestricted net assets	(387,254)	(2,318,202)		1,740,635	190,313
Changes in temporarily restricted net assets:					
Transfers to deferred compensation plans	300,000		$ 300,000		
Deferred compensation investment income	23,068		23,068		
Program services:					
Deferred compensation expense	(323,068)		(323,068)		
Total increase (decrease) in temporarily restricted net assets					
Changes in permanently restricted net assets:					
Endowment fund fund public support	49,606				49,606
Increase (decrease) in net assets	(337,648)	(2,318,202)		1,740,635	239,919
Net assets at beginning of year	18,959,734	8,085,681		7,044,383	3,829,670
Net assets at end of year	$ 18,622,086	$ 5,767,479	$	$ 8,785,018	$ 4,069,589

THE RAZORBACK FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2005

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Changes in unrestricted net assets:					
Revenues and gains:					
Public support - contributions	$ 10,874,789	$ 10,874,789			
Investment income and other	357,175	203,223		$ 153,952	
Total unrestricted revenues and gains	11,231,964	11,078,012		153,952	
Expenses:					
Program services:					
Directly allocated to:					
Football	1,728,852	1,728,852			
Basketball	470,858	470,858			
Baseball	355,686	355,686			
Track and field	1,033,844	1,033,844			
Other sports	29,942	29,942			
Athletic department operations	4,366,763	4,366,763			
Fundraising	1,590,490	1,590,490			
Administrative	650,334	650,334			
Deferred compensation expense	855,066	855,066			
Provision for uncollectible pledges	185,797	185,797			
Total expenses	11,267,632	11,267,632			

THE RAZORBACK FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2005

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Other changes:					
Transfers to deferred compensation plans	(300,000)	(300,000)			
Transfers to endowment fund		(100,000)			$ 100,000
Transfers for current operations		2,668,546		(2,668,546)	
Unrealized loss on investments	(393,618)	(330,804)		(62,814)	
Depreciation	(308,197)			(308,197)	
Total other changes	(1,001,815)	1,937,742		(3,039,557)	100,000
Total increase (decrease) in unrestricted net assets	(1,037,483)	1,748,122		(2,885,605)	100,000
Transfers to deferred compensation plans	300,000		$ 300,000		
Deferred compensation investment income	73,904		73,904		
Program services:					
Deferred compensation expense	(373,904)		(373,904)		
Total increase (decrease) in temporarily restricted net assets					
Changes in permanently restricted net assets:					
Endowment fund fund public support	134,342				134,342
Endowment fund investment income	107,249				107,249
Total increase in permanently restricted net assets	241,591				241,591
Increase (decrease) in net assets	(795,892)	1,748,122		(2,885,605)	341,591
Net assets at beginning of year	19,755,626	6,337,559		9,929,988	3,488,079
Net assets at end of year	$ 18,959,734	$ 8,085,681	$	$ 7,044,383	$ 3,829,670

ARKANSAS 4-H FOUNDATION, INC.
Statements of Financial Position
June 30, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 954,475	$ 990,864
Investments, at fair value	1,147,756	1,138,562
Accounts receivable, net of allowance for doubtful accounts of $2,848 and $2,523	110,779	64,640
Inventories	12,947	23,666
Total current assets	2,225,957	2,217,732
OTHER ASSETS:		
Land held for investment	2,600	2,600
Cash restricted for building maintenance fund	53,813	121,708
Investments, at fair value, restricted for building maintenance fund	975,463	926,466
Total other assets	1,031,876	1,050,774
PROPERTY AND EQUIPMENT, NET	6,690,058	6,972,314
TOTAL ASSETS	$ 9,947,891	$ 10,240,820
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 113,461	$ 74,813
Due to affiliate	59,146	66,183
Accrued expenses	10,235	11,356
Customer deposits	11,142	7,081
Current portion of note payable to affiliate		5,419
Total current liabilities	193,984	164,852
NET ASSETS:		
Unrestricted	7,715,408	7,989,242
Temporarily restricted	1,361,760	1,411,398
Permanently restricted	676,739	675,328
Total net assets	9,753,907	10,075,968
TOTAL LIABILITIES AND NET ASSETS	$ 9,947,891	$ 10,240,820

ARKANSAS 4-H FOUNDATION, INC.

Statement of Activities

For the Years Ended June 30, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:								
Program service revenue	$ 1,508,862	$ 1,490		$ 1,510,352	$ 1,506,611	$ 1,225		$ 1,507,836
Grants and contributions	119,047	6,915	$ 1,411	127,373	80,537	41,551	$ 11,000	133,088
Interest and dividends	141,026	24,891		165,917	35,923	110,067		145,990
Net unrealized and realized appreciation (depreciation) on investments	(116,739)	(38,611)		(155,350)	18,281	55,273		73,554
Other revenues	52,547	40		52,587	43,444	450		43,894
Net assets released from restrictions	44,363	(44,363)			171,657	(171,657)		
Total support and revenues	1,749,106	(49,638)	1,411	1,700,879	1,856,453	36,909	11,000	1,904,362
EXPENSES:								
Program	1,966,235			1,966,235	1,796,760			1,796,760
Management and general	56,528			56,528	53,646			53,646
Fundraising	177			177	179			179
Total expenses	2,022,940			2,022,940	1,850,585			1,850,585
INCREASE (DECREASE) IN NET ASSETS	(273,834)	(49,638)	1,411	(322,061)	5,868	36,909	11,000	53,777
NET ASSETS, BEGINNING OF YEAR	7,989,242	1,411,398	675,328	10,075,968	7,983,374	1,374,489	664,328	10,022,191
NET ASSETS, END OF YEAR	$ 7,715,408	$ 1,361,760	$ 676,739	$ 9,753,907	$ 7,989,242	$ 1,411,398	$ 675,328	$ 10,075,968

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 2006, have been prepared in accordance with generally accepted accounting principles accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

During 2002, the University adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:
  Nonexpendable – Net assets subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  Expendable – Net assets 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 net assets to be used either before or after unrestricted net assets are used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net assets that may be available.

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows to be reported on a consolidated basis.

Basis of Presentation and Measurement Focus
The University is considered a special-purpose government engaged only in business-type activities and therefore reports as a Business Type Activity, as defined by GASB Statement No. 35. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Component Units

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB 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 statement, 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. There were three qualifying foundations for the University of Arkansas, Fayetteville: the University of Arkansas Fayetteville Campus Foundation, Inc., The Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc.

The University of Arkansas Fayetteville Campus Foundation, Inc. ("the Foundation") is a charitable organization described in Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and 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 (7) members, including three (3) members who are also employees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation distributed $13,422,351 and $9,968,645 to the University during the fiscal years ended June 30, 2006, and June 30, 2005, respectively, for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

The Razorback Foundation, Inc. ("the Razorback Foundation") was incorporated on October 17, 1980. It is a non-for-profit organization whose sole purpose is to support intercollegiate athletics at the University. Although the University does not control the timing or amount of receipts from the Razorback Foundation, the majority of resources, or income thereon that the Razorback Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the

Razorback Foundation can only be used by, or for the benefit of, the University, the Razorback Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Razorback Foundation distributed $3,856,243 to the University, and provided equipment, facilities, improvements and supplies in the amount of $2,572,328 during the fiscal year ended June 30, 2006. During the fiscal year ended June 30, 2005, the Razorback Foundation distributed $2,750,000 to the University, and provided equipment, facilities, improvements and supplies in the amount of $2,570,977. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 91 North Razorback Road, Fayetteville, AR 72701.

The Arkansas 4-H Foundation, Inc. ("the 4-H Foundation") was incorporated under the laws of the State of Arkansas in 1951. The purposes and objectives of the 4-H Foundation are exclusively educational. The 4-H Foundation was formed to encourage and support such educational purposes, as in the judgment of the 4-H Foundation, will best meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. The 4-H Foundation is organized into approximately 80 distinct funds that are used to account for various educational or administrative activities.

The 4-H Foundation made no distributions directly to the University during the fiscal years ended June 30, 2006, or June 30, 2005, other than to reimburse the University for expenses incurred on their behalf. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, P.O. Box 391, Little Rock, Arkansas 72203.

New Accounting Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which became effective with the fiscal year ending June 30, 2006. The Statement established guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. For the purposes of this Statement, asset impairment is a significant, unexpected decline in the service utility of a capital asset. The events or changes in circumstances affecting a capital asset that may indicate impairment are prominent – that is, conspicuous or known to University management.

During the fiscal year ended June 30, 2006, there have been no prominent or conspicuous events that would indicate impairment of any material capital assets, nor have there been any material insurance recoveries during the fiscal year.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which becomes effective with the fiscal year ending June 30, 2007. The Statement establishes uniform financial reporting standards

for Other Postemployment Benefits (OPEB). Management has determined that it does not have any OPEB plans, and the requirements of this Statement are not applicable.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which becomes effective with the fiscal year ending June 30, 2008. The Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB).

Health

The University of Arkansas System offers employees who meet certain requirements the opportunity to continue health insurance coverage upon retirement at substantially the same premium rates as the active population. At June 30, 2006, the University of Arkansas System had approximately 1100 retired employees enrolled in the UA Health Insurance Plan.

In the fall of 2005, the University requested retiree claims data from the Third Party Administrator, Qualchoice. The retiree data was collected and forwarded to an actuarial firm for an initial evaluation of the potential for a liability under GASB 45. An important distinction of the University's retiree benefit design is that the premium is totally paid by the retiree – that is, there is no employer contribution to the health insurance premium for retirees, and therefore, no *overt* employer subsidy. Further, an evaluation of the retiree data, the claims experience of the retiree population in total (both Medicare eligible and pre-Medicare eligible retirees), revealed that premium revenue from this population is sufficient to pay claims costs. Consequently, there is no *inherent* employer subsidy. The University has concluded that, at this time, it has no liability for postemployment health benefits.

Life

The University of Arkansas System offers employees who meet certain requirements the option to purchase a $10,000 basic life insurance policy upon retirement. The cost of the policy is borne entirely by the retiree; there is no employer contribution towards the premium. However, the premium rates are established on a combined basis with the active employee population, thereby creating an inherent subsidy of the benefit. The University is currently evaluating the potential liability under GASB 45 for this postemployment benefit.

Dental

The University of Arkansas offers employees who meet certain requirements the opportunity to continue dental insurance coverage upon retirement at substantially the same premium rates as the active population. The dental premium is paid entirely by the retiree. Retiree premium rates are based on the claims experience of the combined active and retiree population, thereby creating an inherent subsidy of the benefit. The University is currently evaluating the potential liability under GASB 45 for this postemployment benefit.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34,* which became effective with the fiscal year ending June 30, 2006. The Statement clarifies the reporting requirements for net assets restricted by enabling legislation. Management has determined that GASB 46 is not applicable for Universities having no taxing authority.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which became effective with the fiscal year ending June 30, 2006. The Statement established guidance for accounting and reporting of the costs and liabilities associated with termination benefits, such as those associated with early retirement incentives. The University has not extended a large-scale or age-related early retirement offering during the fiscal year ended June 30, 2006. The University has, from time to time, negotiated early retirement agreements with faculty which may include the provision of healthcare or other benefits for future periods. The number of early retirement agreements is small and the obligation for future benefits is considered immaterial. Arkansas Code Annotated 21-4-501 authorized the compensation for accumulated unused sick leave for certain employees upon retirement. The University has accrued a liability for these amounts in *Compensated Absences Payable*.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds held in the custody of the Treasurer of the State of Arkansas and other state agencies are considered cash equivalents.

Inventories

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

Inventories	June 30, 2006	June 30, 2005
Arkansas Union	$ 1,653	$ 1,500
Athletics Inventory		13,853
Bookstore	2,043,400	1,934,391
COOP Warehouse	93,180	99,554
Garvan Woodland Gardens Shop	72,756	88,686
Physical Plant	620,064	641,331
Printing Services	176,286	168,760
Research Services	60,877	61,705
Residence Life	324,754	240,797
Student Health Pharmacy	67,727	86,266
University Press	247,515	168,817
Total Inventories	$ 3,708,212	$ 3,505,660

Accounts Receivable

Accounts receivable are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts. Accounts receivable represent charges due the University from various student fees, room and board, student fines, and other charges. Accounts receivable also consist of unreimbursed expenses relating to research contracts with federal, state, and private agencies. Accounts receivable totaling $511,831 and $209,466 were written off during the fiscal years ended June 30, 2006, and June 30, 2005, respectively.

Accounts receivable at June 30, 2006 totaled $33,034,009. The allowance for doubtful accounts was computed to be $4,281,090 resulting in net accounts receivable totaling $28,752,919. Accounts receivable at June 30, 2005 totaled $30,751,137. The allowance for doubtful accounts was computed to be $3,797,493, resulting in net accounts receivable totaling $26,953,644.

A summary of accounts receivable balances at June 30, 2006 are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 9,367,250	$ (3,956,673)	$ 5,410,577
Non-student Invoiced Accounts Receivable	14,958,380	(324,417)	14,633,963
Unreimbursed Research Contract Expenses	8,708,379		8,708,379
Totals	$ 33,034,009	$ (4,281,090)	$ 28,752,919

A summary of accounts receivable balances at June 30, 2005 are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 9,657,370	$ (3,450,309)	$ 6,207,061
Non-student Invoiced Accounts Receivable	11,484,265	(347,184)	11,137,081
Unreimbursed Research Contract Expenses	9,609,502		9,609,502
Totals	$ 30,751,137	$ (3,797,493)	$ 26,953,644

Biennial Appropriated Budgets

Biennial appropriated budgets are adopted for the state general fund. The biennial period commences on July 1 of each odd year following the adjournment of the regular sessions of the General Assembly, and ends on June 30 two years thereafter. An appropriation is construed to be available for the two year period following the legislative session in which it was approved. All appropriations lapse at the end of the second year of the biennium unless otherwise provided.

Capital Assets

Capital assets consisting of land, buildings, furniture, fixtures, equipment, improvements, infrastructure, and construction in progress are stated at cost or fair market value at date of gift. Buildings, improvements, and infrastructure additions are capitalized when the cost is $50,000 or more. For equipment, the University's capitalization policy includes

all items with a unit cost of $2,500 or more, and an estimated useful life of two years or more. Renovations to buildings, infrastructure, and land improvements with a cost of $50,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. Livestock is under the control of the Department of Animal Sciences and is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the Department. The inventory value placed on the animals is determined by department heads utilizing current market prices and breeding and research intangibles.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, and 3 to 10 years for equipment.

Capitalization of Interest
The University capitalizes interest involving qualifying assets, if material. 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.

Classification of Revenues
The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts.

- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

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 Assets. Scholarship discounts and allowances are the difference 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 nonoperating 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.

(2). Reporting Entity

The University of Arkansas, Fayetteville ("the University") was established at Fayetteville in 1871 under the provisions of the Morrill Act as both a state university and the land-grant college of Arkansas. The University of Arkansas, Fayetteville includes the Agricultural Experiment Station, the Cooperative Extension Service, Arkansas Archeological Survey, the Criminal Justice Institute, and the Clinton School of Public Service, as well as the academic units. The academic units in Fayetteville include ten colleges, schools and divisions: the Dale Bumpers College of Agricultural, Food, and Life Sciences, the School of Architecture, the J. William Fulbright College of Arts and Sciences, the Sam M. Walton College of Business, the College of Education and Health Professions, the College of Engineering, the School of Law, the Honors College, the Graduate School, and the Division of Continuing Education. The University is one of eleven campuses of the University of Arkansas System. The governing body is the Board of Trustees which is comprised of ten members.

(3). Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full time, non-classified, University employees accrue annual leave at the rate of fifteen hours per month, classified employees at a variable rate (from 8 to 15 hours per month) dependent upon number of years of employment in state government. Under the University's policy, an employee may carry accrued leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed.

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 21-4-501.

The University recognizes a liability for compensated absences. The liability is based on the value of unused employee vacation and compensatory time as of year-end, including the associated benefits: contributions to Retirement, Social Security, Medicare, Workers' Compensation, and Unemployment Insurance. The liability also includes amounts paid to eligible classified employees for unused sick leave. A classified 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. A classified 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. A classified 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. A classified 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 $7,500.00.

The University recognizes the estimated amount of the liability that will be incurred within the next year as a current liability and the balance as noncurrent.

(4). Cash, Cash Equivalents, and Investments

Cash and cash equivalents – The University uses commercial banks for its cash deposits. Board of Trustees policy requires that all cash deposits be either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held at a third party financial institution (preferably the cognizant Federal Reserve Bank) in the University's name. Cash deposits are carried at cost. Cash balances in excess of current requirements are pooled and invested in highly liquid, short-term investments with the funds available on a daily basis. The following summarizes the University's cash position:

	June 30, 2006	June 30, 2005
	Bank Balance	Bank Balance
Insured (FDIC)	$ 848,134	$ 818,388
Uninsured, Collateralized	5,355,236	7,863,830
Uninsured, Uncollateralized		43,880
Total Deposits	$ 6,203,370	$ 8,726,098

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized or collateralized with securities held by the pledging institution. At June 30, 2006, none of the University's bank balance of $6,203,370 was exposed to custodial credit risk.

The University of Arkansas System Administration (System Administration) does not maintain separate bank accounts. System Administration deposits are commingled in University of Arkansas, Fayetteville bank accounts. The carrying value of the System Administration funds was $1,850,761 at June 30, 2006, and $2,281,112 at June 30, 2005. The above deposit schedule does not include cash on hand in various imprest funds maintained by the University of $60,564 or short-term investments of $29,698,880 at June 30, 2006. At June 30, 2005, these amounts were $59,535 and $31,898,928, respectively.

Adjustments necessary to convert from Bank Balance to Total Cash and Equivalents are:

	June 30, 2006		June 30, 2005	
Bank Balance	$ 6,203,370		$ 8,726,098	
Less: Items in Transit	(3,572,149)		(5,865,120)	
Less: Nonnegotiable Certificates of Deposit	(34,000)		(34,000)	
Cash on Books		$ 2,597,221		$ 2,826,978
State Treasury Cash	$ 1,712,342		$ 3,472,536	
Cash Equivalents	29,698,880		31,898,928	
Less: System Cash	(1,850,761)		(2,281,112)	
Cash Equivalents		29,560,461		33,090,352
Total Cash and Equivalents		$ 32,157,682		$ 35,917,330

Investments

Investments are recorded at fair value. Fair value for reporting purposes is market value if a market price or quote is readily available. Investments that do not have readily available market prices or quotes are reported at cost or amortized cost. All investments were reported at fair value. The following is a summary of the University's investments held at June 30, 2006:

Investment Type	Fair Value at June 30, 2006
Mutual Treasury Funds	$ 29,056,652
Mutual Bond Funds	6,134,255
Corporate Bonds	14,051,358
CommonFund Short Term Fund	29,698,880
Guaranteed Investment Contracts	60,328,773
External Investment Pool-University of Arkansas System	125,983,280
Other	1,297,246
Total Investments	$ 266,550,444

The Commonfund Short Term investment of $29,698,880 is reported as cash and cash equivalents on the Statement of Net Assets. Mutual Treasury Funds of $29,043,479 and Guaranteed Investment Contracts of $60,328,773 are reported as deposits with bond trustee on the Statement of Net Assets. The above schedule does not include nonnegotiable certificates of deposit of $34,000 which are considered deposits for GASB Statement 40 deposit and investment disclosures.

Effective June 30, 2005, the University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Disclosures related to the CommonFund Short Term Fund, Guaranteed Investment Contracts and the External Investment Pool are shown separately. No disclosures were made for Other Investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy addressing interest rate risk. The University of Arkansas' investments subject to GASB 40 interest rate risk disclosure are summarized below:

Interest Rate Risk					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	5 to 10	More than 10
Corporate Bonds	$ 14,051,358	$ 931,267	$ 9,865,452	$ 2,325,099	$ 929,540

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Arkansas' investments subject to GASB 40 credit risk disclosure are summarized below:

Credit Risk					
Investment Type	Fair Value	Aaa	Aa1-Aa3	A1-A3	Not Rated
Mutual Treasury Funds	$ 29,056,652	$ 29,056,652			$
Mutual Bond Funds	6,134,255				6,134,255
Corporate Bonds	14,051,358	286,389	$ 9,675,904	$ 4,089,065	
Totals	$ 49,242,265	$ 29,343,041	$ 9,675,904	$ 4,089,065	$ 6,134,255

The ratings are assigned by the Moody's investment ratings service.

CommonFund Short Term Fund

The University invests daily operating funds in the CommonFund for Short Term Investments (Short Term Fund). The Short Term Fund is a bank common trust fund and as such is regulated by the United States Treasury Department Office of the Comptroller of the Currency.

Interest rate risk. The Short Term Fund invests in securities with maturities from one day to five and one-half years, but the portfolio is structured so that it will approximate the volatility of 3-month U.S. Treasury securities and not exceed the volatility of one-year U.S. Treasury securities.

Credit risk. The Short Term Fund is restricted to investments in U.S. Treasury and government agency securities, high quality corporate securities, mortgage- and asset-backed securities, and commercial and bank paper. However, the Short Term Fund is not rated by an external rating agency.

Guaranteed Investment Contracts

The University invested the construction funds from the Series 2006 Various Facilities Revenue Bonds in Guaranteed Investment Contracts (GICs). The GICs offer a guaranteed rate of return for a specific period of time with a guarantee of principal and interest earnings. The GICs provide full flexibility to withdraw funds as needed.

Interest rate risk. The University is not exposed to interest rate risk on the GICs.

Credit risk. If the ratings of the long-term, senior unsecured debt obligations of the guarantors are, at any time while the guarantee is in effect with respect to the GICs, suspended, withdrawn, or rated below AA- by S&P and Aa3 by Moody's, the University has the right to require collateralization or repayment of the entire balance. The following table summarizes the University's GIC agreements at June 30, 2006:

Investment	Fair Value	Rate of Return	Credit Risk
MBIA, Inc.	$ 60,328,773	5.314%	Not rated

Concentration of Credit Risk

The University places no limit on the amount that may be invested with any one issuer. The MBIA, Inc. guaranteed investment contract constitutes 22.63% of the University's total investments.

External Investment Pool-University of Arkansas System

The following tables contain information on the risk disclosure for the external investment pool, which commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. The pool was originally established in 1997 by the University of Arkansas and the University of Arkansas Foundation. During 1998, the Walton Arts Foundation joined the pool, and during 2003, the Fayetteville Campus foundation joined the pool. The participants of the pool have adopted investment guidelines and performance objectives for the accounts within the pool. This external investment pool is not SEC-registered. The external investment pool is not rated by an external rating agency. The University of Arkansas Board of Trustees is the sponsor of this investment pool and is responsible for operation and oversight for the pool. The University's participation in this investment pool is voluntary.

This information is provided in total for the pools, which includes the Total Return Pool, the Intermediate Pool, and the SuperCash Pool. The SuperCash Pool was terminated during fiscal year 2006. The University of Arkansas, Fayetteville owns 10.12% of the total of these pools.

University of Arkansas
Statement of Invested Assets

Total Plan	**June 30, 2006**

Investment Type	**Fair Value***
Fixed Income	**$ 353,680,885**
U.S. Government	$ 91,321,665
U.S. Government Treasuries, Notes, Bonds	$ 48,595,260
U.S. Government TIPS	$ 26,870,054
U.S. Government Agency	$ 15,576,608
Other U.S. Government	$ 279,743
Mortgage Backed	$ 72,043,797
Government Pass-Through	$ 59,891,663
Corporate Pass-Through	$ 12,152,134
Collateralized Mortgage Obligations	$ 46,791,874
Government CMO's	$ 7,356,735
Corporate CMO's	$ 39,435,138
Corporate	$ 129,952,351
Corporate Bonds	$ 92,409,684
Corporate Asset Backed	$ 31,413,291
Private Placements	$ 6,129,376
Municipals	$ 3,027,044
Yankee Bonds	$ 2,282,736
Non-U.S. Fixed Income	$ 8,261,418
Developed Markets	$ 3,128,751
Dev. Government/Sovereign	$ 847,235
Dev. Corporate	$ 2,281,516
Emerging Markets	$ 5,132,667
Emg. Government/Sovereign	$ 1,758,822
Emg. Corporate	$ 3,373,845
Convertible Bonds	**$ 8,766,327**
Equity	**$ 204,729,257**
U.S.	$ 195,485,136
Non-U.S.	$ 9,244,121
Alternative Investments	**$ 162,222,913**
Private Equity	$ 162,222,913
Absolute Return	$
Real Estate	**$ 47,409,903**

University of Arkansas
Statement of Invested Assets

Total Plan **June 30, 2006**

	Investment Type		Fair Value*
	Commingled Funds	**$**	**513,152,111**
	U.S. Equity	$	223,500,577
	Non-U.S. Equity	$	184,842,812
	U.S. Fixed Income	$	37,820,170
	Money Market Funds	$	66,988,551
**	**Other Investments**	**$**	**45,852**
	Cash	**$**	**(45,895,447)**
	Total	**$**	**1,244,111,802**

* Includes Accrued Income
** Other Investments include GICS/GACS, and loan to participants

University of Arkansas

Credit Risk Concentration

Any one issuer that represents 5% or more of the total assets (except for U.S. Government, Pooled and Mutual Funds)

Total Plan **June 30, 2006**

Issuer Name		Fair Value	% of assets
ARLINGTON FUND I LLC	$	99,905,905	8.0%

University of Arkansas
Credit Risk – S&P Quality Ratings
Quality Ratings of TSY and AGY have been assigned by The Bank of New York

Total Plan **June 30, 2006**

Investment type and fair Value ($000)		TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	A-1	A-2	A-3	NR
Fixed Income	**$**	**35,878**	**68,401**	**134,882**	**16,340**	**39,977**	**42,117**	**1,528**	**1,277**					**9,663**
U.S. Government	$	35,878	6,185	46,941	340									1,978
U.S. Government Treasuries, Notes, Bonds	$	18,638		29,957										
U.S. Government TIPS	$	14,802		12,068										
U.S. Government Agency	$	2,437	6,185	4,916	340									1,698
Other U.S. Government	$													280
Mortgage Backed	$		56,620	12,109	117									3,197
Government Pass-Through	$		56,620	2,688										583
Corporate Pass-Through	$			9,421	117									2,614
Collateralized Mortgage Obligations	$		5,297	38,570		674								1,051
Government CMO's	$		5,297	1,561										498
Corporate CMO's	$			37,009		674								552
Corporate	$		299	34,609	14,419	36,477	35,821	1,528	1,277					3,104
Corporate Bonds	$			6,373	12,090	34,860	33,804	1,478	1,277					1,784
Corporate Asset Backed	$			27,620		359	872							887
Private Placements	$		299	616	2,330	1,258	1,145	49						434
Municipals	$			2,482	545									
Yankee Bonds	$					1,101	1,181							
Non-U.S. Fixed Income	$			170	919	1,725	5,115							333
Developed Markets	$			170	919	953	754							333
Dev. Government/ Sovereign	$			170	273	325								79
Dev. Corporate	$				646	628	754							253
Emerging Markets	$					772	4,361							
Emg. Government/Sovereign	$						1,759							
Emg. Corporate	$					772	2,602							
Convertible Bonds	**$**					**2,859**	**2,701**							
Total	**$**	**35,878**	**68,401**	**134,882**	**16,340**	**42,836**	**44,819**	**1,528**	**1,277**					**9,663**

University of Arkansas
Years to Maturity

Total Plan **June 30, 2006**

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Fixed Income	**$ 353,680,885**	**$ 15,356,094**	**$ 93,975,303**	**$ 45,879,249**	**$ 198,470,239**
U.S. Government	$ 91,321,665	$ 6,932,452	$ 28,393,945	$ 31,878,292	$ 24,116.977
U.S. Government Treasuries, Notes, Bonds	$ 48,595,260	$ 1,758,652	$ 15,498,403	$ 20,736,270	$ 10,601,936
U.S. Government TIPS	$ 26,870,054	$	$ 5,383,631	$ 10,243,936	$ 11,242,487
U.S. Government Agency	$ 15,576,608	$ 5,173,800	$ 7,511,910	$ 618,343	$ 2,272,555
Other U.S. Government	$ 279,743	$	$	$ 279,743	$
Mortgage Backed	$ 72,043,797	$	$ 710,773	$ 3,070,860	$ 68,262,164
Government Pass-Through	$ 59,891,663	$	$ 154,019	$ 2,953,971	$ 56,783,673
Corporate Pass-Through	$ 12,152,134	$	$ 556,753	$ 116,890	$ 11,478,491
Collateralized Mortgage Obligations	$ 46,791,874	$	$ 2,060,198	$ 871,299	$ 43,860,377
Government CMO's	$ 7,356,735	$	$ 462,559	$ 871,299	$ 6,022,878
Corporate CMO's	$ 39,435,138	$	$ 1,597,640	$	$ 37,837,499
Corporate	$ 129,952,351	$ 7,674,484	$ 56,181,273	$ 8,865,909	$ 57,230,685
Corporate Bonds	$ 92,409,684	$ 6,654,765	$ 34,581,871	$ 7,258,063	$ 43,914,984
Corporate Asset Backed	$ 31,413,291	$	$ 19,921,774	$ 66,080	$ 11,425,436
Private Placements	$ 6,129,376	$ 1,019,719	$ 1,677,627	$ 1,541,766	$ 1,890,264
Municipals	$ 3,027,044	$ 544,777	$ 2,226,647	$ 255,620	
Yankee Bonds	$ 2,282,736	$	$ 1,928,049	$ 45,816	$ 308,871
Non-U.S. Fixed Income	$ 8,261,418	$ 204,382	$ 2,474,418	$ 891,452	$ 4,691,166
Developed Markets	$ 3,128,751	$ 204,382	$ 2,474,418	$ 167,639	$ 282,312
Dev. Government/Sovereign	$ 847,235	$ 79,500	$ 597,646	$	$ 170,089
Dev. Corporate	$ 2,281,516	$ 124,882	$ 1,876,772	$ 167,639	$ 112,223
Emerging Markets	$ 5,132,667	$	$	$ 723,813	$ 4,408,854
Emg. Government/Sovereign	$ 1,758,822	$	$	$	$ 1,758,822
Emg. Corporate	$ 3,373,845	$	$	$ 723,813	$ 2,650,032
Convertible Bonds	**$ 8,766,327**	**$ 3,927,047**	**$ 4,009,807**	**$**	**$ 829,473**
Total	**$ 362,447,212**	**$ 19,283,142**	**$ 97,985,109**	**$ 45,879,249**	**$ 199,299,712**

University of Arkansas
Interest Rate Sensitivity – Effective Duration

Total Plan			**June 30, 2006**
Investment Type	**$**	**Fair Value**	**Effective Duration**
Fixed Income	**$**	**353,680,885**	**3.98**
U.S. Government	$	91,321,665	6.54
U.S. Government Treasuries, Notes, Bonds	$	48,595,260	6.44
U.S. Government TIPS	$	26,870,054	9.41
U.S. Government Agency	$	15,576,608	1.95
Other U.S. Government	$	279,743	4.75
Mortgage Backed	$	72,043,797	3.98
Government Pass-Through	$	59,891,663	4.16
Corporate Pass-Through	$	12,152,134	3.12
Collateralized Mortgage Obligations	$	46,791,874	1.60
Government CMO's	$	7,356,735	1.31
Corporate CMO's	$	39,435,138	1.66
Corporate	$	129,952,351	2.94
Corporate Bonds	$	92,409,684	3.36
Corporate Asset Backed	$	31,413,291	1.44
Private Placements	$	6,129,376	3.63
Municipals	$	3,027,044	2.48
Yankee Bonds	$	2,282,736	3.61
Non-U.S. Fixed Income	$	8,261,418	4.60
Developed Markets	$	3,128,751	3.99
Dev. Government/Sovereign	$	847,235	4.70
Dev. Corporate	$	2,281,516	3.72
Emerging Markets	$	5,132,667	5.03
Emg. Government/Sovereign	$	1,758,822	10.94
Emg. Corporate	$	3,373,845	3.10
Convertible Bonds	**$**	**8,766,327**	**4.53**
Total	**$**	**362,447,212**	**3.99**

The activities during fiscal year 2006 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool and SuperCash – CES	Total
June 30, 2005 Balances	$ 57,761,509	$ 53,220,367	$ 7,667,595	$ 118,649,471
Income	1,162,910	2,251,511	302,495	3,716,916
Realized Gains/(Losses)				
Unrealized Gains/(Losses)	4,931,770	(425,937)	(29,543)	4,476,290
Expenses Paid from Pool	(208,099)	(117,211)	(16,759)	(342,069)
Transfers In/(Out) of Pool	(4,000,000)	4,000,000	(517,328)	(517,328)
June 30, 2006 Balances	$ 59,648,090	$ 58,928,730	$ 7,406,460	$ 125,983,280

The activities during fiscal year 2005 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Short Intermediate Pool	Short Intermediate Pool – CES	Total
June 30, 2004 Balances	$ 54,636,849	$ 59,988,182	$ 6,290,342	$ 120,915,373
Income	1,372,900	2,217,279	394,433	3,984,612
Realized Gains/(Losses)	3,614,729	(6,310)	(617)	3,607,802
Unrealized Gains/(Losses)	602,623	1,167,727		1,770,350
Expenses Paid from Pool	(265,592)	(146,511)	(16,563)	(428,666)
Transfers In/(Out) of Pool	(2,200,000)	(10,000,000)	1,000,000	(11,200,000)
June 30, 2005 Balances	$ 57,761,509	$ 53,220,367	$ 7,667,595	$ 118,649,471

Endowment Funds - Assets of endowed funds, except where donor restrictions prohibit commingling of investments, are pooled on a fair value basis, with each fund subscribing or disposing of units on the basis of the unit fair value. The unit fair value is recalculated each month. The following summarizes the relationship between the pooled assets and their earnings:

	2006	2005
Fair Value @ June 30	$ 59,858,324	$ 57,118,301
Number of Units in Pool @ June 30	1,744,525	1,666,034
Fair Value per Unit @ June 30	$ 34.312	$ 34.284
Gains/(Losses) for the Year	$ 4,931,770	$ 4,228,273
Net Income Earned for the Year	$ 954,811	$ 1,124,564
Gain/(Loss) per Unit	$ 2.83	$ 2.54
Income Earned per Unit	0.55	0.67
Total per Unit	$ 3.38	$ 3.21

Donor-restricted Endowments

The computation of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure is as follows:

	2006	2005
Total Endowment at June 30	$ 60,818,198	$ 58,065,682
Less: Quasi-endowment	(18,929,095)	(17,545,502)
Non-expendable portion of True Endowment	(16,597,898)	(17,262,995)
Available for Expenditure	$ 25,291,205	$ 23,257,185

Note: The amounts shown as available for expenditure and the quasi-endowments are reported as expendable net assets on the Statement of Net Assets.

Arkansas Code Annotated 28-69-603 states "(a) The governing board may expend so much of the endowment fund or an aggregation of the endowment fund as the governing body determines to be prudent under the standard established by § 28-69-607 for the uses and purposes for which an endowment fund is established. This section does not limit the authority of the governing board to expend funds as permitted under other law, the terms of the applicable gift instrument, or the charter of the institution. (b) Except as otherwise specified, this section applies to endowment funds established and instruments executed or in effect before or after July 16, 2003."

The University uses a total return policy for investing endowed funds. The University's spending policy is to expend 5.054% of the balance of the endowment averaged over the previous twelve quarters.

(5). Notes Receivable

Notes receivable consist of resources made available for financial loans to students of the University, and of financing agreements between the University and certain organizations for the purpose of facilities construction.

The resources for loans to students include federal funds, funds from other external sources, and University funds. New student loans totaling $2,946,992 and $2,717,837 were issued under the Student Loan Programs for the years ended June 30, 2006, and June 30, 2005, respectively. Of total campus-based loans processed, the majority were from Perkins funds provided by the federal government. The federal student loan default rate based on the U.S. Department of Education Cohort default rate was 16.01% for the year ended June 30, 2006, and 12.59% for the year ended June 30, 2005. Notes receivable totaling $266,680 and $546,659 were written off during the fiscal year ended June 30, 2006, and June 30, 2005, respectively.

The following summarizes the balance of notes receivable at June 30, 2006:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 14,167,444	$ 712,377	$ 13,455,067	$ 3,541,861
Loans to Greek organizations	1,979,301	465,000	1,514,301	94,025
Construction notes	705,000		705,000	345,000
Totals	$ 16,851,745	$ 1,177,377	$ 15,674,368	$ 3,980,886

The following summarizes the balance of notes receivable at June 30, 2005:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 14,377,958	$ 760,224	$ 13,617,734	$ 3,594,489
Loans to Greek organizations	2,069,883	465,000	1,604,883	90,582
Construction notes	1,035,000		1,035,000	330,000
Totals	$ 17,482,841	$ 1,225,224	$ 16,257,617	$ 4,015,071

(6). Pledges Receivable

The composition of pledges receivable at June 30, 2006, is summarized as follows:

Type of Pledge	Balance	Current Portion
Capital	$ 30,000	$ 20,000
Totals	$ 30,000	$ 20,000

The composition of pledges receivable at June 30, 2005, is summarized as follows:

Type of Pledge	Balance	Current Portion
Scholarship	$ 100,000	$ 100,000
Totals	$ 100,000	$ 100,000

(7). Income Taxes

The University is tax exempt from federal income taxes except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2006. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

(8). Accounts Payable and Accrued Liabilities

Accounts payable balances are summarized as follows:

	June 30, 2006	June 30, 2005
Payable to Outside Vendors	$ 14,774,988	$ 10,506,498
Retainage on Construction Contracts	5,230,788	2,760,322
Property Taxes Payable	106,787	26,701
Total	$ 20,112,563	$ 13,293,521

Accrued payroll liabilities are summarized as follows:

	June 30, 2006	June 30, 2005
Net Salaries and Wages Payable	$ 2,291,997	$ 1,154,127
Employee Withholdings Payable	5,788,265	6,247,521
Employer Payroll Taxes and Benefits Matching Payable	4,122,480	3,821,650
Total	$ 12,202,742	$ 11,223,298

(9). Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts

Debt service payments on existing bonds amounted to $20,146,132 for the fiscal year ended June 30, 2006. The amount of $1,535,580 was expended for principal and interest on notes payable, installment contracts and capital leases for the same period.

On July 1, 2005, the University issued $9,645,000 in Athletic Facilities Revenue Refunding Bonds, Series 2005. The Series 2005 bonds were issued with an average coupon rate of 3.162% in order to refund $9,520,000 Athletic Facilities Revenue Refunding Bonds, Fayetteville Campus, Series 1997 Bonds, having an average interest

rate of 4.962%. Proceeds in the amount of $8,595,418 were deposited along with the University's contribution of $153,561 for interest due on the Series 1997 Bonds through July 13, 2005, and $956,097 released from the Series 1997 Debt Service Reserve Fund into an irrevocable trust with an escrow agent to provide for the refunding of all the outstanding Series 1997 Bonds except for the Series 1997 Bonds maturing on September 15, 2005. The balance in the escrow account was paid out on September 15, 2005 to fully redeem the bonds to be refunded. The University refunded the 1997 Series bonds to reduce its total debt service payments over the next 5 years by $351,245 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $324,968.

On June 1, 2006, the University issued $67,420,000 in Various Facility Revenue Bonds, Series 2006. The bonds were issued to provide funds to finance several construction projects on the University campus including two new residence halls, the second phase of improvements and expansion to the law school facilities, and several energy efficiency improvements to various existing facilities on campus. Proceeds will also be used to purchase various pieces of real property adjacent to the campus and to finance various other improvements and acquisitions.

On June 1, 2006, the University issued $8,205,000 in Athletic Facilities Revenue Bonds, Series 2006 to provide funds to finance the construction, renovation and equipment of John McDonnell Field, the varsity outdoor track and field facility.

On October 1, 2004, the University issued $23,500,000 in Various Facility Revenue Bonds, Series 2004A, and $7,050,000 in Various Facility Revenue Refunding Bonds, Series 2004B. Series 2004A bonds were issued to provide funds to finance several construction projects on the University campus including the Law Library addition, the Central Chilled Water rebuild, Harmon Avenue Parking Facility, the Lewis Epley Band Building addition and various other projects. Series 2004B bonds were issued with an average coupon rate of 3.677% in order to advance refund $6,550,000 of Series 1997 Various Facility Revenue Bonds having an average interest rate of 5.198%. Proceeds in the amount of $6,992,044, plus an additional $169,605, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 1997 Series bonds. Regularly scheduled interest and principal payments on the 1997 Series issue were made on November 1, 2004 and will continue through November 1, 2007, from the escrow fund. All outstanding refunded Series 1997 bonds will be redeemed on November 1, 2007, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, the 1997 bonds are considered defeased. The liability for those bonds has been removed from the Statement of Net Assets. The University advance refunded the 1997 Series bonds to reduce its total debt service payments over the next 14 years by $557,636 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $299,199. The escrow balance at June 30, 2006 was $6,779,503.

On March 1, 2005, the University issued $21,020,000 in Various Facility Revenue Bonds, Series 2005A, and $60,000,000 in Various Facility Revenue Refunding Bonds,

Series 2005B. Series 2005A bonds were issued to provide funds to finance the construction of the Willard Walker Graduate School of Business building, the Center for Academic Excellence building, and the Chemistry building. Series 2005B bonds were issued with an average coupon rate of 4.408% in order to advance refund $44,195,000 of Series 2002 Various Facility Revenue Bonds and $12,135,000 of Series 2001 Various Facility Revenue Bonds. The refunded bonds have an average interest rate of 5.472%. Proceeds in the amount of $62,255,099, plus an additional $779,632, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 2002 and 2001 Series bonds. Regularly scheduled interest and principal payments on the 2002 Series and 2001 Series issues were made on June 1, 2005 and will continue through December 1, 2012 for Series 2002 and through December 1, 2011 for Series 2001, from the escrow fund. All outstanding refunded Series 2002 bonds will be redeemed on December 1, 2012, at a price equal to 100% of the principal amount plus interest accrued thereon. All outstanding refunded Series 2001 bonds will be redeemed on December 1, 2011, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, those portions of the 2002 Series and 2001 Series bonds are considered defeased. The liability for those bonds has been removed from the Statement of Net Assets. The University advance refunded portions of the 2002 and 2001 Series bonds to reduce its total debt service payments over the next 18 years by $4,116,788 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,263,717. The escrow balance at June 30, 2006 was $61,447,608.

Remaining balances of defeased bond issues as of June 30, 2006:

Title	Principal Balance at June 30, 2006
Various Facilities Revenue Bonds, Series 2002	$ 44,195,000
Various Facilities Revenue Bonds, Series 2001	12,135,000
Various Facilities Revenue Bonds, Series 1997	6,550,000
Total	$ 62,880,000

In April 2005, the University entered into a capital lease purchase agreement in the amount of $756,527 to finance the purchase of several pieces of computing equipment and a related maintenance agreement. Each piece of equipment purchased as well as the maintenance agreement has its own interest rate. The interest rates range from 1.55% to 7.71%. Annual payments commenced on April 1, 2005 and continue until July 1, 2009.

A summary of long term debt at June 30, 2006, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2006	Debt Refunded during FYE June 30, 2006	Maturities and Refinanced Amounts to June 30, 2006
11/01/1996	11/01/2009	3.85% to 5.25%	$ 12,105,000	$ 2,055,000		$ 10,050,000
11/01/1997	09/15/2011	4.10% to 5.00%	19,170,000		$ 9,520,000	9,650,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	8,875,000		12,570,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	24,010,000		5,990,000
11/01/2001	12/01/2021	2.90% to 5.50%	42,985,000	24,760,000		18,225,000
11/01/2001	12/01/2021	3.55%	11,555,000	11,555,000		
12/01/2002	12/01/2032	1.80% to 5.50%	110,980,000	60,440,000		50,540,000
10/01/2004	11/01/2024	2.00% to 4.75%	30,550,000	29,630,000		920,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	80,730,000		290,000
07/01/2005	09/15/2011	3.00% to 3.25%	9,645,000	9,645,000		
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	67,420,000		
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	8,205,000		
11/30/1991	05/01/2022	5.50%	3,000,000	2,166,161		833,839
11/29/1995	12/01/2019	4.00% to 5.00%	2,071,140	1,514,300		556,840
09/13/1995	12/01/2010	5.75% to 7.05%	535,000	240,000		295,000
12/20/1999	12/20/2023	Various	827,888	827,888		
07/31/2002	07/01/2012	2.05%	900,000	561,750		338,250
Various	Various	Various	2,017,126	1,014,545		1,002,581
Deferral on debt defeasance			(4,295,000)	(3,900,951)		(394,049)
Totals			$ 450,136,154	$ 329,748,693	$ 9,520,000	$ 110,867,461

A summary of long term debt at June 30, 2005, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2005	Debt Partially Refunded during FYE June 30, 2005	Maturities to June 30, 2005
04/01/1966	04/01/2006	3.00%	$ 4,000,000	$ 153,000		$ 3,847,000
11/01/1996	11/01/2009	3.85% to 5.25%	12,105,000	2,510,000		9,595,000
11/01/1997	09/15/2011	4.10% to 5.00%	19,170,000	10,915,000		8,255,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	9,885,000	$ 6,550,000	5,010,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	25,105,000		4,895,000
11/01/2001	12/01/2021	2.90% to 5.50%	42,985,000	26,335,000	12,135,000	4,515,000
11/01/2001	12/01/2021	3.55%	11,555,000	11,555,000		
12/01/2002	12/01/2032	1.80% to 5.50%	110,980,000	62,330,000	44,195,000	4,455,000
10/01/2004	11/01/2024	2.00% to 4.75%	30,550,000	30,550,000		
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	81,020,000		
11/30/1991	05/01/2022	5.50%	3,000,000	2,248,913		751,087
11/29/1995	12/01/2019	4.00% to 5.00%	2,071,140	1,604,883		466,257
09/13/1995	12/01/2010	5.75% to 7.05%	535,000	280,000		255,000
12/20/1999	12/20/2023	Various	827,888	827,888		
07/31/2002	07/01/2012	2.05%	900,000	648,903		251,097
06/25/2003	06/30/2008	Various	250,000			250,000
Various	Various	Various	1,539,647	1,005,067		534,580
Deferral on debt defeasance			(4,170,000)	(4,093,240)		(76,760)
Totals			$ 368,763,675	$ 262,880,414	$ 62,880,000	$ 43,003,261

Equipment Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $1,054,374 at June 30, 2006.

Type of Equipment	Asset Balance June 30, 2006
Groundskeeping Equipment	$ 260,599
Computing Service Equipment	793,775
Total	$ 1,054,374
Total Minimum Lease Payments	$ 520,345
Less: Amount Representing Interest	45,676
Total Present Value of Net Minimum Lease Payments	$ 474,669

Changes in long-term liabilities for the year ended June 30, 2006, are as follows:

	Fiscal Year Ended June 30, 2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 260,358,000	$ 85,270,000	$ 18,303,000	$ 327,325,000	$ 9,890,000
Deferral on debt defeasance	(4,093,240)	(125,000)	(317,289)	(3,900,951)	(288,625)
Notes	5,610,587		300,488	5,310,099	262,786
Leases	269,759	756,527	551,618	474,668	39,382
Installment contract	735,308		195,431	539,877	202,846
Compensated absences	13,448,306	1,590,401	25,818	15,012,889	825,311
Totals	$ 276,328,720	$ 87,491,928	$ 19,059,066	$ 344,761,582	$ 10,931,700

Note: Amounts shown in "Ending Balance" include both current and long-term portions.

Changes in long term liabilities for the year ended June 30, 2005, are as follows:

	Fiscal Year Ended June 30, 2005				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 220,183,000	$ 111,570,000	$ 71,395,000	$ 260,358,000	$ 8,783,000
Deferral on debt defeasance		(4,170,000)	(76,760)	(4,093,240)	(297,155)
Notes	5,934,374		323,787	5,610,587	254,728
Leases	152,109	258,832	141,182	269,759	139,682
Installment contract	923,593		188,285	735,308	195,431
Compensated absences	12,681,540	803,398	36,632	13,448,306	710,528
Totals	$ 239,874,616	$ 108,462,230	$ 72,008,126	$ 276,328,720	$ 9,786,214

Note: Amounts shown in "Ending Balance" include both current and long-term portions.

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

	PRINCIPAL	INTEREST*	TOTAL
2007	$ 10,106,389	$ 14,703,971	$ 24,810,360
2008	11,739,956	14,639,469	26,379,425
2009	12,243,546	14,132,293	26,375,839
2010	21,320,437	13,375,988	34,696,425
2011	11,555,285	12,641,526	24,196,811
2012-2016	59,735,901	55,610,742	115,346,643
2017-2021	75,136,156	40,397,856	115,534,012
2022-2026	61,636,023	21,673,926	83,309,949
2027-2031	31,995,000	12,780,394	44,775,394
2032-2036	29,110,000	4,450,000	33,560,000
2037	5,170,000	129,250	5,299,250
Totals	$ 329,748,693	$ 204,535,415	$ 534,284,108

*Interest payments made on one Note Payable are calculated using floating interest rates. The interest on the Note will be calculated using a floating rate equal to the amount earned on non-endowed investments known as the short-term intermediate pool each month from the fiscal years ended June 30, 2006, through June 30, 2026. The estimated future interest for this Note was calculated using the rate, of 4.2%.

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, 2006, and June 30, 2005, that are pledged:

BOND SERIES	REVENUE SOURCE	2006	2005
Series 1966 Dormitory	Residential Life	$ 14,912,489	$ 14,812,093
Series 1996 Refunding	Student Tuition and Fees	$ 114,244,315	$ 101,790,256
Series 1997 Various Facilities	Sales and Services	10,229,074	8,602,627
Series 2001 Various Facilities	Residential Life	17,341,038	14,812,093
Series 2002 Various Facilities	Student Apartments	695,309	1,420,088
Series 2004 Various Facilities	Arkansas Union	733,461	447,996
Series 2005 Various Facilities	Bookstore	14,394,240	12,087,607
Series 2006 Various Facilities	Student Health Services	1,114,937	1,090,624
	Transit and Parking	4,718,642	3,323,318
	Other Auxiliaries	1,633,750	1,239,225
	Total	$ 165,104,766	$ 144,813,834
Series 1999 Athletic Facilities	Men's Athletic Revenue	$ 40,619,088	$ 41,486,848
Series 2001 Athletic Subordinate	(less game guarantees)	(2,090,078)	(2,384,578)
Series 2005 Athletic Refunding			
Series 2006 Athletic Facilities	Total	$ 38,529,010	$ 39,102,270

(10). Commitments

The University was contractually obligated for the following at June 30, 2006:

A. Construction and Architect Contracts

Project Name	Completion Date	Beginning Year Contract Balance Plus Amendments	Amount Paid	Year-End Contract Balance
AFLS Building – HVAC Upgrade	Substantially Complete	$ 1,123,415	$ 1,120,815	$ 2,600
Anthony Chapel at Garvan Gardens	Substantially Complete	2,214,409	2,014,879	199,530
Building Metering & Controls	Substantially Complete	2,696,020	1,870,094	825,926
Center for Acad. Excellence	June, 2007	25,724,133	9,001,662	16,722,471
Central Chilled Water Plant	July, 2006	1,225,583	890,483	335,100
Chemistry Building Renovation	December, 2006	14,296,621	7,767,165	6,529,456
Dan Felton Jr. Bldg – Cotton Branch	October, 2006	1,095,000	117,721	977,279
Gatehouse at the Gardens	August, 2006	463,700	235,204	228,496
Food Science Lab Addition	September, 2006	1,740,228	1,655,617	84,611
Harmon Road Waste Site	June, 2007	1,768,613	1,404,756	363,857
John McDonnell Track Renovation	June, 2007	7,677,855	7,140,885	536,970
Leflar Law Addition and Renov.	August, 2006	9,668,815	7,611,642	2,057,173
Lewis Epley Band Building	September, 2006	2,910,060	1,753,120	1,156,940
Maple Hill Housing Complex	July, 2007	44,312,975	3,345,841	40,967,134
Old Main Exterior Renovation	November, 2006	2,647,546	2,305,568	341,978
Parking Facility – Harmon Ave.	Substantially Complete	2,200,771	1,885,646	315,125
Sigma Nu Fraternity House	August, 2007	285,723	85,643	200,080
Vol Walker Interior	Substantially Complete	1,638,788	1,526,528	112,260
West Avenue Annex Renovation	September, 2006	647,963	348,365	299,598
Willard J. Walker Hall	August, 2007	17,479,192	6,888,159	10,591,033
Women's Softball Complex - Design	August, 2008	360,500	25,783	334,717
Other	Various	2,016,566	1,422,598	593,968
Totals		$ 144,194,476	$ 60,418,174	$ 83,776,302

The beginning year contract balance/amendments column represents the balance remaining on contracts at the beginning of the fiscal year plus new contracts for the current fiscal year and any amendments made to existing contracts in the current fiscal year. The year-end contract balances listed above do not reflect the effects of accrued expenses as of June 30, 2006.

B. Operating Leases

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. The total expenditures for all rental lease payments and non-lease rental payments for the fiscal year ended June 30, 2006, were $4,010,343. Minimum annual rental payments for

leases having an initial term in excess of one year totaled $2,059,275. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2007	$ 803,080
2008	672,275
2009	108,120
2010	31,200
2011	31,200
Thereafter	413,400
Total	$ 2,059,275

(11). Employee Benefits

A. Retirement Benefits

The University offers employees the option of participating in either the Optional Retirement Program (ORP) which includes Teachers Insurance Annuity Association—College Retirement 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 come to work for the University that have a previous record with ATRS. APERS and ATRS are both defined benefit plans.

The ORP is a defined contribution plan. The plan is a 403(b) program as defined by the Internal Revenue Service Code of 1986 as amended, and is administered by the President of the University or his delegate. Employees who reach their tax-deferred 403(b) maximums can then participate in a 457(b) plan. Contributions to Fidelity Investments shall be applied either to individual annuities issued under a Metropolitan Life Guaranteed Account and/or one or more mutual fund custodian accounts managed by Fidelity Investments. Contributions to TIAA-CREF can be allocated among their various annuity accounts. Arkansas law 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, up to a maximum University contribution of 10% of regular salary. 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 both the University and the participant are immediately vested in the participant for all faculty members and non-classified employees and all classified employees whose initial employment occurred prior to January 1, 1985, and who made any plan contributions prior to that date. For all other

classified employees, vesting of benefits attributable to plan contributions made by the University shall occur on the earlier of completion of three years of service, or attainment of age 65, or the participant's having made plan contributions of at least five percent of regular salary for six consecutive months. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2006, were $13,345,672 and $12,818,618 respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2006, were $2,996,793 and $3,103,456, respectively. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2005, were $12,510,668 and $12,631,883, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2005, were $2,888,933 and $2,878,070, respectively.

APERS is a cost-sharing multiple employer defined benefit plan administered by the State of Arkansas. The University contributes 12.54% of applicable wages to the plan. Under certain conditions covered employees may voluntarily contribute 5% of his/her salary. The University's and participants' contributions for the year ending June 30, 2006, were $176,864 and $1,857, respectively. The University's and participants' contribution for the year ending June 30, 2005, were $156,070 and $0, respectively.

ATRS is a cost-sharing multiple employer defined benefit pension plan. The University contributes 14% of all covered employees' salaries. Under certain conditions covered employees may voluntarily contribute 6% of his/her salary. The University's and participants' contributions for the year ending June 30, 2006, were $85,420 and $20,637, respectively. The University's and participants' contributions for the year ending June 30, 2005, were $80,079 and $14,154, respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 2006, were $569,465 and $483,420, respectively. The University's and participants' contributions to all other pension plans for the year ended June 30, 2005, were $524,347 and $458,263, respectively.

B. Self-Insurance Plans

The University of Arkansas System sponsors self-funded health and dental benefit plans for University employees and their eligible dependents. The Fayetteville, Medical Sciences, Little Rock, Pine Bluff, Monticello, and Batesville campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, Criminal Justice Institute, the Clinton School of Public Service, the Arkansas School for Mathematics, Sciences and the Arts, and the University of Arkansas Foundation, Inc., participate in the health insurance program which is administered by the System Administration. Operations of the plans are recorded in the separate financial statements of the System Administration.

For the year ending June 30, 2006, a total of 4,505 active employees, former employees, and retirees were participants in the health plan. For the year ending June 30, 2005, the total of active employees, former employees, and retirees participating in the health plan

was 4,401. The University pays 68.441% for the Point of Service Plan and 77.39% for the Classic Plan for Fayetteville. The University pays 75.135% for the Division of Agriculture and the Arkansas Archeological Survey and 73.892% for the Criminal Justice Institute for the Point of Service Plan and 73.892% for the Classic Plan. The University pays 70% of the health plan for federal employees.

C. Life Insurance Plan

The University of Arkansas System's life insurance carrier is Unum Life Insurance Company of America. The University's life insurance is a fully-insured arrangement with the premiums being sent directly to the life insurance carrier.

Expenditures for all employee benefits are included as expenditures within the appropriate functional area.

(12). Property, Plant and Equipment

The following schedule presents a summary of property, plant and equipment for the fiscal year 2006:

	Beginning Balance	Additions	Retirements	Change in Accounting Estimate	Ending Balance
Land (not depreciated)	$ 15,726,470	$ 3,676,040			$ 19,402,510
Buildings	619,631,085	60,356,765	$ 1,354,590		678,633,260
Equipment	176,088,249	43,819,600	9,225,203		210,682,646
Improvements	14,990,416	1,133,164			16,123,580
Infrastructure	30,574,197	3,216,399			33,790,596
Other Assets	1,255,198	38,422			1,293,620
Construction in Progress	69,599,102	71,654,124	51,719,479		89,533,747
Total	927,864,717	183,894,514	62,299,272		1,049,459,959
Less accumulated depreciation					
Buildings	239,181,144	20,754,832	1,134,910		258,801,066
Equipment	120,845,503	21,575,818	8,209,236	$ (5,184,052)	129,028,033
Improvements	7,538,658	601,495			8,140,153
Infrastructure	19,639,093	1,071,197			20,710,290
Total accumulated depreciation	387,204,398	44,003,342	9,344,146	(5,184,052)	416,679,542
Capital Assets, Net	$ 540,660,319	139,891,172	$ 52,955,126	$ 5,184,052	$ 632,780,417

Note: Land of $176,625 and buildings of $3,979,780 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See note 15.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2005:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (not depreciated)	$ 15,281,078	$ 445,392		$ 15,726,470
Buildings	554,522,948	65,753,879	$ 645,742	619,631,085
Equipment	150,396,937	32,071,465	6,380,153	176,088,249
Improvements	14,214,960	775,456		14,990,416
Infrastructure	25,563,285	5,010,912		30,574,197
Other Assets	1,078,118	177,080		1,255,198
Construction in Progress	82,214,521	53,011,716	65,627,135	69,599,102
Total	843,271,847	157,245,900	72,653,030	927,864,717
Less accumulated depreciation				
Buildings	221,037,323	18,724,118	580,297	239,181,144
Equipment	108,177,843	18,667,930	6,000,270	120,845,503
Improvements	6,982,481	556,177		7,538,658
Infrastructure	18,711,514	927,579		19,639,093
Total accumulated depreciation	354,909,161	38,875,804	6,580,567	387,204,398
Capital Assets, Net	$ 488,362,686	$ 118,370,096	$ 66,072,463	$ 540,660,319

Library holdings are comprised of books and periodicals, including old and rare books, held by the University and the separate collection of U.S. documents which includes bound volumes, unbound pieces, including maps cataloged or not. The estimated value of the holdings at June 30, 1995, was $41,593,020. The holdings are housed in the Chemistry Library, Fine Arts Library, Law Library, Physics Library, and Mullins Library. The holdings also include manuscript collections, microfilm, microfiche, classified maps and charts, and audio/video materials and are disclosed in the following table:

Selected Estimate of Library Holdings as of June 30	2006	2005
Books and Periodicals	1,761,444	1,727,893
Microforms	5,498,396	5,472,437
Maps and Charts	142,192	141,460
Audio/Visual	22,497	27,908
Computer Files	6,581	6,114
U.S. Documents (pieces)	94,046	99,926
Total Estimate	7,525,156	7,475,738

The University estimates holdings of $8.3 million in timber resources as of June 30, 2006. The estimated value of these holdings was $7.6 million as of June 30, 2005. These resources, which total 13,016 acres, are located on various tracts of land in Arkansas. These resources are currently being inventoried.

(13). Museum Collection

The financial statements do not include the University's museum collection which consists of numerous historical relics, artifacts, displays, and memorabilia. Major collections are in archeology, physical anthropology, ethnography, geology, zoology, and history. The value of this collection has not been established by professionals in this field.

(14). Operating Expenses by Function

For the year ended June 30, 2006:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 89,570,446		$ 16,707,139		$ 106,277,585
Research	66,088,269		25,642,576		91,730,845
Public Service	47,878,432		14,777,540		62,655,972
Academic Support	18,703,554		11,038,963		29,742,517
Student Services	11,700,067		5,705,968		17,406,035
Institutional Support	24,806,189		6,729,819		31,536,008
Scholarships and Fellowships	1,181,781	$ 23,380,916	172,520		24,735,217
Operation and Maintenance of Plant	13,919,190		21,115,679		35,034,869
Auxiliary Enterprises	27,517,348		41,437,853		68,955,201
Depreciation				$ 44,003,342	44,003,342
Totals	$ 301,365,276	$ 23,380,916	$ 143,328,057	$ 44,003,342	$ 512,077,591

For the year ended June 30, 2005:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 81,790,926		$ 14,296,771		$ 96,087,697
Research	63,294,514		24,219,003		87,513,517
Public Service	43,716,754		13,960,970		57,677,724
Academic Support	17,994,503		10,914,554		28,909,057
Student Services	10,656,165		5,635,842		16,292,007
Institutional Support	19,924,013		5,315,044		25,239,057
Scholarships and Fellowships	4,834,724	$ 19,357,247	178,504		24,370,475
Operation and Maintenance of Plant	13,396,995		16,106,684		29,503,679
Auxiliary Enterprises	24,586,497		38,880,887		63,467,384
Depreciation				$ 38,875,804	38,875,804
Totals	$ 280,195,091	$ 19,357,247	$ 129,508,259	$ 38,875,804	$ 467,936,401

(15). Walton Arts Center

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. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, three are appointed by the University, three by the City of Fayetteville, and three are recommended by the Foundation that must be 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 must submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council is comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom serve as volunteers.

The combined audited financial statements of the Walton Arts Center Council, Inc., and the Walton Arts Center Foundation, Inc., as of and for the year ended June 30, 2006, which have been audited by an independent certified public accountant, are presented below in summary form.

Condensed Statement of Financial Position	
Assets	
Cash and Cash Equivalents	$ 778,021
Investments	12,862,018
Other Assets	697,788
Fixed Assets, Net of Depreciation	5,921,818
Total Assets	**$ 20,259,645**
Liabilities and Net Assets	
Liabilities	$ 1,675,056
Net Assets	18,584,589
Total Liabilities and Net Assets	**$ 20,259,645**

Condensed Statement of Activities		
Ticket Sales	$	2,702,189
Contributions and Sponsorships		1,781,497
Other Income		3,266,907
Total Income and Other Additions	**$**	**7,750,593**
Total Expenditures and Other Deductions	**$**	**7,076,127**
Increase/(Decrease) in Net Assets	**$**	**674,466**

(16). Other Entity

University of Arkansas Foundation, Inc. - The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. The Board of Trustees of the Foundation includes one (1) member who is also a member of the University's Board of Trustees. The audited financial statements of the Foundation, as of and for the year ended June 30, 2006, which have been audited by an independent certified public accountant, are presented below in summary form. The University of Arkansas, Fayetteville is the beneficiary of 59.2% of the net assets of the Foundation. The remaining 40.8% benefits other University of Arkansas campuses.

Condensed Statement of Financial Position		
Assets		
Cash and Cash Equivalents	$	6,706,137
Investments		561,075,536
Contributions Receivable, less Allowance		51,243,030
Other Receivables		2,838,361
Fixed Assets, Net of Depreciation		1,541,279
Other Assets		500,977
Total Assets	**$**	**623,905,320**
Liabilities and Net Assets		
Liabilities	$	22,796,824
Net Assets		
Unrestricted		60,450,150
Restricted		540,658,346
Net Assets		601,108,496
Total Liabilities and Net Assets	**$**	**623,905,320**

Condensed Statement of Activities		
Contributions	$	68,556,041
Other Revenues, Additions and Gains/(Losses)		47,100,532
Total Income and Other Additions	**$**	**115,656,573**
Total Expenditures and Other Deductions	**$**	**60,659,507**
Increase/(Decrease) in Net Assets	**$**	**54,997,066**

(17). Short-Term Debt

GASB Statement No. 38 issued June 1, 2001, 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, 2006.

(18). Change in Accounting Estimate

During the fiscal year ended June 30, 2006, the University made an adjustment to the accumulated depreciation totals due to a change in the estimate of useful lives of certain classes of equipment. The net adjustment made due to the change in accounting estimate was a reduction of accumulated depreciation of $5,184,052.

(19). Reclassification

During the fiscal year ended June 30, 2006, the University determined that bond proceeds reported as Deposits with bond trustees, and intended for the purchase or construction of capital assets should be classified on the Statement of Net Assets as Noncurrent Assets rather than Current Assets as it has been reported in past years. This change is a result of Management's interpretation of accounting guidelines that came to it's attention during the fiscal year.

(20). Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University.

This Page Intentionally Left Blank

BOARD OF TRUSTEES

Stanley E. Reed, Chairman
Marianna, AR
Term Ends 03/01/08

James E. Lindsey, Vice-Chairman
Fayetteville, AR
Term Ends 03/01/09

Jane Rogers, Secretary
Little Rock, AR
Term Ends 03/01/16

Carl L. Johnson, Assistant Secretary
Little Rock, AR
Term Ends 03/01/12

Charles E. Scharlau, III
Fayetteville, AR
Term Ends 03/01/07

Mike Akin
Monticello, AR
*Term Ends 03/01/1*3

Tim E. Hunt
Paragould, AR
Term Ends 03/01/10

Sam Hilburn
North Little Rock, AR
Term Ends 03/01/14

John Ed Anthony
Hot Springs, AR
Term Ends 03/01/11

Jim von Gremp
Rogers, AR
Term Ends 03/01/15

UNIVERSITY OF ARKANSAS FINANCIAL OFFICERS

Donald O. Pederson
Vice Chancellor for
Finance & Administration

Larrie Stolfi
Interim Associate Vice Chancellor for
Finance & Administration

Larrie Stolfi
Controller

Stephen Turner
Director of Research Accounting

Michael White
Associate Controller

Jo Ann Pepper
Director of Student Accounts

Eric Robinson
Budget Officer

Peter Campbell
Information Technology Manager

Allen Lacey
Investment Manager